

**Common Stock Code: 1718**

# **CHINA MAN-MADE FIBER CORPORATION**

## **2022 Annual report**

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# One. A Message to the Shareholders

## I. The 2022 Business result

### (I) Business plan execution and achievement

In 2022, the individual operating revenue is \$8,331,419 thousand, the non-operating revenue is \$1,708,341 thousand, the realized gain or loss with subsidiaries and affiliates is \$27 thousand, operating cost and expenses is \$11,084,811 thousand, the non-operating expense is \$298,075 thousand and the loss before tax is \$1,343,099 thousand. Loss for 2022 is \$1,352,253 thousand.

### (II) Budget implementation situation

#### \* The Company

According to the Regulations Governing the Publication of Financial Forecasts of Public Companies, the Company does not need to disclose the financial forecast of 2022, so there is no analysis of budgeting of 2022.

#### \* Consolidated companies

1. Pan Asia Chemical Corporation: The 2022 budgeting does not require the disclosure of financial forecasts.

2. Taichung Commercial Bank: Budgeting in 2022:

(1) In 2022, the average balance of New Taiwan dollar and foreign currency deposit amounted to NT\$690,436 million, respectively, an increase by NT\$35,184 million, accounting for 102.80% growth.

(2) Loans granted in New Taiwan dollars and foreign currency averaged NT\$518.975 billion in 2022, up NT\$39.834 billion from 2021, reaching 103.71%.

(3) With an increase of NT\$279 million in 2022 compared to the previous year, the total fee income from corporate finance loans was NT\$1.056 billion, reaching 127.51%.

(4) In 2022, the foreign currency transactions amounted to US\$24,562 million, an increase by US\$2,827 million, accounting for 120.52% growth.

### (III) Financial income and expense and profitability analysis (individual information)

Item		2022	2021	
Financial structure (%)	Debt to assets ratio	44.43	40.06	
	Ratio of long-term capital to property, plant and equipment	331.93	307.98	
Solvency analysis	Current ratio (%)	52.23	52.73	
	Liquid ratio (%)	28.51	35.53	
	Interest coverage ratio	(5.85)	1.04	
Profitability analysis	Return on assets (%)	(3.05)	0.33	
	Return on equity (%)	(5.97)	0.02	
	Paid-in capital	Operating profit	(16.33)	(7.69)
	Percentage (%)	Income before taxation	(7.97)	0.03
	Net profit rate (%)		(16.23)	0.05
	Earnings per share (NTD)		(1.01)	0.00

### Financial income and expense and profitability analysis (consolidated information)

Item		2022	2021
Financial structure (%)	Debt to assets ratio	91.03	91.04
Profitability analysis	Return on assets (%)	0.83	0.81
	Return on equity (%)	3.81	5.57
	Pre-tax profits to paid-up capital ratio (%)	24.35	27.70
	Net profit rate (%)	20.87	24.76
	Earnings per share (NTD)	(1.01)	0.00

#### (IV) Research and development

##### \* The Company

1. Completed mass produce of eco-friendly pellets derived from recycled PET bottle chips, which can be provided to the spinning section and false twist section to manufacture eco-friendly yarns to boost the added values. By this, we virtually minimized waste, saved on energy and reduced carbon emission to be friendly toward the global environment.
2. Total implementation of our efforts toward refurbishment of double-suction pumps for cooling water circulation and the ceramic coating projects that would significantly save on power, boost efficiency and minimize power consumption.
3. The motor for the supply of dry compressed air system for spinning manufacturing was changed to the variable-frequency drive type, to benefit the increase in operating rate, raising the quality and energy saving performance.
4. In order to stabilize control of wind pressure, enhance quality and achieve energy efficiency, spinning process QAC-1N and 3N windmill motors have been converted to variable-frequency controlled.
5. The twist process involves the addition of pipelines that connect the GA air system to the IA air system to reduce energy consumption and the opening of IA system machines.
6. Ceramic coating improvement project for cooling water pumps at the petrochemical plant, to increase pump efficiency to reduce power consumption and achieve carbon reduction.
7. Added the variable-frequency drive to the wastewater treatment plant discharge pump and middle tank circulating pump motor to reduce power consumption and achieve carbon reduction.

##### \* Consolidated companies

###### 1. Pan Asia Oil and Chemical Corporation:

- (1) Development of POY/SDY spinning oil agent
- (2) Development of esterified nonionic surfactants
- (3) Development of anionic and cat-ionic surfactants
- (4) Development of nonionic surfactants for special products
- (5) Development of esterified products and surfactants for cosmetics and personal cleansing products
- (6) Development of esterified products for a variety of purposes

###### 2. Taichung Commercial Bank:

Optimizing digital platforms, implementing client base management and practicing sustainable development are the strategic focuses of the bank. The bank is actively developing digital finance and holding regular “financial technology development strategy meetings” to examine market-wide changes. The bank’s vision to advance digital financial services includes a “people-centered” focus, the promotion of innovative businesses and a complete digital overhaul of the internal operations. Customers’ financial journey experiences can be perfected through financial technology innovation, in-depth digital product development and digital customer base marketing, resulting in the deployment of a people-centered digital financial ecosystem.

## II. Summary of business plan 2023

### (1) Operation strategies

#### \* The Company

1. Reduce costs and inventory and improve operating I efficiency.
2. Research and develop value-added products, accelerate the vertical integration of products and improve competitiveness.
3. Computerize the operations management, inspect various operating procedures, strengthen internal control and improve efficiency.
4. Strengthen marketing efforts and market development, and improve service quality and customer satisfaction.
5. Actively and prudently assess various investments and adjust the portfolios in a timely

manner.

6. Control customers' credit line to reduce the occurrence of bad debts.
7. Pay attention to employee welfare, promote labor-management coordination, emphasize occupational safety and fulfill social responsibilities.

\* Consolidated companies

1. Pan Asia Chemical Corporation
  - (1) Focus on core businesses, improve quality and enhance customer service.
  - (2) Improve operational performance, integrate resources, study value-added products and improve competitiveness in the market.
  - (3) Strengthen organizational operations, promote labor-management coordination and improve advantages for the Company's sustainability.
2. Taichung Commercial Bank: Please see page 3~4 for key production and sales policies.

(II) 2023 operational objectives and prospects.

\* The Company

As a result of the Russo-Ukrainian War, international energy and food prices rose in 2022, while global inflation reached new highs on multiple occasions, prompting central banks around the world to begin raising interest rates and enacting monetary tightening policies. Furthermore, the recurring global pandemic, China's zero-clearing and lockdown policy and a contracting consumer market, particularly in the second half of the year, have all contributed to this year's global economic growth being the weakest since the 1990s, aside from the global financial crisis. As the conflict between Russia and Ukraine remains at a stand-off, rising inflation and interest rate pressures, and global economic and trade growth forecasts for this year have been lowered by major international forecasting agencies due to the continuing effects of the pandemic. Evidently, the company's operations continue to face significant challenges and obstacles this year.

As a result of the Russo-Ukrainian War, the cost of ethylene, a component of ethylene glycol (EG), has increased drastically. However, EG is constrained by the consumption of chemical fiber terminals as a result of the crowding out effect of inflation, reduced demand, stagnant prices and excessive production output. The factory-gate price simply cannot keep up with cost changes, so production cuts are necessary. The primary purpose of production capacity is to either exhaust the contracted raw materials supply or pass on costs.

The momentum of global crude oil supply is expected to recover this year if the Russo-Ukrainian War eventually concludes. Downstream demand will rise as the global situation regarding pandemic control improves. EG will also be boosted by the triple win of supply, demand and price. Foreign installations will begin to recover over time, while EG's new production capacity will rise steadily. Due to the supply-and-demand mismatch, the company's operations will remain difficult over the long term.

Due to inflation, consumers reduced their purchases of polyester yarn last year. Brand clients' stockpiles grew, the global economic outlook remained unclear, the terminal consumption inventory was high and operating performance fell short of expectations. The situation with destocking inventories will not change in the coming year. Whether or not the market recovers depends on a number of variables, including the duration of the Russo-Ukrainian War, the pace at which inflation declines, the persistence of rising interest rates and the depletion of brand inventories. The external polyester market will face China's massive release of production capacity following its lifting of the lockdown, the ascent of Vietnam's industrial chain and other competitive pressures, making the operating environment more challenging than ever. This wave of industrial adjustment is anticipated to yield results after the third quarter of 2023. Hopefully by the time of the 2024 Olympics, the economy will have stabilized and a new cycle of industrial expansion can begin. Additionally, with global energy conservation and carbon reduction efforts, as well as the pursuit of carbon neutrality, the company anticipates that global brand customers will achieve 60% carbon reduction and 100% green energy manufacturing business opportunities by 2030. Products that are both environmentally friendly and functional will be preferred (see Remarks). As a result, brand customers' demand for green

products will increase steadily. Orders for environmentally friendly and recycled products will be visible for several years. In view of this, the company has commenced mass production and sales. The company's clients have given affirmation to the high quality of its products. To maximize profits and lessen the impact of oil price fluctuations, the company will actively promote sales while avoiding the disadvantages of bulk specifications and pricing from mainland China and ASEAN competition.

In 2023, we expect to sell 290,945 tons of ethylene glycol (EG), 17,299 tons of ethylene oxide (EO), 19,503 tons of non-phenol (NP), 1,920 tons of partially oriented yarn (POY), 16,699 tons of spin draw yarn (SDY), 27,123 tons of draw texturized yarn (DTY) and 18,250 tons of polyester chips, for a total of 391,739 tons.

Note: Against the backdrop of environmental agreements, renowned international brands such as Nike and Adidas have announced their decision to adopt eco-friendly, performance of corporate social responsibility, recyclable materials exclusively for all their textiles and fabrics starting in 2014 to honor their commitment to sustainability and environmental protection.

\* Consolidated companies

1. Pan Asia Chemical Corporation  
EOD plant makes petrochemical EOD, esterification plant transforms them into new products, and the total expected sales is about 39,000 tons.
2. Taichung Commercial Bank

Item	2023 objectives
Deposits (including foreign currencies)	NT\$ 716,500 million
Lending (including foreign currencies)	NT\$ 538,500 million
Foreign Exchanges Operations	Annual amount USD20,230 million

(III) Important production and marketing policy

\* The Company

1. Ethylene glycol: Continuous increase in the added production volume results in oversupply. Strictly monitor the prices of raw materials and products.
2. Ethylene oxide: Maintain quality and steady production supply.
3. Nonylphenol: Due to environmental awareness, some countries have limited the use of this product. It is difficult to explore new markets. The demands from the existing users continue to drop. Focus on maintaining steady sales.
4. Polyester yarns:
  - (1) The polyester polymerization will continue until at least June, after which the company will make adjustments to reflect the higher electricity costs of summer. In keeping with the factory's reduction in size, polyester yarn will be made available for purchase on an as-needed basis. When demand reaches its peak, sales will resume at full capacity. The pricing strategy will be adjusted in a timely manner to achieve a healthy equilibrium between output and demand.
  - (2) Strict control of inventories, production, sales and receiving purchase order.
  - (3) Flexible adjustments of product combination. Full efforts in expanding the eco-friendly yarn market for rapid response to market demand.

\*Consolidated companies

1. Pan Asia Chemical Corporation
  - (1) Retain old customers, explore potential customers to co-develop new products and expand sales volume.
  - (2) Esterification plant continues to develop and transform to develop products and markets which offer better return to improve the overall efficiency.
  - (3) Continue to develop the market for spinning oil agents.
  - (4) Coordinate the bargaining of purchase price of raw materials to reduce cost.
2. Taichung Commercial Bank
  - (1) Recruit stable funds, expand the size of deposits, improve the quality of the



bank's credit assets, implement the entry scoring model of risk measurement and improve the objectivity and efficiency of case reviews.

- (2) Establish a corporate governance culture, strengthen intelligent property management policies, perfect anti-money laundering and counter-terrorism mechanisms, raise employees' awareness of information security and prevent internal and external threats, maintain operational environment transparency, and construct a friendly and trustworthy financial institution.
- (3) Incorporate digital technology trends into the provision of diverse financial services, the development of innovation, and the implementation of virtual physical integration. Establish a precision marketing model by grouping and labeling. With data analysis as a basis, develop a personalized digital financial ecosystem.
- (4) In light of the New Southbound Policy, it is important to approach international development with caution while also taking proactive steps to establish a presence in the United States and gain access to global markets. Integrate diverse marketing channels, which, along with online transaction features and service optimization, provide flexible foreign currency financing channels for SMEs and Taiwanese businesses.
- (5) Make recommendations for the best asset allocation, report on global economic trends, and establish a VIP membership system for wealth management. Build a differentiated and comprehensive product line in coordination with the conditions of the investment market. To fully grasp the asset allocation predicament, make use of real-time data on financial management, credit card use and other transactions.
- (6) Reduce emissions during operations, market environmentally responsible and socially responsible (ESG) financial services and products, finance long-term investments and improve collateral climate change risk management. Participate in carbon reduction activities, advocate for green financial businesses and ESG financial commodities, invest in environmentally friendly goods and fortify collateral climate change risk management.
- (7) Consider the requirements of various groups and treat them with fairness and reason. Create an online and offline barrier-free scene that is inclusive and comprehensive. As a means of achieving a sustainable society, promote diverse and individualized business projects in response to varying needs at various life stages.

(IV) Development strategy of the Company in the future

\* The Company

1. Investment in the manufacturing of products related to the upstream and downstream industries.
2. Improve the integration of upstream, midstream and downstream products.

\* Consolidated companies

1. Pan Asia Chemical Corporation

- (1) EOD plant continues to promote value-added products.
- (2) Strengthen long-term collaboration with foreign customers to retain partners and expand sales channels to increase product sales.
- (3) Maintain the domestic market share. Increase the sales of specialized products and indirectly cultivate customers' export market. Co-develop products with downstream customers.
- (4) Vertical industry development. Continue to develop markets for esterification products, spinning oil agents and cleaning agents to improve revenue and standards and image of the industry and technologies.

2. Taichung Commercial Bank

As the world enters the post-pandemic era, it faces the effects of geopolitics, rising inflationary pressures, monetary and fiscal policy shifts in major economies and a plethora of other unknown risks. Committed to the four principles of "stable operating structure, financial supervision and control, digital experience creation and adding value to

sustainability,” the bank continues to monitor market dynamics, satisfy new digital living requirements and develop its businesses in a stable manner despite the changing environment.

(V) Subject to competition of external environment.

\* The Company

1. The market supply of EG is expected to gradually increase as a result of the large-scale construction and commissioning of new plants in China. This competitive advantage is further aggravated by the current shortage of Ethylene in Taiwan coupled with limitations in the field of transportation.
2. RECP became effective last year. Due to tariff concerns, branded customers have been asked to relocate their supply chain to Southeast Asia. Currently, the textile industry chain in Vietnam and other ASEAN nations is gradually taking shape and is highly competitive in terms of pricing. Consequently, orders from branded customers are given priority. When orders in these regions are fulfilled, there is a possibility that they will be redirected to Taiwan. This may cause a shift in the textile supply chain, resulting in an imbalance between supply and demand. In addition, the textile industry in Taiwan is subject to intense operating pressure from upstream to downstream, requiring frequent attention and prompt responses.
3. In the post-pandemic era, global brand companies will adopt the “centralized procurement and one-stop purchases” model for order placement, whereas the global supply chain will shift toward short chain, regionalization and localization.

\* Consolidated companies

1. Pan Asia Chemical Corporation

Faced with the continuing expansion of production capacity by both the foreign and domestic competitors, we will continue to develop new products and maintain quality to remain competitive and offer product diversification.

2. Taichung Commercial Bank

(1) Financial technology applications have become increasingly popular since the end of the pandemic. In addition to creating a friendly and innovative environment that meets the needs of digital infrastructure and technological development, the competent authorities emphasize the protection of personal information, the management of information security and the protection of consumer rights. Convenient and secure financial services have been developed for the general public under the supervision of an appropriate legal framework. In addition, the Internet has increased the prevalence of fraud. The Financial Supervisory Commission continues to promote the “Plan for Promoting Financial Knowledge Popularization Work” in an effort to promote financial education and financial literacy among the general population. In addition, it supervises financial institutions in order to enhance network security and information resilience, thereby preserving financial market discipline and stability.

(2) In an effort to entice the return of Taiwanese businesses and foreign investments, the “Three Plans for Investing in Taiwan” will be extended until 2024. It also actively implements the “Asia - Silicone 2.0 Promotion Plan” in addition to planning and developing Taiwan as the center for fund allocation for Asian businesses and high net worth wealth management. Through a solid IoT industrial foundation and technological prowess, it has become a major force in the industrial transformation of the global economy. In addition, in order to boost private and offshore investment momentum and reduce the information gap, under the drastic changes in the overall market environment, it is anticipated that the liquidity of the financial market will be increased by strengthening TWSE/TPEX-listed companies’ information disclosure (English version) and shortening the deadline for filing of annual financial reports.

(3) In recent years, the effects of climate change have propelled sustainable issues to the forefront of development agendas. In accordance with the 2050 net-zero emission policy, the Financial Supervisory Commission has announced that the “Sustainable Development Roadmap for TWSE/TPEX listed companies” will be

officially launched in March 2022. It was anticipated that the greenhouse gas inspection and verification would be completed in stages. In 2023, sustainable financial evaluation operations were conducted for the first time for financial institutions. The newly implemented “Green Finance Action Plan 3.0” is intended to serve as a more comprehensive guide for the financial system. By expanding the sustainable development of investment and financing fields and guiding the industry toward net-zero transformation, the virtual cycle of a sustainable operating ecosystem can be accelerated, thereby creating three win-win scenarios for financial institutions, society and the environment.

- (4) In response to unanticipated natural and man-made disasters and risks, the banking sector must increase their flexibility, agility, and adaptability while perfecting their constitution; these objectives have become the top priorities. How to strengthen system resilience to deal with impacts and an uncertain future, as well as how to construct comprehensively sustainable business operations in the face of uncertainty, is a pressing issue today.

(VI) Impact of regulatory environment and overall business environment.

\* The Company

1. Rising base salaries lead to increasing labor costs and generate pressure and new challenges in the field of corporate management.
2. Domestic environmental awareness and the related regulations still have many restrictions on enterprises investing in new equipment. Communication with the neighboring residents often faces great resistance.
3. The overall business environment, including the acquisition of land, investment in environmental equipment and other external environment factors is what all enterprises need to face in the domestic development.
4. In recent year the chemical fiber upstream raw materials, e.g., PX and PTA have been rapidly increased in outputs in China, leading the prices of downstream processed products to be highly suppressed. The personnel engaging in chemical fiber operations technology and management are aging. We are facing higher and higher tariffs and anti-dumping factors virtually at a disadvantage amidst mounting challenges.
5. The RCEP (Regional Comprehensive Economic Partnership Agreement) has been officially effective on January 1, 2022. While the FTA signed by and between The ASEAN and other member countries has entered into force with the degree of openness reaching as significantly as 90%, the degree of further of openness for RCEP over the existing FTA would be virtually limited. Our concern should be aimed at the potential impact upon our country of facing unfair competitions in the relevant markets. Another pact known as CPTPP (Comprehensive and Progressive Trans-Pacific Partnership) already came into effect on December 30, 2018 where more than 70% of products have been reduced to zero tariffs. Taiwan has officially submitted the application on September 22 last year, CPTPP accounts for 25% of Taiwan’s foreign trade value while RCEP accounts for 59%. Excluding the overlapping countries, the two multi-lateral free trade agreements virtually cover nearly 70% of Taiwan’s foreign trade value. If Taiwan is excluded out of such regional economic integration, this would mean a very significant impact upon Taiwan in trade development or participation in the regional industry competition.
6. Competitors in those emerging countries that have always taken advantage of economies of scale in the competitions. Notably the competitors in Mainland China have, as well, begun to differentiate their products. The companies in Taiwan should continually develop high-end specific products, in a small number of diverse, environmentally-friendly and functional products with high-level functionality to deal with the challenges. Under such policies, we should be able to continually maintain the advantages in the global polyester filament industry supply chains.
7. The shortage of foreign labor cannot be adequately replenished due to the impact of the pandemic and it is one problem that cannot be resolved quickly in a short period of time, which will affect the deployment of manpower and production capacity. The labor shortage has the problem of supply chain shortage and inflation, and the price of

foods and energy rising continuously. At the same time, as the quantitative easing policy of the United States and the United Kingdom is gradually coming to an end, the US Federal Reserve is expected to cease the quantitative easing policy and increase interest rates before June this year; also, the two economies will have interest rates increased further in 2023.

8. The proposed Green Deal of the European Union was officially released on December 11, 2019, revealing the 2050 carbon neutrality objectives. The 2023 implementation of a carbon boundary tax has made net-zero carbon emissions a popular topic of discussion worldwide. The government has begun implementing a carbon boundary tax as a carbon reduction policy instrument in order to achieve its carbon reduction objective. The goal is to expedite the introduction of low-carbon energy by incorporating the social cost of carbon emissions. Textile Exchange is extremely concerned about the carbon emissions of the textile industry and hopes to use the year 2020 as a benchmark in the hopes that the global textile industry can achieve its goal of reducing greenhouse gas emissions by 45% by 2030. Conversely, NIKE's objective is to create a zero-carbon action plan to implement zero-carbon emissions and zero waste.
9. This year, crude oil prices will remain stable at \$80 per barrel. It is anticipated that the impact on other energy supplies will diminish, causing energy prices to gradually stabilize. In the first half of this year, the Fed will continue to raise interest rates, but it is feared that the US economy will contract slightly. It is difficult for oil prices to continue to rise in the first half of the year, but the market expects the economy to recover in the second half of the year, which will lead to an increase in oil prices.

\* Consolidated companies

1. Pan Asia Chemical Corporation

The domestic product control policies on NP/NPEDO affect the Company's domestic sales of NPEOD. Attempt the development of NPEOD substitutes to maintain customer relationship and increase the development and sales of other new products to maintain a balance between production and sales.

Applying the terms of ECFA, the tariff on Taiwan's export of nonionic surfactants is reduced to 0% (excluding PEG solid products), and China re-opened the foreign import of NP and NPE in early 2018, further increasing the Company's export to China and continuing the co-development of specialized products with customers to compensate for the lack of sales.

2. Taichung Commercial Bank: Please see page 5 for external competitive environment.

Chairman Kuei-Shiang Wang



## Two. Company Profile

I. Date of establishment: May 11, 1955

II. Company History:

\* The Company

- 1955 Factory set up in Toufen Township, with a paid-in capital of NT\$40 million.
- 1957 The factory in Toufen produced its first man-made rayon fiber. With the technical support from Wanco of the US, the plant had a daily production rate of 4 ton in a total of 22 spinning machines.
- 1961 Added 2 spinning machines.
- 1962 The cellophane plant purchased a set of equipment from Chemtex of the US. The original design was at a spinning rate of 100M/m to have a daily output of 5 tons, but the larger factor control system resulted in operating only at 70M/m.
- 1966 Added 6 spinning machines.
- 1967 Added 10 spinning machines.
- 1970 Added 6 spinning machines and the cellophane plant added an addition set of equipment.
- 1971 In order to improve the quality of cellophane and increase production, collaborated with Mr. Watanabe of Japan to replace defoamer machine.
- 1973 In line with the government's policies on developing petrochemical industry, the Company constructed its first ethylene glycol (EG) plant in Dashe District in Kaohsiung, with an annual output of 50,000 tons.
- 1974 The cellophane plant formed a technical collaboration with Olin of the US.
- 1976 The construction of the ethylene glycol plant was completed, officially starting the production. Rebuilt #1 cellophane machine.
- 1977 Rebuilt the #2 cellophane machine. Focused on the synchronized motor, #1 tank for flume type, PVC and three stainless steel lines, cluster roll, steam water heating roll and width control roll equipped with tension control.
- 1979 Planned an expansion to offer an annual production of 40,000 tons of ethylene oxide. Immediately started the construction and signed purchase contracts with HRI of the US and Mitsubishi from Japan.
- 1980 The air separation machinery supplied by HRI arrived at the plant in Kaohsiung. The delivery of EO machinery supplied by Mitsubishi reached more than 85%.
- 1982 CMFC and Japan's Asia Corp. co-invested in Pan Asia Oil & Chemical Corporation, which mainly produced ethylene oxide derivatives (EOD), and the production started at the end of 1984 upon the completion of the plant construction.
- 1984 The installation of EOD machinery was completed, and trial production began.
- 1990 To diversify the risks of selling a single product and expand into a more diversified business, the Company adopted an additional cash capital increase and invested NT\$550 million in construction of a nonylphenol facility which can offer an annual production capacity of 25,000 tons and invested NT\$1.2 billion in construction of a cogeneration facility which can generate 41,700KWH, both within the Kaohsiung plant.
- 1992 Formed a joint venture with Hung Chou Fiber Industry and Shan Fong Construction to build commercial buildings.
- 1993 Raised additional cash capital to construction a polyester product plant which can produce 120,000 ton per year.
- 1994 The construction of nonylphenol factory was completed and signed an agreement with UHDE of Germany to provide patent manufacturing technologies.
- 1996 The petrochemical plant in Kaohsiung obtained its ISO 9002 certification.
- 1997 The cogeneration facility was completed and started generating power. The polyester facility was completed and started mass production and sales.
- 1998 Raised additional cash capital to invest in Nan-Chung Petrochemical Corp. and Nan Ya Plastic Corp. to manufacture petrochemical products.
- 2000 Completed phase 2 expansion of polyester fiber facility, and began trial production of Nan-Chung Petrochemical.
- 2001 Toufen factory stopped production starting Q3 due to business efficiency considerations.
- 2004 Raised additional cash capital to construction an ethylene glycol plant with an annual

- production capacity of 400,000 tons.
- 2009 Petrochemical plant in Kaohsiung expanded production capacity for high-purity EO.
- 2010 Collaborated with Toyota Tsusho Corporation to co-invest in Taiwan Green Alcohols to venture into bio-energy business.
- 2011 Built a new ethylene glycol facility and false-twisting facility within the Kaohsiung plant zone.
- 2013 Built a cogeneration facility No. 2, completed the construction of false-twisting facility and began its production and completed the trial production of ethylene glycol facility.
- 2014 Increase investments to the bio-energy business of Greencol Taiwan Corporation and the glycol plant began official production.
- 2016 Consensual re-purchase of the Greencol Taiwan Corporation shares held by Toyota Tsusho Corporation becoming 100%-owned subsidiary.
- 2018 Engaging others to build on own land for the new construction for the New Taipei City Sanchung Plant Building Project.
- 2020 Energy conservation improvements (public consumption) construction in the polyester plant to achieve power saving and carbon reduction effects.
- 2021 In fulfilling the energy saving and carbon reduction earth protection policy, increased production for the eco-friendly pellets and eco-friendly yarn.

- The company's M&A and restructuring in the most recent year and as of the date of annual report print for publication: Due to the company's organizational restructuring needs, it underwent a parent-subsidiary merger with Jingbange Industries Co., Ltd. on June 13, 2022 upon resolution by the board of directors. After the merger, the company is the remainder enterprise, and Jingbange Industries Co., Ltd. is the elimination company. In addition, the company underwent a parent-subsidiary merger with Xiangfeng Development Co., Ltd. on December 26, 2022. After the merger, the company is the remainder enterprise, and Xiangfeng Development Co., Ltd. is the elimination company.
- Changes in management rights involving more than 10% of the company's directors, supervisors, or shareholders in the most recent year and as of the date of annual report print for publication: none.
- Major changes in business practices or business contents in the most recent year and as of the date of annual report print for publication: none.
- Other significant events that occurred that may have an impact on shareholders' equity and their effects on the company in the most recent year and as of the date of annual report print for publication: none
- Reinvestment-related enterprises in the most recent year and as of the date of annual report print for publication: See page 377 of the annual report for the information on related enterprises.

\* Consolidated companies

1. Pan Asia Chemical Corporation

- 1982 Joint venture of China Man-Made Fiber, Japan's Asia Corp. and the Bank of Communications invested in Pan Asia Oil & Chemical Corporation, with a total capital of NT\$100 million.
- 1984 Completed the construction of the ethylene oxide derivatives (EOD) facility in Dashe Industrial Park, and completed the trial testing.
- 1985 Established an in-house brand, Pannox, and completed license registration with the Bureau of Standards, Metrology and Inspection under the Ministry of Economic Affairs.
- 1987 After the Bank of Communications completed the counseling program, the equity was transferred.
- 1990 Japan Asia Group EOD transferred its equity.
- 1991 The company name was changed to Pan Asia Oil & Chemical Corporation. Cash capital increase of NT\$530 million. The total paid-in capital became NT\$630 million.
- 1992 Completed the plant expansion. The production capacity was increased to 52,000 tons and DCS automatic computerized control was adopted.
- 1993 Established Research and Development Section to be committed to developing new

- products.
- 1996 Obtained the ISO-9002 international quality certification.
  - 1997 Applied for OTC trading with the Taipei Exchange.
  - 1998 The Company was officially listed on the OTC for trading on May 20.
  - 2002 Obtained ISO9001:2000 international quality certification (NO.4850-1996-AQ-RGC-RvA) through DNV of the Netherlands.
  - 2010 Completed the construction of the esterification plant with annual output capacity of 10,000 metric tons.
  - 2010 EOD plant expansion with output capacity increased to 100,000 metric tons.
  - 2012 The product Pannox 73 passed carbon footprint inventory.
  - 2017 Completed the establishment of TOSHMS/CNS 15506 Taiwan Occupational Safety and Health Management Systems.
  - 2021 Completed the establishment of CNS 45001/ISO 45001 Occupational Health and Safety Management Systems.
- M&A and restructuring in the most recent year and as of the date of annual report print for publication: none.
  - Changes in management rights involving more than 10% of the company's directors, supervisors, or shareholders in the most recent year and as of the date of annual report print for publication: none.
  - Major changes in business practices or business contents in the most recent year and as of the date of annual report print for publication: none.
  - Other significant events that occurred that may have an impact on shareholders' equity and their effects on the company in the most recent year and as of the date of annual report print for publication: none
  - Affiliates through re-investment in the most recent year to the date this report was printed: Taichung Commercial Bank, Taichung Securities Investment Trust.
2. Taichung Commercial Bank

Formerly a cooperative savings company in Taichung established in April 1953, the predecessor of Taichung Bank started its operation in savings and loans in August 1st of the same year. The scope of business then covered Taichung City, Taichung County, Chang Hwa County before restructuring and Nantou County. In 1978, the Bank was reorganized as the "Taichung Small and Medium Business Bank" in responding to the promulgation of the Bank Act and business development needs. On May 15 1984, the Bank publicly offered its shares at the centralized market for broaden the base of operation and public participation in equity. Since then, the Bank has laid down a solid foundation for development in the future.

The Taipei branch was set up in September 1995. The business scope spans regional small-medium enterprise bank operation restrictions to enter a new milestone. The business locations concentrated in central Taiwan were over the years subsequently relocated to the northern and southern regions, extending the business locations to the western half of Taiwan. With the collaborated efforts of all the employees, the business scale became increasingly robust. In December 1998, it was restructured into "Taichung Commercial Bank," became a well-known commercial bank. In order to further the goal of internationalization, the Labuan Branch in Malaysia was established in October 2018. Following that, marketing service offices were established in Kuala Lumpur, Penang, and Kota Kinabalu to lay the groundwork for the expansion of overseas layout.

By the end of 2022, the paid-in capital of the bank was NT\$ 50.154 billion, which had increased by many-fold from its inception of NT\$ 500,000. The number of business locations had also seen an increase from five branches from its inception to 84 domestic and overseas branches and one offshore banking unit. For the upgrade of the competitive advantage in "local banking," "SME financing," "diversified banking," the Bank has invested to establish wholly owned "Taichung Bank Insurance Agency Co., Ltd.," "Taichung Commercial Bank Lease Enterprise," "Taichung Commercial Bank Leasing (Suzhou) Ltd.," "Taichung Bank Securities Co., Ltd. " and "Taichung Bank Venture Capital Co., Ltd." which in turn jointly invested to establish the "Taichung Bank Securities Investment Trust Co., Ltd." built up the framework of diversified banking for the accomplishment of the mission of sustainable corporate development and for gradually achieving the vision of extending its overseas

business territories. The scope and volume of business of the Bank multiplied over the years. The variety and size of the operations far exceeded that at the time of its establishment as a cooperative saving company. The achievement was the feedback of the whole-hearted operation of the Bank. The growth and the excellence in operation of Taichung Commercial Bank is the recognition given by the society.

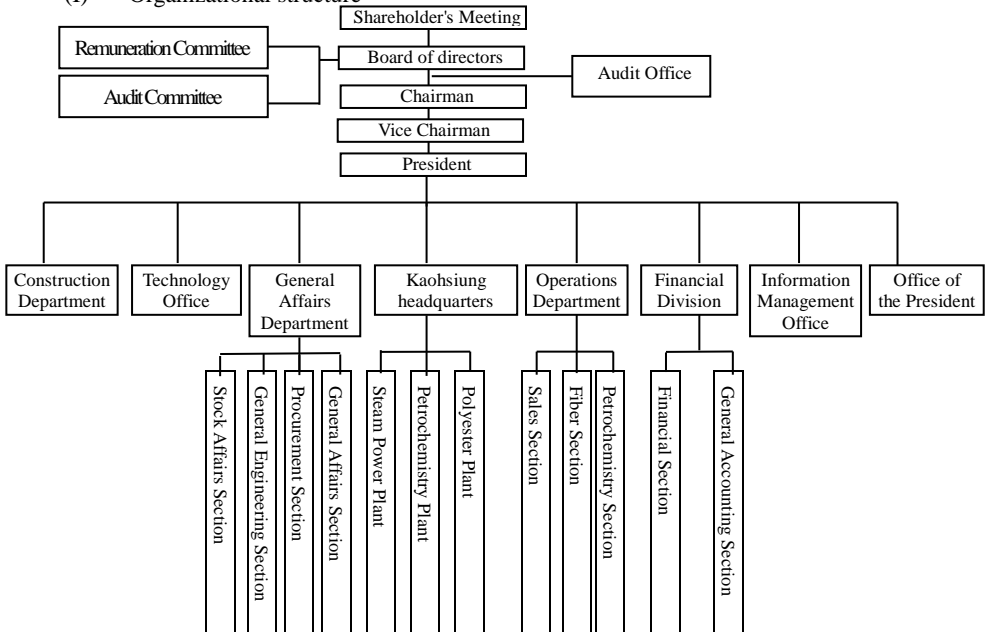
- The bank is without events of mergers and reorganization in the most recent year to the date this report was printed. The bank currently has seven re-investment conglomerates, including three subsidiaries: Taichung Bank Insurance Brokers, Taichung Bank Securities Inv. Trust Co., Ltd., and Taichung Bank Leasing Co., Ltd. The TCCBL CO., LTD. is a 100% shareholding re-investment of Taichung Commercial Bank Co., Ltd.; Taichung Bank Finance Leasing (Suzhou) Ltd. and Taichung Bank Securities Co., Ltd. with 100% shareholding reinvestment in Taichung Bank Venture Capital,” three sub-subsidiaries.
- In the most recent year and as of the date of annual report print for publication, the re-investment related enterprise is “Taichung Bank Securities Investment Trust Co., Ltd.”
- Affiliation under a specific financial holding company in the most recent year and as of the date of annual report print for publication: none.
- Any massive transfer or replacement of equity by directors or as required for declaration under Article 25-III of the Banking Act in the most recent year to the date this report was printed.
- Major changes in operating rights, operating methods, or operating contents during the most recent year and as of the printing date of this annual report as well as other important matters that may affect the shareholders' equity: None.



## Three. Corporate Governance

### I. Organizational structure

#### (I) Organizational structure



#### (II) The responsibilities of various divisions

1. General Manager's Office: assists the General Manager in the business planning, personnel administration and human resources planning of the Company.
2. Information Dept.: Administer the planning, configuration and operation of IT system and banking information package software. Also responsible for the purchase and maintenance of hardware and software related to the Company's computers.
3. Finance Department: Responsible for the Company's investments, capital allocation, assets custody, accounting, cost accounting and other related matters.
4. Operations Department: responsible for preparation of production and marketing plans, execution of domestic and overseas sales, market research, storage and transportation and other related matters.
5. Kaohsiung headquarters: Responsible for production and inspection of petrochemical, polyester and cogeneration products, maintenance and improvement of manufacturing equipment, factory affairs, environmental protection, occupational safety and other safety-related issues.
6. General Affairs Department: Responsible for procurement of raw materials, property management, leasing and general affairs.
7. Technology Office: responsible for improvement of manufacturing technologies and processes and other research and development issues.
8. Construction Department: responsible for construction of public housing, renting and leasing of commercial building, land investment and development and other related matters.
9. Auditing Office: internal audit.
10. Audit Committee: A functional committee established under the board of directors. Every member has different specialization, and the independence of the Committee helps the board in governing the Company and strengthening the occupational competence of the board.
11. Remuneration Committee: Assists the board in reviewing salary and remuneration and provides recommendations.

II. Background information of the Director, President, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches

(I) Profiles of Directors

February 28, 2023 Unit: Shares

Title	Nationality or place of registration	Name or Legal Persons	Gender Age	Date elected	Duration	Inauguration date	Shares at Election		Current shareholding		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Current duties in The Company and in other companies	Other Chief or Directors with a Spousal or Other Immediate Relative			Remark
							Quantity	Ratio of Shareholdings	Quantity	Ratio of Shareholdings	Quantity	Ratio of Shareholdings	Quantity	Ratio of Shareholdings			Title	Name	Affiliation	
Institutional Director	Taiwan R.O.C.	Chung Chien Investment Co., Ltd.	N/A	2022.6.16	3 years	2007.06.21	43,929,431	2.61%	43,929,431	2.61%	0	0	0	0	Director of PACC	Director of PACC	N/A	N/A	N/A	N/A
Institutional Director	Taiwan R.O.C.	Pan Asia Investment Co., Ltd.	N/A	2022.6.16	3 years	2007.06.21	52,393,736	3.11%	52,393,736	3.11%	0	0	0	0	Director of PACC	N/A	N/A	N/A	N/A	N/A
Chairman	Taiwan R.O.C.	Pan Asia Investment Co., Ltd. Representative: Kuei-Shiang Wang	Male, 51-60 years old	2022.6.16	3 years	2004.06.25	0	0	0	0	0	0	0	0	Chairman of Taichung Securities Investment Trust and CMFC, vice chairman of Taichung Commercial Bank, Department of Finance at Boston University and Department of Finance at New York University.	The Pan Asia Chemical Corporation, Chou-Chin Industrial Co., Ltd., Pan Asia Investment, Yu Hwei Technology Co., Ltd., DaFa Investment, Greenworld Food Co., Ltd., Jesu Chang Precision Mold Co., Ltd., Formosa Imperial Wineseller Corp., China Man-Made Fiber Corporation investment chairman, Nan Chung Petrochemical Corporation. Director.	Director	Kuei-Fong Wang	Second degree of kinship	N/A
Vice Chairman	Taiwan R.O.C.	Chung Chien Investment Co., Ltd. Representative: Ming-Shan Chuang	Male, 81-90 years old	2022.6.16	3 years	2011.5.6	4,870	0.00%	4,870	0.00%	789	0.00%	0	0	Vice chairman of Pan Asia ITOCHU Taiwan Corporation/National Taiwan University	The Company's President Chairman of M&Lasse	N/A	N/A	N/A	N/A
Managing Director (Independent director)	Taiwan R.O.C.	Te-Wei Li	Male, 51-60 years old	2022.6.16	3 years	2013.6.19	0	0	0	0	0	0	0	0	Director of Hong Ying Investment, president of the Taiwan branch of the World Youth Alliance, president of Taipei Youth Labor Alliance, lecturer of Hsuan Chuang University. The Department of Political Science at the University of Northern Iowa	The current legislator, the company remuneration committee members.	N/A	N/A	N/A	N/A
Independent director	Taiwan R.O.C.	Li-Yeh Hsu	Male, 41-50 years old	2022.6.16	3 years	2016.6.8	0	0	0	0	0	0	0	0	Researcher of J.P. Morgan Chase's Hong Kong branch Bachelor's degree from the Department of Business Management, Tatung University	Assistant general manager of Lean Mass The company remuneration committee members.	N/A	N/A	N/A	N/A
Independent director	Taiwan R.O.C.	Chih-Ming Shih	Male, 61-70	2022.6.16	3 years	2020.6.2	0	0	0	0	0	0	0	0	The KGI Commercial Bank	The company remuneration committee members.	N/A	N/A	N/A	N/A

			years old												Co., Ltd. Audit Office and branch manager; Aletheia University Department of Accounting and Statistics.					
Director	Taiwan R.O.C.	Pan Asia Investment Co., Ltd. Representative: Kuei-Shiang Wang	Male, 51-60 years old	2022.6.16	3 years	2010.9.10	29,725	0.00%	29,725	0.00%	0	0	0	0	Chairman of CMFC, director of Taichung Commercial Bank, chairman of PACC. VP, Corporate Financing Dept., BNP Paribas Hong Kong; MBA of NYU	Chairman of Taichung Commercial Bank, director of PACC; Chou Chin Industrial Co., Ltd., Pan Asia Investment, supervisor of Hsu Tian Investment Co., Ltd., Chi Ta Investment Co., Ltd., Hsu Yi Investment Co., Ltd., and Yao Shang Investment Co., Ltd..	Chairman	Kuei-Shiang Wang	Second degree of kinship	N/A
Director	Taiwan R.O.C.	Pan Asia Investment Co., Ltd. Representative: Ming-Hsiung Huang	Male, 71-80 years old	2022.6.16	3 years	2011.5.6	38,394	0.00%	38,394	0.00%	0	0	0	0	Assistant general manager of Cosmos Bank. Department of International Trade at Tamkang University.	Vice chairperson of Taichung Bank Securities Investment, Managing Director of Taichung Commercial Bank, Director of Chou Chin Industrial Co., Ltd., Bony, and JeouChang Co., Ltd..	N/A	N/A	N/A	N/A
Director / President	Taiwan R.O.C.	Chung Chien Investment Co., Ltd. Representative: Chieh-Yi Wang	Male, 41-50 years old	2022.6.16	3 years	2022.6.16	15,983	0.00%	15,983	0.00%	0	0	0	0	Project manager of the Production Services Department of this Company Department of Business Administration, Fu Jen Catholic University	The Company's President, President of Pan Asia Chemical Corporation, Director of Pan Asia and Nan Chung Petrochemical Corp., and supervisor of Technic Investment (International) Ltd.	N/A	N/A	N/A	N/A
Director	Taiwan R.O.C.	Chung Chien Investment Co., Ltd. Representative: Hung-Yang Wu	Male, 51-60 years old	2022.6.16	3 years	2011.5.6	0	0	0	0	0	0	0	0	Assistant VP of CHINA MAN-MADE FIBER CORPORATION; Department of Agricultural Machinery Engineering at National Chung Hsing University	Assistant VP of the Company; Director of Pan Asia Chemical Corporation, Nan-Chung Petrochemical Corp., Formosa Imperial Wineseller Corp. and Deh Hsing Investment Co., Ltd..	N/A	N/A	N/A	N/A

Remarks: Where the chairperson of the board of directors and the general manager or person of an equivalent post of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto in the remarks column: NA

Major shareholders of legal person directors and supervisors

February 28, 2023

Corporate shareholder Name	Major shareholder of corporate shareholder and shareholding Ratio of Shareholding thereof
Chung Chien Investment Co., Ltd.	Ta Fa Investment Co., Ltd. (28.08%); Pan Asia Investment Co., Ltd. (17.67%); Tung Hao Enterprises Corp. (15.64%); Chin-Yuan Huang (14.72%); Yu Hui Limited (10.52%); Hsu Tian Investment Co., Ltd. (9.57%); Kuei-Shiang Wang (1.75%); Kuei-Fong Wang (1.55%); Sheng Jen Knitted Textiles Co., Ltd. (0.44%); Tsai-Lien Cheng (0.06%).
Pan Asia Investment Co., Ltd.	Yu Hui Limited (47.42%), Ta Fa Investment Co., Ltd. (42.63%), Tsung Hao Enterprise Co., Ltd. (9.44%), Kuei-Shiang Wang (0.51%).

Major Shareholders of Major Corporate Shareholder:

February 28, 2023

Corporate shareholder Name	Major shareholder of corporate shareholder and shareholding Ratio of Shareholding thereof
Da Fa Investment Co., Ltd.	Yu Hui Limited (99.25%), Kuei-Shiang Wang (0.75%).
Pan Asia Chemical Corporation	CHINA MAN-MADE FIBER CORPORATION (44.40%), Sheng Jen Knitted Textiles Co., Ltd. (6.20%), Chung Chien Investment Co., Ltd. (5.12%), Yu Hwei Technology Co., LTD. (1.75%), Sheng-Lu Lin (0.93%), HSBC entrusted with Morgan Stanley International Limited accounts (0.61%), Pan Asia Employee Welfare Committee (0.60%), Standard Chartered sales department serves as a custodian for Credit Suisse International (0.36%), Cheng-I Liu (0.23%), Chao-Ju Chen (0.23%).
General Pride Enterprise Co., Ltd.	Yu Hui Limited (44.44%), Chung Chien Investment Co., Ltd. (31.46%), Pan Asia Investment Co., Ltd. (17.30%), Chao-Chang Wang (5.16%), Kuei-Shiang Wang (1.12%), Ku-Yeh Wang (0.51%)
Yu Hwei Technology Co., LTD.	Kuei-Shiang Wang (99.99%), Chia-Ying Chen (0.01%)
Hsu Tian Investment Co., Ltd.	Chia-Chun Chiang (50%), Kuei-Fong Wang (50%).
Sheng Jen Knitted Textiles Co., Ltd.	Chung Chien Investment Co., Ltd. (53.47%), Yu Hui Limited (40.40%), Chao-Chang Wang (5.57%), Kuei-Shiang Wang (0.3%), Shang-Jr Chiang (0.15%), Shi-Yi Chiang (0.10%).

## 2. Information on the directors

### (1) Information disclosure on the professional qualifications of the directors and status of independence of the independent directors

Name	Condition	Professional Qualifications and Experience	Status of Independence	Number of public companies where the person holds the title as independent director
Chairman, Kuei-Shiang Wang		Acts as the Company's Chairman for many years, specializes in leadership decision-making, operational judgements, management, crisis handling, petrochemical industry knowledge, risk management and international market perspectives and so on experiences and capabilities. Does not meet any conditions stated in Article 30 of the Company Act.	Not applicable	None
Ming-Shan Chuang, Vice Chairman		Acts as the Company's Vice Chairman for many years, possesses operations and decision-making judgements, petrochemical industry knowledge, risk management capability and so on practical experiences. Does not meet any conditions stated in Article 30 of the Company Act.	Not applicable	None
Director, Kuei-Fong Wang		Possesses background in management in financial industry, specializes in operational judgements, management administration, crisis handling, financial analysis capability and international market perspectives, etc. experiences and capabilities. Does not meet any conditions stated in Article 30 of the Company Act.	Not applicable	None
Director, Ming-Hsiung Huang		Possesses background in financial industry, specializes in financial analysis capability and risk management knowledge and capability. Does not meet any descriptions stated in Article 30 of the Company Act.	Not applicable	None
Director Chieh-Yi Wang		Acts as the President of the subsidiary, possesses petrochemical industry knowledge, risk management capability and so on practical experiences. Does not meet any conditions stated in Article 30 of the Company Act.	Not applicable	None
Director, Hung-Yang Wu		Acts as the Company's Director of General Affairs Department, possesses petrochemical industry knowledge, risk management capability and so on practical experiences. Does not meet any conditions stated in Article 30 of the Company Act.	Not applicable	None

Name \ Condition	Professional Qualifications and Experience	Status of Independence	Number of public companies where the person holds the title as independent director
Te-Wei Li, Managing Director and Independent director	Possesses work experiences in business and politics, specializes in leadership decision-making, crisis handling, and risk management knowledge and capability. Does not meet any conditions stated in Article 30 of the Company Act.	1. Does not have spouse or relatives within second degree of kinship holding position as the director, supervisor or employee of the Company or its affiliates.	None
Li-Yeh Hsu, Independent director	Possesses work experiences in business, specializes in operational judgement, management administration, and risk management knowledge and capability. Does not meet any conditions stated in Article 30 of the Company Act.	2. Does not hold the Company's shares by self, spouse, relatives within second degree of kinship, or in the name of others.	None
Chih-Ming Shih, Independent director	Possesses experiences in bank industry, specializes in accounting analysis capability and risk management knowledge and capability, is an Audit Committee member and possesses educational background in accounting related degree. Does not meet any conditions stated in Article 30 of the Company Act.	3. Does not hold position as a director, supervisor or employee of a designated company that has specified relationship with the Company. 4. Has not obtained compensation from providing business, legal, finance, or accounting services to the Company or its affiliates in the most recent two years.	None

(2) Diversity and independence of the Board of Directors

A. Diversity of the Board of Directors:

Core goals for diversification  Name of director	Basic component								Abilities								
	Nationality	Gender	Age				Length of tenure of independent directors		Operational judgment	Ability of Accounting and financial analysis	Business Management ability	Risk Management ability	Crisis Management ability	Industrial Knowledge	International market view	Leadership	Decision-making ability
			Under 50 years old	50 ~ 59 years old	60 ~ 69 years old	Above 70 years old	Less than 3 years	3~9 years									
Kuei-Shiang Wang	ROC	Male		✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
Ming-Shan Chuang	ROC	Male				✓			✓	✓	✓	✓	✓	✓	✓	✓	✓
Kuei-Fong Wang	ROC	Male		✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
Ming-Hsiung Huang	ROC	Male				✓			✓	✓	✓	✓		✓	✓	✓	✓
Chieh-Yi Wang	ROC	Male	✓						✓	✓	✓	✓	✓	✓	✓	✓	✓
Hung-Yang Wu	ROC	Male		✓					✓	✓	✓	✓	✓	✓	✓	✓	✓
Te-Wei Li	ROC	Male		✓				✓	✓		✓	✓	✓		✓	✓	✓
Li-Yeh Hsu	ROC	Male	✓					✓	✓		✓	✓	✓		✓	✓	✓
Chih-Ming Shih	ROC	Male			✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓

B. Independence of the Board of Directors:

The Company has 3 independent directors which account for one-third of the board. Besides Chairman, Kuei-Shiang Wang and Director, Kuei-Fong Wang are of second degree kinship, the other seven board members do not have any of the circumstances regulated under Paragraph 3 and 4, Article 26-3 of the Securities and Exchange Act, who are spouses or within second-degree relative to each other.

## (II) Background information of the President, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches

February 28, 2023 Unit: Shares

Title	Nationality	Name	Gender	Election Date	Quantity of Shares		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Positions with other companies	Other Chief, Supervisors or Directors with a Spousal or Other Immediate Relative			Remark
					Quantity	Ratio of Shareholdings	Quantity	Shareholding Proportion	Quantity	Shareholding Proportion			Title	Name	Affiliation	
President	Taiwan R.O.C.	Chieh-Yi Wang (Note 1)	Male	2020.1.13	15,983	0.00%	0	0	0	0	Project manager of the Production Services Department of this Company Department of Business Administration, Fu Jen Catholic University	President of Pan Asia Chemical Corporation, Director of Pan Asia and Nan Chung Petrochemical Corp., and supervisor of Technic Investment (International) Ltd.	N/A	N/A	N/A	N/A
President	Taiwan R.O.C.	Ming-Shan Chuang (Note 1)	Male	2018.7.16	4,870	0.00%	789	0.00	0	0	Vice chairman of Pan Asia ITOCHU Taiwan Corporation National Taiwan University	N/A	N/A	N/A	N/A	N/A
Director of General Affairs Department	Taiwan R.O.C.	Hung-Yang Wu	Male	2009.09.01	0	0	0	0	0	0	Department of Agricultural Machinery Engineering at National Chung Hsing University	Director of Pan Asia Chemical Corporation, Nan-Chung Petrochemical, Formosa Imperial Wineseller and Taiwan Silk Development	N/A	N/A	N/A	N/A
Chief Internal Auditor	Taiwan R.O.C.	Lai-Hsiang Tsai	Female	2010.10.04	197	0.00%	0	0	0	0	Cosmos Bank auditor Department of Business Administration, National Taiwan University	N/A	N/A	N/A	N/A	N/A
Chief financial officer	Taiwan R.O.C.	Po-Nien Lin	Male	2005.04.01	20,928	0.00%	0	0	0	0	Department of Economics, National Taiwan University	The Taichung Bank Securities Inv. Trust Co., Ltd. directors and Nan Chung Petrochemical Corporation supervisors.	N/A	N/A	N/A	N/A



Title	Nationality	Name	Gender	Election Date	Quantity of Shares		Current Shares Held by Spouse & Dependents		Shareholding under the title of a third party		Major (academic degree) experience	Positions with other companies	Other Chief, Supervisors or Directors with a Spousal or Other Immediate Relative			Remark
					Quantity	Ratio of Shareholdings	Quantity	Shareholding Proportion	Quantity	Shareholding Proportion			Title	Name	Affiliation	
Chief accountant	Taiwan R.O.C.	Tzu Wei Huang (Note 2)	Female	2022.06.13	0	0	0	0	0	0	Department of Taxation and Public Finance, National Taipei University of Commerce	N/A	N/A	N/A	N/A	N/A
Chief accountant	Taiwan R.O.C.	Kuo Hua Lin (Note 2)	Female	2017.06.19	38	0.00%	0	0	0	0	PACC chief accountant Accounting Department of Soochow University	N/A	N/A	N/A	N/A	N/A

Note 1: General Manager Ming-Shan Chuang resigned effective June 16, 2022, and Director Chieh-Yi Wang was chosen by the board of directors to fill the vacancy as the general manager.

Note 2: The accounting supervisor was adjusted from Kuo Hua Lin to Tzu Wei Huang effective June 13, 2022.

### III. Remuneration paid to Directors, the President and the Vice President in the latest year

#### 1. Remuneration of directors and independent directors

Unit: NT\$ thousand/ thousand shares

Title	Name	Remuneration to Directors								The sum of A, B, C, and D as a percentage of after-tax net profit		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G in proportion to Earnings (%)		Remuneration received from the invested companies other than the subsidiaries and the parent company		
		Director fees (A)		Pension (B)		Remuneration to directors (C)		For services (D)				Salaries, bonus and special subsidies (E)		Pension (F)		Remuneration to employees (G)								
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	Cash	Stock	Cash	Stock	The Company	All companies mentioned in the financial statements			
Institutional Director	China Man-Made Fiber Investment Co., Ltd.	0	654	0	0	0	0	0	0	0	654 (0.001)	0	0	0	0	0	0	0	0	0	0	654 (0.001)	0	
	Pan Asia Investment Co., Ltd.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Director	Kuei-Shiang Wang	3,710	3,710	0	0	0	0	0	0	3,710 (0.003)	3,710 (0.003)	0	0	0	0	0	0	0	0	0	0	3,710 (0.003)	3,710 (0.003)	0
	Ming-Shan Chuang	1,240	1,240	0	0	0	0	0	0	1,240 (0.001)	1,240 (0.001)	0	0	0	0	0	0	0	0	0	0	1,240 (0.001)	1,240 (0.001)	0
	Kuei-Fong Wang	0	9,994	0	0	0	0	0	2,653	0	12,647 (0.009)	0	0	0	0	0	0	0	0	0	0	0	12,647 (0.009)	0
	Ming-Hsiung Huang	0	6,328	0	0	0	0	0	431	0	6,759 (0.005)	0	0	0	0	0	0	0	0	0	0	0	6,759 (0.005)	0
	Hung-Yang Wu	0	0	0	0	0	0	0	0	0	0	1,735	1,735	65	65	0	0	0	0	0	0	1,800 (0.001)	1,800 (0.001)	0
	Kuo-Ching Chen	0	0	0	0	0	0	0	0	0	0	0	1,437	0	39	0	0	111	0	0	0	0	1,587 (0.001)	0
	Chieh-Yi Wang	0	0	0	0	0	0	0	0	0	0	0	703	0	0	0	0	140	0	0	0	0	843 (0.001)	0
Independent director	Te-Wei Li	490	490	0	0	0	0	0	0	490 (0.000)	490 (0.000)	0	0	0	0	0	0	0	0	0	0	490 (0.000)	490 (0.000)	0
	Li-Yeh Hsu	490	490	0	0	0	0	0	0	490 (0.000)	490 (0.000)	0	0	0	0	0	0	0	0	0	0	490 (0.000)	490 (0.000)	0
	Chih-Ming Shih	470	470	0	0	0	0	0	0	470 (0.000)	470 (0.000)	0	0	0	0	0	0	0	0	0	0	470 (0.000)	470 (0.000)	0

1. Please describe the policy, systems, standards and structure of remuneration of independent directors; also, describe the relationship with the amount of remuneration according to the responsibilities, risks and invested time:  
Pursuant to the provisions set forth in Article 40 of the Articles of Incorporation, the Company shall appropriate 1% to 5% of its profits of the respective year as employee compensations. The board of directors shall determine the distribution ratios and methods (stocks or cash) and may appropriate a sum not exceeding 0.03 % of the aforementioned profits as director compensations. The amount of director compensations shall be adjusted in line with variations in pre-tax income. No director compensations were paid out due to a recorded loss this year. Directors therefore only received their fixed salaries, which is deemed reasonable.

2. Pay for services (such as non-employee consultant for the parent company/all of the companies in the financial statements/non-consolidated affiliates) specified in the financial statements provided by directors in the most recent year not specified above: none.

2. Remuneration to the President and Vice President

Unit: NTS thousand/ thousand shares

Title	Name	Salary (A)		Pension (B)		Bonuses and allowances etc (C)		Remuneration to the employees (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration received from the invested companies other than the subsidiaries and the parent company
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash	Stock	Cash	Stock			
President	Ming-Shan Chuang (Note 1)	506	506	0	0	308	308	0	0	0	0	814 (0.001)	814 (0.001)	0
Presidents/ Vice Presidents	Chieh-Yi Wang (Note 2)	0	1,430	0	0	0	874	0	0	140	0	0	2,444 (0.002)	0

Note 1: On June 16, 2022, Ming-Shan Chuang resigned from the general manager position and was only paid as the vice-chairman.

Note 2: Chieh-Yi Wang took over as the company's general manager on June 16, 2022 and was only paid as the general manager.

3. Individual remuneration paid to each of the top five management personnel Unit: NTS thousand/ thousand shares

Title	Name	Salary (A)		Pension (B)		Bonuses and allowances etc (C)		Remuneration to the employees (D)				The sum of A, B, C, and D as a percentage of after-tax net profit (%)		Remuneration received from the invested companies other than the subsidiaries and the parent company
		The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company	All companies mentioned in the financial statements	The Company		All companies mentioned in the financial statements		The Company	All companies mentioned in the financial statements	
								Cash	Stock	Cash	Stock			
Presidents/ Vice Presidents	Chieh-Yi Wang (Note 1)	0	1,430	0	0	0	874	0	0	140	0	0	2,304 (0.002)	0
Assistant VP	Hung-Yang Wu	1,038	1,038	65	65	697	697	0	0	0	0	1,800 (0.001)	1,800 (0.001)	0
Vice Chairman	Ming-Shan Chuang	1,240	1,240	0	0	0	0	0	0	0	0	1,240 (0.001)	1,240 (0.001)	0
Chief financial officer	Po-Nien Lin	852	852	52	52	340	340	0	0	0	0	1,244 (0.001)	1,244 (0.001)	0
Factory Director	Pen-Yi Lin	1,499	1,499	98	98	811	811	0	0	0	0	2,408 (0.002)	2,408 (0.002)	0

Note 1: Chieh-Yi Wang took over as the company's general manager on June 16, 2022 and was only paid as the general manager.

Name of the managers received remuneration and the distribution of remuneration

Unit: NTS thousand/ thousand shares

	Title	Name	Stock	Cash	Total	As a percentage of net profit after tax (%)
Manager	Assistant VP	Hung-Yang Wu	0	0	0	0
	Chief accountant	Kuo Hua Lin (Note 1)				
	Chief accountant	Tzu Wei Huang (Note 1)				
	Chief financial officer	Po-Nien Lin				

Note 1: Kuo Hua Lin resigned from the accounting supervisor position on June 13, 2022; Tzu Wei Huang took over as the accounting supervisor.

4. Compare and disclose remunerations paid in the last 2 years by The Company and all companies included in the consolidated financial statements to The Company's Directors, Supervisors, President and Vice Presidents as a percentage of after-tax net profit. Describe the remuneration policy, standards and packages, the procedures for determining remuneration, and their link to business performance.
  - (1) Analysis of the ratio of the total amount of remuneration paid to the company's directors, supervisors, general manager and deputy general manager in the last two years by the company and all companies in the consolidated report to the after-tax net profit:
    - A. The remuneration of all directors of the company in 2011 was 8,200 thousand yuan, accounting for 111 year after-tax net loss (0.61%); 110 year remuneration was 7,830 thousand yuan, accounting for 110 year after-tax net profit 137.39%.
    - B. The remuneration for all general managers and deputy general managers of the company in 2011 was 3,258 thousand yuan, accounting for 111 years after-tax net profit (0.24%); 110 year remuneration was 1,240 thousand yuan, accounting for 21.76% of 110 year after-tax net profit.
    - C. The remuneration of all directors in the consolidated statement for 2010 was 26,200 thousand yuan, accounting for 460% of the 110 year after-tax net profit; the 110 year remuneration for the general manager and deputy general manager was 3,352 thousand yuan, accounting for 58.81% of the 110 year after-tax net profit.
    - D. Please refer to the table above for 111 annual information.
  - (2) The policy, standard and combination of payment of remuneration, the procedure of setting remuneration, and the correlation with business performance and future risks:
    - A. Policy, standard and combination of compensation
      - a. In accordance with Article 22 of the company's articles of association, the remuneration of independent directors is authorized to the board of directors to negotiate according to the degree of participation and contribution value of independent directors to the company's operations, and with reference to the level usually paid by peers; in addition, the remuneration of directors and managers of the company is After submitting to the Salary and Compensation Committee, it will be issued after the Board of Directors discusses and approves it.
      - b. In accordance with Article 40 of the company's articles of association, if the company makes profits in the year, the company may allocate no more than 0.3% of the amount as remuneration for directors and supervisors by resolution of the board of directors, and the distribution proposal shall be reported to the shareholders' meeting Released after approval.
      - c. Except for the audit committee and the remuneration committee of the company who paid the travel expenses according to the actual attendance status, the directors did not receive the travel expenses for attending the board meeting.
    - B. Procedures for determining remuneration
      - a. The remuneration committee of the company regularly evaluates the remuneration policy and system of directors, general managers and deputy general managers, and reviews important issues such as long-term rewards for managers, year-end bonuses, annual salary adjustments, and assessment ratios based on industry standards . The measurement basis and evaluation scope include: pre-tax net profit, operation and management performance, internal control implementation results, customer satisfaction and corporate governance evaluation and other indicators as benchmarks.
      - b. The general manager's performance measurement and evaluation scope includes: net profit before tax, operation and management performance, internal control implementation results, customer satisfaction and corporate governance evaluation, etc. , including the achievement of financial indicators and non-financial indicators, after comprehensive consideration and evaluation, propose the amount of remuneration to the Remuneration Committee and submit it to the Board of Directors for resolution.
    - C. Correlation with business performance and future risks

- a. The company's remuneration policy-related payment standards and system review, in addition to regularly holding the remuneration committee, is based on the company's overall operating conditions as the main consideration, and the performance achievement rate and contribution rate are used to determine the payment standards, so as to improve the board of directors and managers. The effectiveness of the overall organizational team; also refer to the salary standards of the same industry to ensure that the salary of the company's management is competitive in the industry, so as to retain excellent management talents.
- b. The performance goals of the general manager and deputy general manager of the company are combined with "risk control" to ensure that possible risks within the scope of duties can be managed and prevented, and the results of the evaluation are given according to the actual performance performance, linking all relevant personnel Resources and related compensation policy. The important decisions of the company's management level are made after balancing various risk factors. The performance of relevant decisions is reflected in the company's profit situation, and the remuneration of the management level is related to the performance of risk control.
- c. The remuneration paid by the company and its subsidiaries to the general manager and deputy general manager is in addition to the regular salary. According to Article 40 of the company's articles of association, if the company makes annual profits, it should allocate 1% to 10%. 5. As employee remuneration, the distribution ratio determined by the board of directors and the distribution of stocks or cash, including the remuneration paid to the general manager and deputy general manager, so regardless of their business management performance and the cash they can receive are quite related, or distributed Stocks are related to future stock prices, that is, they share future business risks with the company.

#### IV. Corporate governance

##### (1) Functionality of the Board of Directors

The Board called 10 meetings in 2022. The attendance of directors is specified as follows:

Title	Name	Actual number of attendance	Attend through proxy	Attendance rate (%)	Remark
Chairman	Kuei-Shiang Wang	9	1	90	
Vice Chairman	Ming-Shan Chuang	8	2	80	
Managing Director (Independent director)	Te-Wei Li	10	0	100	Please see the next page for the details of attendance of each board meeting in 2022.
Independent director	Li-Yeh Hsu	9	1	90	Please see the next page for the details of attendance of each board meeting in 2022.
Independent director	Chih-Ming Shih	10	0	100	Please see the next page for the details of attendance of each board meeting in 2022.
Director	Kuei-Fong Wang	6	4	60	
Director	Ming-Hsiung Huang	10	0	100	
Director	Chieh-Yi Wang	4	1	80	June 16, 2022 assumption of office, 5 meetings should be attended.
Director	Hung-Yang Wu	10	0	100	
Director	Kuo-Ching Chen	5	0	100	Dismissed on June 16, 2022, 5 meetings should be attended.

##### Other notes:

I. For the operation of the Board of Directors in any of the following circumstances, please specify the date, term, the contents of the proposals, the opinions of all independent directors, and the process of the opinions proposed by the independent directors:

(I) The content of the particulars inscribed in Article 14-3 of the Securities and Exchange Act:

- 2022.01.17 (The 26th session's 18th meeting) All of the present independent directors unanimously passed the budget proposal for the new steam power plant's coal storage budget proposal. They also drafted the 2021 year-end bonus for insiders and the 2022 salary policy.
- 2022.03.14 (The 26th session's 19th meeting) All of the present independent directors unanimously passed the proposal for the discussion of 2021 Internal Control System Statement, 2021 Accompanying Financial Statements, 2021 Consolidated Financial Statement and Business Report (including the 2022 Business Plan Summary) and 2021 Earnings Distribution Proposal, amendment to the partial articles of the Governing the Acquisition and Disposal of Assets" and the replacement of the appointed CPAs due to internal adjustment.
- 2022.05.09 (21st meeting of the 26th term) Discussed the stock affairs operation internal control system. The independent directors present passed the proposal without comments.
- 2022.06.13 (The 26th session's 22<sup>nd</sup> meeting) The proposal for the merger with the grandson company Jin-Bang-Ge Industry Co., Ltd., the signing of the "liquidation agreement" in the "land development consultant appointment contract" for the Zixing Section of Wanhua District and the discussion on the company's "accountant supervisor post adjustment and replacement proposal" were discussed. All of the present independent directors unanimously passed the proposal.

- 2022.07.11 (The 27th session's 1<sup>st</sup> meeting) The proposal for the merger with grandson company Xiangfeng Development Co., Ltd. was discussed. All of the present independent directors unanimously passed the proposal.
- 2022.08.12 (The 27th session's 2<sup>nd</sup> meeting) The company's internal 2022 salary increase proposal, 2021 surplus distribution to directors distribution and the remuneration distribution to internal personnel in dollar amounts were discussed. All of the present independent directors unanimously passed the proposal.
- 2022.11.07 (The 27th session's 3<sup>rd</sup> meeting) All of the present independent directors unanimously passed the proposal for the subscription of Taichung Commercial Bank 2022 capital increase, the 2022 public expenses for the appointment of Deloitte Taiwan, the amendment to the "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" internal control and internal audit, the establishment of the "Operating Procedures for Sustainability Report Preparation and Verification Procedures" internal control and internal audit and the establishment of the "Functions and Responsibilities of the Information Processing Department."
- 2022.12.26 (The 27th session's 4<sup>th</sup> meeting) The proposal for the merger with grandson company Xiangfeng Development Co., Ltd. was discussed. The 2022 year-end bonus for the company's internal personnel and the 2023 remuneration policy for the company's directors and internal personnel were formulated. All of the present independent directors unanimously passed the proposal.

(II) Except for the aforementioned matters, the resolutions reached by the Board of Directors with the objections or reservations of the independent directors documented or declared in writing: Not applicable.

II. With respect to the avoidance of conflicting interest agendas, describe the names of directors, details of the relevant agendas, reasons for avoiding conflicting interest, and the voting decisions:

- 2022.01.17 The 2021 end-of-year bonus case was discussed. On the basis of self-interest involved, Chairman Wang Kui-Hsien, Vice Chairman Chuang Ming-Shsan, Director Wu Hung-Yang, etc. left their seats.
- 2022.07.11 For the purpose of avoiding a conflict of interest, the appointed and recently appointed members of the compensation committee, independent directors Te-Wei Li and Li-Yeh Hsu and Chih-Ming Shih left the discussion session.
- 2022.08.13 For the purpose of avoiding a conflict of interest, Director Wu Hung-Yang left the "company's 2021 earnings distribution for the company's directors and the 2022 remuneration distribution to internal personnel" proposal discussion session.
- 2022.11.07 Discussed the subscription of Taichung Commercial Bank cash capital increase case. On the basis of avoidance of conflict of interest, directors Wang Kui-Feng and Huang Ming-Wei left their seats.
- 2022.12.26 The 2022 end-of-year bonus case was discussed. On the basis of self-interest involved, Chairman Wang Kui-Hsien, Vice Chairman Chuang Ming-Shsan, Director Wu Hung-Yang, etc. left their seats.

III. TWSE/TPEX-Listed Companies shall disclose assessment cycles, periods, scope, methods, and contents for self or peer evaluation of the board of directors and record relevant details on attached form 2:

Evaluation cycle (Note 1)	Evaluation period (Note 2)	Evaluation scope (Note 3)	Evaluation method (Note 4)	Evaluation content (Note 5)	Scoring results
2022	2022.01.01~2022.12.31	Board of directors	The board meeting units carried out evaluations based on the actual board operation status	They are divided into five aspects, as described below: 1) Level of participation in company operations 2) Enhancement of the board decision quality 3) Board composition and structure	The total score is 4.67 points, and the evaluation results are excellent. The evaluation results show that company's overall operations are quite comprehensive, which is in line with the corporate

				4) Director election and continuing education 5) Internal control.	governance.
2022	2022.01.01~2022.12.31	Individual board of directors	Self-assessment by respective boards of directors.	They are divided into six aspects, as described below: 1) Firm grasp of company goals and missions 2) Clear understanding of director responsibilities 3) Level of participation in company operations 4) Management of internal relations and communication 5) Professionalism and continuing education of directors 6) Internal control.	The overall average score is 4.65, and the evaluation results are excellent. The evaluation results show that the company directors have positive evaluations of the various assessment indicators' operational efficiency and effectiveness.
2022	2022.01.01~2022.12.31	Members of the Audit Committee	Self-assessment by respective members of the Audit Committee	They are divided into five aspects, as described below: 1) Level of participation in company operations 2) Awareness of the duties of the functional committee. 3) Improvement of the functional committee's decision-making quality. 4) Formation and election of the functional committee. 5) Internal control.	The overall average score is 4.68, and the evaluation results are excellent. The evaluation results show that the company members of the Audit Committee have positive evaluations of the various assessment indicators' operational efficiency and effectiveness.
2022	2022.01.01~2022.12.31	Members of Remuneration Committee	Self-assessment by respective members of the Remuneration Committee	They are divided into five aspects, as described below: 1) Level of participation in company operations 2) Awareness of the duties of the functional committee. 3) Improvement of the functional committee's decision-making quality. 4) Formation and election of the functional committee. 5) Internal control.	The overall average score is 4.64, and the evaluation results are excellent. The evaluation results show that the company members of the Remuneration Committee have positive evaluations of the various assessment indicators' operational efficiency and effectiveness.



IV. The objective of enhancing the occupational function of the Board of Directors in current year and the most recent year, and assessing its implementation: Not evaluated.

Supplementary Notes: Details of attendance of each board meeting in 2022.

2022	The 1st time	The 2nd time	The 3rd time	The 4th time	The 5th time	The 6th time	The 7th time	The 8th time	The 9th time	The 10th time
Te-Wei Li	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Li-Yeh Hsu	◎	◎	◎	◎	◎	◎	◎	☆	◎	◎
Chih-Ming Shih	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎

◎ In person ☆ Attendance by substitution

(II) The operation of the Auditing Committee

The Auditing Committee convened for 8 times (A) in FY222 The attendance of the independent directors is shown below:

Title	Name	Actual number of attendance	Attend through proxy	Attendance rate (%)	Remark
Independent director	Te-Wei Li	8	0	100	
Independent director	Li-Yeh Hsu	7	1	87.5	
Independent director	Chih-Ming Shih	8	0	100	

Other notes:

I. If the operation of the Audit Committee is under any of the following circumstances, the date, term, proposal content, independent directors' dissenting opinions, reserved opinions or significant recommendations, resolution of the Audit Committee and the Company's handling of the Audit Committee's opinions should be described:

(I) Issues listed in Article 14-5 of the Securities and Exchange Act:

2022.01.17 (15h meeting of the 2nd term) Discussed the budget for purchase of coal storage warehouse of the newly-built steam and electricity plant. Approval of submission to the board for discussion.

2022.03.14 (The 2<sup>nd</sup> session's 16<sup>th</sup> meeting) The company agreed to submit the proposal for "2021 Internal Control System Declaration," "2021 Consolidated Financial Statement," the "2021 Earnings Distribution, the "capital increase out of earnings," amendment to the "Regulations Governing the Acquisition and Disposal of Assets," amendment to the partial articles of "the replacement of appointed CPAs due to internal adjustment" to the board of directors for discussion.

2022.05.09 (17th meeting of the 2nd term) Discussed the internal control system of stock affair operations and consented to its submission to the board of directors for discussion.

2022.06.13 (The 2<sup>nd</sup> session's 18<sup>th</sup> meeting) The company's proposal for the merger with the grandson company Jin-Bang-Ge Industry Co., Ltd. was discussed. The company signed the "liquidation agreement" for the "land development consultant appointment contract" for the Zixing Section of Wanhua District. The company agreed to submit the accountant supervisor replacement proposal for discussion by the board of directors.

2022.07.11 (The 3<sup>rd</sup> session's 1<sup>st</sup> meeting) The company's proposal for the merger with the grandson company Xiangfeng Development Co., Ltd. was discussed. The company agreed to submit it to the board of directors for discussion.

2022.11.07 (The 3<sup>rd</sup> session's 3<sup>rd</sup> meeting) Taichung Commercial Bank's 2022 cash capital increase proposal, the 2022 public expense for the appointment of Deloitte Taiwan, the amendment of the "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" internal audit proposal," the establishment of the amendment to the partial articles of the "Operating Procedures for Sustainability Report Preparation and Verification Procedures" internal control and internal audit proposal, amendment to the partial articles of the "Regulations Governing Procedure for Board of Directors Meetings," the 2023 internal audit operational plan, and the internal control and internal audit of the "Functions and Responsibilities of the Information Processing Department" to the board of directors for discussion.

2022.12.26 (The 3<sup>rd</sup> session's 4<sup>th</sup> meeting) The company's merger of the grandson company Xiangfeng Development Co., Ltd. was discussed. The company agreed to submit it to the board of directors for discussion.

(II) In addition to the aforementioned motions, other motions without approval by the

Auditing Committee but passed by the Board with 2/3 of the Directors: Not applicable.

- II. With respect to the avoidance of conflicting interest agendas, describe the names of independent directors, details of the relevant agenda, reasons for avoiding conflict of interest and the voting decisions: not applicable.
- III. The Annual Work Focus of the Audit Committee:  
The operation of the Audit Committee adheres by the main objectives of supervising the appropriate expression of company financial statements, the independence and performance of CPA appointment (dismissal), the effective implementation of company internal control, and the control of company compliance to laws and regulation and risk control.
- (I) Review of Financial Statements  
The board of directors shall present the 2022 Business Report, financial statement, and surplus distribution cases. In particular, the inspection of financial statements by the appointed Deloitte Taiwan has been completed. The inspection report has also been presented. The above business reports, financial statements, surplus distribution cases have been deemed compliant upon inspection by the Audit Committee.
- (II) CPA Appointment (Dismissal) and Independence and Performance Evaluation  
The CPA appointment (dismissal) and annual evaluation and independence were supervised. The evaluation report along with the statement presented by the CPAs were reviewed by the Audit Committee on January 17, 2022. They were submitted to and passed by the board of directors on January 17, 2022.
- (III) Evaluation of Internal Control System Effectiveness  
The bank's Board of Directors Audit Office shall review the respective departments' internal control system self-inspection reports. They along with the internal control deficiencies and abnormal mater improvement situations found by the Audit Office shall serve as references for the management level to evaluate the overall internal control system effectiveness and the Statement of Internal Control presented. In addition, the Audit Committee shall evaluate the policies and procedures of the company's internal control system.

- IV. Performance of communications by and between independent directors, internal audit head and Certified Public Accountant(s) (should include the Company's financial, business operation affairs, issued, methods and outcomes of communications among them):

- I. Independent directors in the communication policy with the chief audit executive and CPA.

There are direct communication channels between the independent directors and internal auditors, and the CPAs. Communications are in good status. The Chief Internal Auditor, based on the annual audit plan and implementation status, convenes the Audit Committee report meeting for interactions with the independent directors; The internal audit plan for the subsequent year will be proposed to the Audit Committee for review. Besides attending the Shareholders' meeting, the CPA will attend the meetings of Audit Committee, Board of directors or through other methods of meeting depending on the situation. The CPA will communicate and interact with the independent directors on the financial statements review or audit situation, or finance, taxation or internal control and related topics.

1. The Audit Office will send the audit report to the independent directors on a monthly basis based on the annual audit plan.
2. For the deficiencies discovered in the audit reports, the internal deficiencies and the improvement situations of the unusual matters need to be follow-up. Create the follow-up report for sending to the independent directors on a quarterly basis.
3. If it is discovered of major violations situations or when it is suspected that the company may suffer from major damages, shall create a report immediately for submission for review and notify the independent directors.
4. When there are questions or instructions by the independent directors after reviewing the audit report, they will make a phone call to the Chief Internal Auditor to inquire or inform of handling.

In summary, the independent directors can understand the company's operation

situations (including finance and business situations) and audit situations through the audit reports provided to them on a regular basis by the Audit Committee or Board of directors and audit unit. They can also make sufficient communications on the audit execution situation and performance, and maintain good communications with the CPAs through meetings and other channels (such as: telephone, fax, emails and so on).

II. Summary of previous communications between independent directors and internal audit managers as following:

Date	Methods of communications	Targets in communications	Communication matters	Communicate results
2022/03/14	Meeting	CPA	The CPAs communicated and discussed on the important matters in the 2021 Consolidated Statement. The contents included: the responsibilities of governance departments, the scope of inspection, major accounting policies, major accounting estimations and major events or transactions, the identification of significant risks, key inspection matters, internal control inspection findings, and so on.	The independent directors have no comments on the current meeting.
2022/05/09	Audit Committee	Chief Internal Auditor	2022 Q1 audit report.	The independent directors have no comments on the current meeting.
2022/08/12	Audit Committee	Chief Internal Auditor	1. 2022 Q2 audit report. 2. Greenhouse gas inspection and verification schedule and planning for the second quarter of 2022:	The independent directors have no comments on the current meeting.
2022/11/07	Audit Committee	Chief Internal Auditor	1. 2022 Q3 audit report. 2. 2023 internal audit plan.	The independent directors have no comments on the current meeting.
2022/12/26	Meeting	CPA	All of the major aspects of the annual consolidated statements for 2022 were discussed among the accountants, including roles and responsibilities within the governance unit, audit scope, materiality assessment criteria, risk identification, key audit items, and any changes to applicable laws and regulations.	The independent directors have no comments on the current meeting.

(III) How The Company’s actual governance differs from The Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and why

\* The Company

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
I. Will the Company based on the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” set up and disclose the Company’s corporate governance best-practice principles?		V	The Company has not yet developed the plan.	If there are regulatory or necessary considerations, the provisions of the relevant laws and other regulations shall apply.
II. Shareholding structure and shareholders’ equity (I) Does the Company have internal operating procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?		V	(I) Formal operating procedures have not been established. To address shareholder suggestions, queries, disputes, etc., the company has created an investor Q&A area on the website in addition to the company’s designation of a spokesperson, acting spokesperson, and full-time stock affairs personnel.	Insignificant difference.
(II) Does the Company possess a list of principal shareholders and beneficial owners of these principal shareholders?	V		(II) The Company constantly monitors the shareholdings of directors, supervisors, managerial officers, or principal shareholders owning more than 10% of the shares.	Meet the requirements.
(III) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates?	V		(III) Transaction management of interested parties, endorsement and guarantee and capital loans between the Company and its affiliates are governed by rules, and there are internal control and audit measures developed in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, to monitor subsidiaries.	Meet the requirements.
(IV) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(IV) The Company has established internal rules prohibiting insider trading on undisclosed information.	Meet the requirements.
III. The constitution and obligations of the board of directors (I) Has the Board of Directors formulated and implemented a diversity policy on membership?	V		(I) The company’s board of directors is made up mostly of senior executives who come from a variety of backgrounds, are well-versed in their respective fields and are in line with the diversification strategy of the company’s development.	Meet the requirements.
(II) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?		V	(II) Will discuss the possibility of establishment based on the Company’s actual business needs.  (III) The Company has formulate board performance appraisal	Insignificant difference.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
(III) Has the Company formulated "The Procedures for the Company's Board Performance Evaluation" and evaluation method, conducted a performance evaluation annually and regularly, reported the results of the performance evaluation to the Board of Directors, and applied it for reference in determining individual director's remuneration and nomination for renewal?  (IV) Will the Company have the independence of the public accountant evaluated regularly?	V		<p>guidelines and methods on March 16, 2020. The results of these appraisals will serve as a key reference for director remunerations and relevant requirements of nomination for reelection (Refer to pp.19 for detail).</p> <p>(IV) The Company regularly (at least once a year) assesses the independence of the certified accountant to check if the accountant is a director, supervisor or shareholder of the Company or receives salary from the Company, verifying that the accountant is not an interested person. The certified accountant must take a recusal action in the event there is a direct conflict of interests or interested relationship with the commissioned tasks and the rotation of accountants must comply with relevant regulations. CPA Yu Su-Huan and CPA Wang Pan-Fa of Deloitte Taiwan after an evaluation by the company have been found to be qualified independent accountants.</p>	<p>Meet the requirements.</p> <p>Meet the requirements.</p>
IV. Has the Company designated an adequate number of corporate governance personnel with appropriate qualifications and appointed a chief corporate governance officer as the most senior officer in charge of corporate governance affairs (including, but not limited to, provision of data required for the execution of relevant operations by the directors, assistance in legal compliance by directors, handling of matters pertaining to board meetings and shareholders meetings pursuant to relevant laws and preparation of minutes for board meetings and shareholders' meetings)?	V		<p>As resolved and passed by the company's board of directors on March 18, 2019, Manager Lin Kuo-Hua served as the corporate governance supervisor. The supervisor had more than three years of experience as the financial department supervisor at a publicly offered company. The main responsibilities included:</p> <ol style="list-style-type: none"> <li>1. Conduct board of directors meeting and shareholders' meeting related matters by law.</li> <li>2. Produce minutes of board meetings and shareholder meetings.</li> <li>3. Assist the board of directors in taking office and continuing education.</li> <li>4. Provide the board of directors with information needed for implementing businesses.</li> <li>5. Assist the board of directors in legal compliance.</li> <li>6. Independent directors' adherence to all relevant laws and regulations during their nomination, election and tenure should be reviewed, and the results reported to the board of directors.</li> </ol>	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
			<p>7. Conduct matters pertaining to the replacement of directors.</p> <p>8. Other matters set in accordance with laws and regulation, company regulations, or contracts.</p> <p>Corporate governance business implementation situations:</p> <p>1. Assist in board of directors meeting and shareholders' meeting procedures and resolved legal compliance matters:</p> <p>(1) Report the corporate governance operation situations to the board of directors, independent directors, or the Audit Committee. Confirm if shareholders' meetings and board of directors' meetings convened are in line with relevant laws and norms in the Code for Corporate Governance.</p> <p>(2) Assist in and remind directors in legal compliance at the time of implementing businesses or upon official resolution by the board of directors. Suggestions shall be proposed upon board resolution of violations.</p> <p>(3) Responsible for reviewing the release of major information on important board resolutions after the meeting. This is to ensure the compliance and correctness of important information contents and protect the equivalence of investors' transaction information.</p> <p>2. Pursuant to the legally prescribed time limits, advance registration of the date of the shareholders meeting, uploading of the meeting notice and handbook 30 days in advance, and provision of meeting minutes within 20 days after the meeting.</p> <p>3. Board of directors and Audit Committee related matters:</p> <p>(1) Agenda for the board and audit committee and other meeting information are submitted to the directors 7 days before the meeting, and the meeting minutes are completed within 20 days after the meeting.</p> <p>(2) The meeting standards have specified terms on recusal. Directors are reminded of recusal whenever topics presented have any conflict of interests.</p> <p>(3) Compile the resolutions and statements from the</p>	

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
			<p>proceedings of each meeting and monitor the follow-up responsive measures taken by the relevant unit and report them.</p> <p>4. Support directors:</p> <p>(1) All directors have completed the required hours of continuing professional education pursuant to the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE and TPEX-Listed Companies and receive constant assistance in continuing education.</p> <p>(2) Continue to advocate compliance with the laws and regulation by the board of directors.</p> <p>(3) The current chairman, managers, and employed persons were advocated in November 11, 2022. The confidentiality of financial businesses shall be observed according to provisions in the “Code of Business Conduct for the Board of Directors and Managers” and the “Operational Procedures for Handling of Internal Major Information.” Unauthorized and arbitrary release of information and explanations of the company’s scope of internal major information, confidentiality operations, etc. are not allowed.</p> <p>5. In order to establish sound corporate governance, assist the board of directors in performing duties, and enhance the effectiveness of the board of directors, the company has set up the “Standard Operational Procedures for Handling Demands by Directors” in order to ensure the board procedures, all applicable laws and regulations, and rules are complied with and ensure sound information exchange among board members and between directors and the management department.</p> <p>Corporate governance officers continuing education situation: Please refer to the annual report on the explanation of the situation of continuing education of corporate governance officers. (Note 1)</p>	



Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
V. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company's website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?	V		The Company offers communication channels for various entities (including interested parties) based on different circumstances, and they can be found on the Company's website at <a href="http://www.cmfc.com.tw">http://www.cmfc.com.tw</a>	Meet the requirements.
VI. Has the Company commissioned a professional stock service agent to handle shareholders affairs?		V	The shareholder services of the Company are handled by specialized personnel, and the services are regularly audited by both the internal and external organizations and meet all requirements.	For the purpose of saving on operating cost, outsourcing is currently not considered.
VII. Disclosure of information (I) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		(I) The Company's financials and disclosures are disclosed on the Exchange's website in accordance with the regulations, and the annual reports are also published on the Company's official website. (Website: <a href="http://www.cmfc.com.tw">http://www.cmfc.com.tw</a> . Link to the Market Observation Post System.)	Meet the requirements.
(II) Has the Company adopted other information disclosure methods (such as, establishing an English website, designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?	V		(II) The Company has assigned personnel responsible for the collection of disclosed information and implemented the spokesperson practice.	Meet the requirements.
(III) Has the Company publicly announced and filed its annual financial reports within two months after the close of the given fiscal year? Has it publicly announced and filed the financial reports for the first, second, and third quarter and the operational status reports for each month prior to the prescribed time limit?		V	(III) Pursuant to the provisions set forth in Article 36 of the Securities and Exchange Act, the Company publicly announces and files its annual financial reports within three months after the close of the given fiscal year. Financial reports for the respective quarter are publicly announced and filed within 45 days after the end of the first, second, and third quarters of each fiscal year, and operational status reports for the previous month are publicly announced and filed within the first ten days of each calendar month.	This is currently not planned due to manpower allocation considerations.
VIII. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the	V		<u>Employees' rights and welfare</u> : To achieve sustainable operations and growth, the Company protects employees' welfare in accordance with the Labor Standards Act and other related measures and also establishes a Staff Welfare Committee	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?			<p>to be responsible for various welfare measures to improve its overall care of employees. For example: 12 months of maternity subsidy, scholarship for employees' children, medical subsidies and others.</p> <p><u>Investor Relations</u>: The Company treats all its investors with fairness and openness. Shareholders meetings are held annually in accordance with the requirements of the Company Act and the relevant laws and regulations. Investors are notified of attendance to shareholders meetings and encouraged to participate in the resolutions of all proposals of the meetings. In order to ensure that shareholders have full rights to know, participate and decide on key issues of the Company, a spokesperson and an acting spokesperson are assigned to properly handle all recommendations, questions and disputes.</p> <p><u>Supplier relationship</u>: Maintain a good relationship based on the principle of good faith.</p> <p><u>Rights of interested parties</u>: They can contact us through the mailbox on the official homepage or directly contact us.</p> <p><u>Continued education of directors and supervisors</u>: (Note 2)</p> <p><u>Implementation of risk management policies and measurement criteria</u>: The Company has established various internal management regulations in accordance with the law and conducted various risk management and assessment to effectively control the risks of the Company's operations.</p> <p><u>Implementation of customer policies</u>: The Company maintains a good relationship with its customers.</p> <p><u>Purchase of liability insurance for directors and supervisors</u>: The Company has purchased insurance policies in accordance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and disclosed them on the Market Observation Post System.</p>	
<p>IX. Please describe the improvement performed according to the corporate governance evaluation results published by the Corporate Governance Center of Taiwan Stock Exchange in recent years, and propose the matters with priority for improvement and the respective measures.</p> <p>1. According to the Taiwan Stock Exchange Corporate Governance Center's 2021 (8<sup>th</sup>) corporate governance evaluation results, the company's evaluation standing is among the top 51%~65% of TWSE listed companies, with 51 scoring items and 30 non-scoring items. Specifically, "upload the English version of the shareholders' meeting agenda handbook and meeting supplementary materials 30 days before the annual shareholders' meeting" has been improved. Establish the Rules for Performance Evaluation of Board of Directors</p>				

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
and the stipulation of conducting at least once external review every three years remains a prioritized improvement item.				
2. Since the promulgation of the 2022 (9th) evaluation results, the unscored indicators were listed as the prioritized strengthening items in corporate governance. In the future, corporate governance will continue to be improved, focusing on sustainable development.				

Note 1: The situation of continuing education of corporate governance supervisors

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Corporate Governance Officer	Kuo Hua Lin	Securities and Futures Development Foundation	2022 Insider Trading Prevention Publicity Conference	3	Yes
		Co-organized by the Taiwan Stock Exchange and Taipei Exchange.	Roadmap of sustainability development and industry-themed promotion meetings.	2	Yes
		Securities and Futures Development Foundation	2022 Insider Equity Transaction Legal Compliance Advocacy and Briefing Session	3	Yes
		Securities and Futures Development Foundation	TWSE/TPEX-listed companies- Seminar on Derivatives Trading Strategies and Market Outlook	3	Yes
		Taiwan Securities Exchange Corporation	2022 Cathay Sustainable Finance and Climate Change Summit	6	Yes

Note 2: Continued education of directors:

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Independent director	Te-Wei Li	Corporate Governance Association in Taiwan	The board of director should take ESG related legal issues into consideration.	3	Yes
Independent director	Li-Yeh Hsu	The Taiwan Insurance Institute	How to strengthen relationships with external stakeholders to tackle IFRS 17 issues?	3	Yes
		Corporate Governance Association in Taiwan	The board of director should take ESG related legal issues into consideration.	3	Yes
Independent director	Chih-Ming Shih	Corporate Governance Association in Taiwan	Examining the Information Security Governance Strategies of TWSE/TPEX Listed Companies from the Perspective of ESG Enterprises' Sustainable Development	3	Yes
		Corporate Governance Association in Taiwan	The board of director should take ESG related legal issues into consideration.	3	Yes

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Director	Kuei-Fong Wang	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Fair Client Service and Integrity Management	3.5	Yes
		Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of Directors' Role in Fostering Corporate Information Security Management from the ESG Perspective	3	Yes
		Taiwan, Taiwan Academy of Banking and Finance (TABF)	Principles of Fair Client Service and Financial Friendly Service	3	Yes
		Taiwan, Taiwan Academy of Banking and Finance (TABF)	Climate Change Risk Assessment and Responses	3	Yes
Director	Ming-Hsiung Huang	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Fair Client Service and Integrity Management	3.5	Yes
		Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of Directors' Role in Fostering Corporate Information Security Management from the ESG Perspective	3	Yes
		Taiwan, Taiwan Academy of Banking and Finance (TABF)	Principles of Fair Client Service and Financial Friendly Service	3	Yes
		Taiwan, Taiwan Academy of Banking and Finance (TABF)	Climate Change Risk Assessment and Responses	3	Yes
Director	Hung-Yang Wu	Taipei Exchange	Insider Seminar for GTSM and Emerging Stock Market-Listed Companies	3	Yes

\* Consolidated companies

1. Pan Asia Chemical Corporation

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
I. Will the Company based on the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" set up and disclose the Company's corporate governance best-practice principles?		V	The Company has not yet developed its own "Corporate Governance Best Practice Principles".	If there are regulatory or necessary considerations, the provisions of the relevant laws and other regulations shall apply.
II. Shareholding structure and shareholders' equity		V	(I) The Company has a spokesperson, an acting spokesperson and full-time shareholder services personnel responsible for handling recommendations or questions from shareholders and the official website also has an "Investor Relations" section to handle recommendations or disputes.	Adequate.
(I) Does the Company have internal operating procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, have these procedures been implemented accordingly?	V		(II) The Company constantly monitors the shareholdings of directors, supervisors, managerial officers, or principal shareholders owning more than 10% of the shares.	Meet the requirements.
(II) Does the Company possess a list of principal shareholders and beneficial owners of these principal shareholders?	V		(III) Transaction management of interested parties, endorsement and guarantee and capital loans between the Company and its affiliates are governed by rules, and there are internal control and audit measures developed in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies, to monitor subsidiaries.	Meet the requirements.
(III) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		(IV) In order to maintain the fairness in the securities trading market, the Company has established the "Procedures to Prevent Insider Trading" and the "Procedures for Handling Material Inside Information".	Meet the requirements.
(IV) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V			
III. The constitution and obligations of the board of directors		V	(I) The Company values diversification of the board composition, and members are generally equipped with knowledge, skills and competencies necessary to perform their duties.	Meet the requirements.
(I) Has the Board of Directors formulated and implemented a diversity policy on membership?	V		(II) Will discuss the possibility of establishment based on the Company's actual business needs.	Insignificant difference.
(II) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up		V		

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
voluntarily? (III) Has the Company had the rules governing the performance evaluation of the board of directors and evaluation methods stipulated, the performance evaluation performed annually and regularly, the results of the performance evaluations reported to the board of directors, and the evaluation result applied as a reference for individual director's remuneration and nomination for re-election?	V		(III) The company set up the Rules for Performance Evaluation of Board of Directors on March 16, 2020. Thereafter, an evaluation was carried out periodically every year. The results were submitted to the board of directors and published on March 8, 2023. The results shall serve as a reference for the board of directors or during director nomination exercised by shareholders with more than 1% shareholding.	Meet the requirements.
(IV) Will the Company have the independence of the public accountant evaluated regularly?	V		(IV) The company's CPAs have their independence and competence annually reviewed by the audit committee. In addition to requiring CPAs to provide the "Independence in Fact Statement" and "Audit Quality Indicators (AQIs)," evaluations are carried out in accordance with the standards and 13 AQI indicators in (Note 1). After confirmation, the accountants and the company have no financial interests and business relations other than expenses on certification and financial tax cases. The accountant's family does not violate independence requirements. In reference to the information in the AQI indicators, verify that the accountant's and the accounting firm are comparable to counterparts, while the training hours are superior to that of average. In addition, digital auditing tools continue to be introduced to improve audit quality. Pertaining to the evaluation results in the most recent year, the Audit Committee and the Board of Directors' approved the accountants' independence and competence on March 8, 2023.	Meet the requirements.
IV. Has the TWSE/TPEx-Listed Company designated an adequate number of corporate governance personnel with appropriate qualifications and appointed a chief corporate governance officer as the most senior officer in charge of corporate governance affairs (including, but not limited to, provision of data required for the execution of relevant operations by the directors and supervisors, assistance in legal compliance by directors and supervisors, handling of matters pertaining to board	V		The company's departments and offices have designated representatives to handle related corporate governance matters. As resolved and passed by the board of directors on March 15, 2021, Manager Wen Yu-Tao served as the corporate governance supervisor. The supervisor had more than three years of qualification as the financial department supervisor at a publicly offered company. The main responsibilities included supervising and implementing corporate governance operations. The corporate	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
meetings and shareholders meetings pursuant to relevant laws, corporate registration and amendment registration, and preparation of minutes for board meetings and shareholders meetings)?			<p>governance related matters included:</p> <ol style="list-style-type: none"> <li>1. Conduct board of directors meeting and shareholders' meeting related matters by law.</li> <li>2. Produce minutes of board meetings and shareholder meetings.</li> <li>3. Assist the board of directors in taking office and continuing education.</li> <li>4. Provide the board of directors with information needed for implementing businesses.</li> <li>5. Assist the board of directors in legal compliance.</li> <li>6. Other matters set in accordance with laws and regulation, company regulations, or contracts.</li> </ol> <p>Corporate governance operation implementation situation:</p> <ol style="list-style-type: none"> <li>1. Assist in board of directors meeting and shareholders' meeting procedures and resolved legal compliance matters: <ol style="list-style-type: none"> <li>(1) Report the corporate governance operation situations to the board of directors, independent directors, or the Audit Committee. Confirm if shareholders' meetings and board of directors' meetings convened are in line with relevant laws and norms in the Code for Corporate Governance.</li> <li>(2) Assist in and remind directors in legal compliance at the time of implementing businesses or upon official resolution by the board of directors. Suggestions shall be proposed upon board resolution of violations.</li> <li>(3) Responsible for reviewing the release of major information on important board resolutions after the meeting. This is to ensure the compliance and correctness of important information contents and protect the equivalence of investors' transaction information.</li> </ol> </li> <li>2. Pursuant to the legally prescribed time limits, advance registration of the date of the shareholders meeting, uploading of the meeting notice and handbook 30 days in advance, and provision of meeting minutes</li> </ol>	

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
			<p>within 20 days after the meeting.</p> <p>3. Board of directors and Audit Committee related matters:</p> <p>(1) Agenda for the board and audit committee and other meeting information are submitted to the directors 7 days before the meeting, and the meeting minutes are completed within 20 days after the meeting.</p> <p>(2) The meeting standards have specified terms on recusal. Directors are reminded of recusal whenever topics presented have any conflict of interests.</p> <p>(3) Compile the resolutions and statements from the proceedings of each meeting and monitor the follow-up responsive measures taken by the relevant unit and report them.</p> <p>4. Support directors:</p> <p>(1) Continue assisting the board of directors in completing continuing education hours in accordance with the “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies.”</p> <p>(2) Continue to advocate compliance with the laws and regulation by the board of directors.</p> <p>(3) The current chairman, managers, and employed persons were advocated in November 2022. The confidentiality of financial businesses shall be observed according to provisions in the “Code of Business Conduct for the Board of Directors and Managers” and the “Operational Procedures for Handling of Internal Major Information.” Unauthorized and arbitrary release of information and explanations of the company’s scope of internal major information, confidentiality operations, etc., are not allowed.</p> <p>5. In order to establish sound corporate governance, assist the board of directors in performing duties, and</p>	



Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
			<p>enhance the effectiveness of the board of directors, the company has set up the “Standard Operational Procedures for Handling Demands by Directors” in order to ensure the board procedures, all applicable laws and regulations, and rules are complied with and ensure sound information exchange among board members and between directors and the management department.</p> <p>Corporate governance officers continuing education situation: Please refer to the annual report on the explanation of the situation of continuing education of corporate governance officers. (Note 2)</p>	
V. Has the Company established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), set up a stakeholder section on the Company’s website, and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?	V		The Company offers communication channels for various entities (including interested parties) based on different circumstances, and they can be found in the "Stakeholders" section on the Company's website at <a href="http://www.pacc.com.tw">http://www.pacc.com.tw</a>	Meet the requirements.
VI. Has the Company commissioned a professional stock service agent to handle shareholders affairs?		V	The shareholder services of the Company are handled by specialized personnel, and the services are regularly audited by both the internal and external organizations and meet all requirements.	For the purpose of saving on operating cost, outsourcing is currently not considered.
VII. Disclosure of information				
(I) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V		(I) The Company's financials and disclosures are disclosed on the OTC official website in accordance with the regulations and the annual reports are also published on the Company's official website. The Company's website is <a href="http://www.pacc.com.tw">www.pacc.com.tw</a> , with available links connecting to the Market Observation Post System.	Meet the requirements.
(II) Has the Company adopted other methods of information disclosure (e.g., setting up an English website, designating a specialist responsible for gathering and disclosing Company information, setting up a spokesperson system, uploading recordings of investor conferences onto the Company website)?	V		(II) The Company has assigned personnel responsible for the collection of disclosed information and implemented the spokesperson practice.	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
(III) Has the Company publicly announced and filed its annual financial reports within two months after the close of the given fiscal year? Has it publicly announced and filed the financial reports for the first, second, and third quarter and the operational status reports for each month prior to the prescribed time limit?		V	(III) Pursuant to the provisions set forth in Article 36 of the Securities and Exchange Act, annual financial reports are publicly announced and filed within three months after the close of the given fiscal year. Financial reports for the respective quarter are publicly announced and filed within 45 days after the end of the first, second and third quarters of each fiscal year and operational status reports for the previous month are publicly announced and filed within the first ten days of each calendar month.	In conformity with relevant laws and regulations; currently not planned due to manpower allocation considerations.
VIII. Are there any other important information (including but not limited to the interests of employees, employee care, investor relations, supplier relations, the rights of stakeholders, the advanced study of directors and supervisors, the implementation of risk management policies and risk measurement standards, the execution of customer policy, the purchase of liability insurance for the Company's directors and supervisors) that are helpful in understanding the corporate governance operation of the Company?	V		<p><u>Employees' rights and interests:</u> Comply with the Labor Standards Act and establish communication channels with employees, encourage employees to directly communicate with the management, directors and supervisors, properly reflect employees' opinions on the Company's operations and financial conditions or major decisions related to employees' interests.</p> <p><u>Employee care:</u> Comply with the Labor Standards Act, respect and maintain employees' legitimate rights and interests and establish communication channels.</p> <p><u>Investor relations:</u> In operating its normal business and maximizing the shareholder interest, the Company respect and maintain investor's interests, conduct business operations with good faith, pay attention to the trading order on the securities market and have a high regard for the social responsibility of the Company.</p> <p><u>Supplier relationship:</u> Maintain a good relationship based on the principle of good faith.</p> <p><u>Rights of interested parties:</u> They can contact us through the mailbox on the official homepage or directly contact us.</p> <p><u>Continuing education of directors and supervisors:</u> Please see this annual report for details (Note 3).</p> <p>Implementation of risk management policies and <u>measurement criteria:</u> The Company has established various internal management regulations in accordance with the law and conducted various risk management and assessment to effectively control the risks of the Company's operations.</p>	Meet the requirements.

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary	
			<p><u>Implementation of customer policies:</u> In addition to regular visits to customers and convening distributor meetings, the Company conducts annual customer satisfaction surveys to understand customers' actual responses to marketing, logistics management and technical support. Customers are invited to provide their recommendations to ensure that their needs are understood and met.</p> <p><u>Purchase of liability insurance for directors and supervisors:</u> The Company and its parent (China Man-Made Fiber Corporation) jointly take out professional liability insurance for directors, supervisors, and key employees and disclose relevant information on the Market Observation Post System (MOPS).</p>	
<p>IX. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures:</p> <p>1. The Corporate Governance Center of Taiwan Stock Exchange Corporation has recently announced the evaluation of corporate governance for the 8th Term in 2021. The Bank's ranking in the ranking range of listed companies is: the 21%~35% companies and the items not being scored were disclosed. The following improvements have been implemented based on the 8th evaluation in 2021:</p> <p>(1) More than 50% of the board of directors (at least one independent director) and the convenor of the audit committee are present at the annual shareholders' meeting and their names are published in the minutes.</p> <p>(2) The agenda handbook and meeting supplementary materials in English were uploaded 30 days before the annual shareholders' meeting.</p> <p>(3) The annual report in English was uploaded 16 days before the annual shareholders' meeting.</p> <p>(4) The company has designated a corporate governance supervisor in charge of matters pertaining to corporate governance. The supervisor's authority and training status are described on the company's website and in the annual report.</p> <p>(5) The annual financial report in English was uploaded 16 days before the annual shareholders' meeting.</p> <p>(6) The company has created its website in English that includes information on finance, business, and corporate governance.</p> <p>(7) The company's website or annual report has disclosed the identities of stakeholders, issues of concern, communication channels, and responses.</p> <p>2. As of the annual report publication date, the 2022 (9th Term) appraisal results have not yet been released. The Company will list the unscored indicators as the prioritized strengthening items in corporate governance based on its importance and evaluated rate of achievability.</p>				

Note 1: The CPA Independence and Suitability Assessment Criteria:

The CPA and the company have no financial ties, either direct or significantly indirect.
The certified public accountant does not have any loans with the company.
Certified public accountants do not have a significant and close working relationship with the company, its directors, supervisors, or managers.
The company's directors, managers, or positions that have a significant impact on audit cases have not been held by the certified accountants themselves, their spouses or

dependent relatives, or members of their audit team during the audit period or in the two years prior, and they have affirmed that they will not hold the aforementioned positions in future audit periods-related employment.
The CPA is not the person in charge or manager's spouse, direct relative, relationship by marriage or by affinity within the second degree.
CPAs have not been hired with public funds.
The CPA and business are not involved in any legal proceedings.
The CPA has not been sanctioned and has not violated the principle of independence to date.
Whether the CPA has obtained the "Independence Statement" issued by the CPA and has complied with No.10 of "The Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China.
The CPA did not provide audit services to the business for seven consecutive years.
The CPA completed each period's financial signings on time and occasionally provided financial and tax advisory services.

Note 2: The situation of continuing education of corporate governance supervisors:

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Corporate Governance Officer	Wen Yu-Tao	Accounting Research and Development Foundation of the R.O.C.	The internal auditors' monitoring and controlling information security in practice.	6	Yes
		Accounting Research and Development Foundation of the R.O.C.	Corporate fraud detection and prevention in practice: legal accountability, identification, and big data analysis	6	
		Taipei Exchange	Roadmap of sustainability development and industry-themed promotion meetings.	2	
		Taipei Exchange	Insider Seminar for GTSM and Emerging Stock Market-Listed Companies	3	

Note 3: Continued education of directors and supervisors:

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Director	Kuei-Fong Wang	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Fair Client Service and Integrity Management	3	Yes
		Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of Directors' Role in Fostering Corporate Information Security Management from the ESG Perspective	3	
		Taiwan, Taiwan Academy of Banking and Finance (TABF)	Principles of Fair Client Service and Financial Friendly Service	3	
		Taiwan, Taiwan Academy of Banking and Finance (TABF)	Climate Change Risk Assessment and Responses	3	
Director	Hung-Yang Wu	Taipei Exchange	Insider Seminar for GTSM and Emerging Stock Market-Listed Companies	3	Yes

Title	Name	Organizer	Course name	Training hours	Whether the training had complied with policies
Independent director	Lung-Teng Chen	Corporate Governance Association in Taiwan	The setup and operation of the Audit Committee.	3	Yes
		Corporate Governance Association in Taiwan	Examining the Information Security Governance Strategies of TWSE/TPEX Listed Companies from the Perspective of ESG Enterprises' Sustainable Development	3	
Independent director	Kuo-Ming Chang	Corporate Governance Association in Taiwan	The setup and operation of the Audit Committee.	3	Yes
		Corporate Governance Association in Taiwan	Examining the Information Security Governance Strategies of TWSE/TPEX Listed Companies from the Perspective of ESG Enterprises' Sustainable Development	3	
Independent director	Kuo-Fu Hsiao	Corporate Governance Association in Taiwan	The setup and operation of the Audit Committee.	3	Yes
		Corporate Governance Association in Taiwan	Examining the Information Security Governance Strategies of TWSE/TPEX Listed Companies from the Perspective of ESG Enterprises' Sustainable Development	3	

2. Taichung Commercial Bank

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
I. Equity structure and shareholders' equity (I) Has the Bank instituted an internal procedure for handling recommendations, queries, disputes of the shareholders and legal actions, and comply with the procedure properly?	✓		(I) The Company has established its "Corporate Governance Best Practice Principles," which has a chapter dedicated to the topic of "Protect Shareholders' Rights." (II) The Company has assigned a spokesperson and an acting spokesperson to properly handle all recommendations from shareholders and a designated shareholder service organization responsible for handling questions and disputes. The contact information is listed on the Company's official webpage.	no difference
(II) Has the bank secured the list of main shareholders of the actual bank of control and the final controller of the main shareholders?	✓		Equity increase/decrease or changes in mortgage of shareholders with more than 5% shareholding and shareholders serving as directors shall be monitored at all times; the said information shall be entered into the "Market Observation Post System" and publicly disclosed in accordance with the provisions.	no difference
(III) Has the Bank established and implemented the risk control mechanism and firewall between the corporate headquarters and the affiliates?	✓		(I) The bank has established the "Regulations for Information Control and Credit Granting for Credit Stakeholders," "Regulations for Management of Transactions Other Than Credit Granting to Stakeholders," "Regulations for New Taiwan Dollar and Foreign Currency Transactions by Stakeholders," and related regulations in order to establish databases of vital interest to related enterprises in accordance with Articles 32 and 33 of the Bank Act and other pertinent laws and regulations. (II) Establish "Guidelines for Supervision of Subsidiaries" to regulate the operation, finances, sales and audit management and reported to the board quarterly.	no difference
II. The organization of the Board and their duties (I) Has the Board of Directors formulated and implemented a diversity policy on membership?	✓		(I) The bank's "Code of Banking Industry Corporate Governance Practice" in Chapter 4 "Strengthen Board Function," stipulates the policy of board of directors diversification; the "Regulations for Board of Directors Election and Appointment" has also been set up. The board makeup shall take diversification into consideration. An appropriate chairman candidate shall also be elected and appointed based on company operations, business type, and development needs. The standards for the chairman's election and appointment in two aspects include: basic condition and value (gender, age, etc.) and professional knowledge and skills (professional background). (II) The concrete management goals and implementation of the Company's diversity policy: 1. Not more than one-third of the directors are concurrently managers of the	no difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
			<p>company: achieved.</p> <p>2. Not less than one seat (inclusive) of female director: achieved, there are 2 seats of female directors of the Bank.</p> <p>(III) For the implementation status of the Board of directors' diversity policy, please refer to page 17-19 of the "Diversity and independence of the Board of Directors." The information has been disclosed on the company official website under About us/Corporate Governance Area.</p>	
(II) Further to the establishment of the Remuneration Committee and the Auditing Committee, has the Bank voluntarily established other functional committees?	✓		<p>(I) The Company has set up the Remuneration Committee, Audit Committee and Risk Management Committee according to the laws and regulations.</p> <p>(II) In order to implement the promotion of corporate governance and strengthen the board of directors' election and appointment mechanism, the board of directors resolved and passed the setup of the "Corporate Governance and Nomination Committee" on January 14, 2021. It is intended to assist the board of directors in implementing integrity management and is committed to promoting sustainable management and adhering to the objectives of strengthening corporate governance constitution and sustainable development practice as goals.</p> <p>(III) On January 13, 2022, the board of directors reached the resolution to establish the "Fair Client Service Committee" to enhance the bank's Fair Client Service of clients and put into practice the bank's "Principle of Fair Client Service of Clients Policy" and "Principle of Fair Client Service Strategy" in order to implement the consumer protection policy.</p>	no difference
(III) Has the TWSE/GTSM-listed Bank had the rules governing the performance evaluation of the board of directors and evaluation methods stipulated, the performance evaluation performed annually and regularly, the results of the performance evaluations reported to the board of directors, and the evaluation result applied as a reference for individual director's remuneration and nomination for re-election?	✓		<p>(I) The Board Performance Appraisal Guidelines were approved on December 13, 2018 to facilitate implementation of corporate governance and strengthen the functions of the board of directors of the Bank. Appraisals are conducted internally once a year. External appraisals are conducted by an independent professional institution or a team of scholars and experts at least every three years. Performance appraisals must be completed prior to the end of the first quarter of the following year. A report must be delivered in a Corporate Governance and Nomination Committee and board meeting and implementation conditions and appraisal results must be disclosed on the Bank's official website or annual report.</p> <p>(II) The 2022 board of directors and functional committee performance evaluation results were submitted to the Corporate Governance and Nomination Committee and board on March 29, 2023. Based on the evaluation results, the bank continued to strengthen the board function and improve corporate governance implementation effectiveness, which shall serve as references for</p>	no difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
			application in individual director remunerations and nomination and reappointment.	
(IV) Has the Bank assessed the independence of the commissioned certified public accountants regularly?	✓		<p>(I) According to Paragraph 6 of Article 40 of the Corporate Governance Best Practice Principles: The appointment, dismissal or remuneration of certified accountants shall be approved by the board. The independence of appointed CPAs shall be periodically evaluated (at least once a year).</p> <p>(II) In accordance with Article 38 of the “Corporate Governance Best Practice Principles for the banking sector,” Article 3 of the bank’s “Audit Committee Charter,” and relevant laws and regulations of the Certified Public Accountant Act, the independence of accountants is evaluated. The evaluation content covers:</p> <ol style="list-style-type: none"> <li>1. Whether significantly direct or indirect financial interests exist.</li> <li>2. Whether the company has any significant unusual loans, financing, or guarantees under unusual business practices.</li> <li>3. Whether the director, supervisor, or manager has any business ties that could compromise their independence.</li> <li>4. Whether serving as directors, supervisors, managers in the last two years who directly or significantly affect audit work.</li> <li>5. Whether a spouse, a second-degree collateral blood relative, a direct blood relative through marriage, or a direct blood relative through blood with the company’s manager or person in charge.</li> <li>6. Whether appointed by public funds or whether public funds are available.</li> <li>7. Whether there is a history of litigation with the company.</li> <li>8. The effect on the company’s independence if audit services and non-audit services are offered concurrently.</li> </ol> <p>The bank also conducts evaluations using the audit quality indicators (AQIs) supplied by accounting firms. The content covers five dimensions and 13 indicator contents (including firm-level and audit case level), which are used to assess the audit quality of accounting firms and audit teams.</p> <p>(III) The above-mentioned report along with the statement presented by the CPA were submitted to the 33rd Auditor Committee (3rd session) on February 22, 2023. The case was approved at the 32nd board of directors meeting (24th session) on February 23, 2022, which were in line with related internal and external independence norms.</p>	no difference
III. Has the Bank designated an adequate number of corporate governance personnel with appropriate qualifications and appointed a chief corporate	✓		(I) The Board of Directors Office Division of Governance is a full-time unit. The corporate governance full-time (part-time) unit and personnel are responsible for corporate governance related matters. Upon resolution and approval by the	no difference



Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
governance officer as the most senior officer in charge of corporate governance affairs (including, but not limited to, provision of data required for the execution of relevant operations by the directors, supervisors, assistance in legal compliance by directors, handling of matters pertaining to board meetings and shareholders meetings pursuant to relevant laws, and preparation of minutes for board meetings and shareholders meetings)?			<p>board of directors on December 13, 2018, Vice General Manager Lin Kai-Yu with more than three years of qualification in legal affairs, finance, stock affairs, corporate governance and other management experiences served as the corporate governance senior supervisor. The main responsibilities included:</p> <ol style="list-style-type: none"> <li>1. Handle matters relating to board meetings and shareholders meetings according to law.</li> <li>2. Produce minutes of board meetings and shareholder meetings.</li> <li>3. Assist directors in taking office and continuing education.</li> <li>4. Provide directors with data needed to implement businesses.</li> <li>5. Assist in the legal compliance of directors.</li> <li>6. Other matters set according to company regulations or contracts.</li> </ol> <p>(II) Progress of relevant operations in 2022 can be summarized as follows:</p> <ol style="list-style-type: none"> <li>1. Drafting and amendment of corporate governance related rules and regulations.</li> <li>2. Assistance to independent directors in the communication with the chief audit executive or CPA.</li> <li>3. Conduct continuing education related matters for the board of directors and assist the directors in implementing the continuing education mechanism. The continuing education hours allotted for 2022 are in compliance with the regulations.</li> <li>4. Assist the board of directors in performing duties and in regulatory compliance. Based on requirements proposed by the board of directors, appropriate and timely replies shall be given in accordance with the bank's "Standard Guidelines for Handling Requirements of Board of Directors."</li> <li>5. Handling of matters and procedures pertaining to shareholders meetings, board meetings, managing director meetings and audit committee meetings in accordance with relevant regulations; reminder to directors to recuse themselves in case of conflicts of interest associated with proposal contents.</li> </ol>	
IV. Has the Bank established a communication channel with the stakeholders (including but not limited to the shareholders, employees, customers and suppliers), set up a stakeholder section on the Company's website and responded appropriately to the important corporate social responsibilities concerned by the stakeholders?	✓		<p>(I) The Bank has already disclose it on the Bank's intranet pursuant to the Banking act and the competent authority's requirements about limitation on the credit extended to stakeholders, and also held the seminars for laws and regulations irregularly to enable the persons-in-charge to comply with and know the laws and regulations, and request completion of the stakeholder information list immediately upon the stakeholder's transfer.</p> <p>(II) The bank not only published information on the Market Observation Post System as provisioned; information is also published on the external official website for search by investors; an open and transparent contact channel is</p>	no difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
			available on the external website (About us./Interested Parties Area). Different responsible units shall engage in exchanges with various interested parties, actively respond to issues of concern to interested parties and the main sources of issues of varying concern levels. The situation of communication with interested parties is periodically reported to the board of directors every year. (III) The actual discussions with interested parties have been submitted to the Corporate Governance and Nomination Committee and board of directors' meeting and disclosed in the interested party area on the external official website.	
V. Disclosures	✓			
(I) Has the Bank established a website for the disclosure of financial position, operation, and corporate governance?			The bank's financial businesses and corporate governance information have been disclosed on the external official website.	no difference
(II) Has the Bank adopted other means of disclosures (e.g., the installation of a website in English language, appointment of designated persons for the gathering and disclosure of information, the proper implementation of the spokesman system, and the minutes of the institutional investor's conference on record posted on the website)?	✓		(I) For the proper handling of materiality and disclosure, the Bank has established the "Criteria for Handling Materiality" whereby relevant departments shall appoint designated personnel to handle materiality. (II) The bank convened four corporate seminars on March 14, 2022, May 23, 2022, August 29, 2022 and November 26, 2022. Related information was also disclosed on the external official website (About us./public information) and the Market Observation Post System. An English website was also set up to disclose finance, business, and corporate governance related information. (III) The Bank has established the spokesman system for release of information to ensure investors accessible to accurate information.	no difference
(III) Does the bank publish and declare annual financial statements within given deadlines at the end of an accounting year in accordance with relevant provisions in the Banking Act and Securities Trading Act? Are financial statements for the first quarter, second quarter, and third quarter and monthly operation situations published and declared in advance before given deadlines?	✓		The bank published the 2022 financial statement on February 23, 2022. The financial statements for the first quarter, second quarter, and third quarter and the monthly operation situations were published within the given deadlines.	no difference
VI. Any other vital information that helps to understand the status of corporate governance at the Bank (including but not limiting to the rights of employees, concern for the employees, investor relation, the rights of the stakeholders, continuing	✓		(I) For information on the rights and privileges of the employees, refer to "important rights and privileges of the employees, labor-management agreement and implementation" on Page 108. (II) For the protection of rights and obligations, stakeholders are regulated on files in accordance with the Banking Act. In addition, there is also the provision for	no difference

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
education of the directors and the supervisors, risk management policy and the implementation of risk assessment, the pursuit of customer policy, the liability insurance taken by the Bank for the protection of the Directors and Supervisors, donations to political parties, stakeholders and social charity groups)?			<p>the avoidance of the conflict of interest for Board meetings.</p> <p>(III) The bank has set up the interested parties area on the external official website. Financial business and corporate governance related information has also been established to facilitate supplier relationships and an unobstructed communication channel with interested parties. In reference to the needs of foreign investor, the English version of corporate governance related information is also available, which will aid in protecting the rights and interests of interested parties.</p> <p>(IV) For the status of further education and board meetings attendance of directors, please refer to the MOPS and page 46-48 of the annual report under “Continuing education of directors.”</p> <p>(V) According to the Bank’s “Procedures for handling material inside information,” each year educational advocating shall be conducted at least once a year to the current directors on insider trading prevention and related laws and regulations. In April and December of 2022, advocating was carried out for the directors, managers and employees. The contents include “Procedures for handling material inside information” and “Standards on self-discipline of mergers and acquisition disclosure” to protect confidential information of finance and business, one shall not release information without authorization and explanation of the Company’s internal material information scope, confidential processes and handling of violations. The related regulations are announced on the internal system. In 2022, advocacy was carried out to a total of 5,634 persons for a total of 2,817 hours.</p> <p>(VI) The bank emphasizes customer service quality. A consumer complaint channel is provided on the external official website. The protection of consumer rights and interests is implemented in the operational processes.</p> <p>(VII) The bank has set up the “risk management policy” resolved and passed by the board of directors. The dedicated departments and offices shall compile, gain an insight into, and analyze the departments’ risk management and risk exposure situations. Monitoring and necessary measures shall be adopted to cope with different types of risks, periodically compile and analyze bank-wide risk management situations, and report to the Risk Management Committee and the Board of Directors.</p> <p>(VIII) The bank continued the directors and managers’ liability insurance policy, with the issued amount totaling US\$20 million (insured period: May 1, 2022– May 1, 2023).</p> <p>(IX) December 24, 2020 Signed "Institutional Investors' Due Diligence and</p>	

Items for evaluation	Implementation Status			Deviation from the Corporate Governance Best-Practice Principles for the Banking Industry and reasons
	Yes	No	Summary	
			<p>Compliance Statement" on October 21, 2020 to continue monitoring investee companies and adopting shareholder activism to fulfill the responsibility of institutional investors.</p> <p>(X) The Company has formulated "Guidelines for Donation Practices" to specify donations to political parties, stakeholders and other public interest groups. Please see page 103-104 for details on "Implementation of sustainable development promotion," or the Bank's sustainable development report.</p>	
<p>VII. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent fiscal year, and the priority for improvement on issues pending further corrective action and related measures:</p> <p>(I) Taiwan Stock Exchange 2021 (8th) corporate governance evaluation results show the bank is listed as top 5% TWSE listed companies.</p> <p>(II) The Bank has adopted the following measures to strengthen corporate governance:</p> <ol style="list-style-type: none"> <li>1. On January 14, 2021, the Board of directors passed the resolution to set up the "Corporate Governance and Nomination Committee," and disclosed its formation, responsibilities and operations.</li> <li>2. Set up intellectual property management plans linked to the operational goals. The TIPS importation took place in 2021 and has passed Grade A verification.</li> <li>3. Convened 4 investor conferences on March 14, 2022, May 23, 2022, August 29, 2022 and November 26, 2022, providing opportunities for two-way exchanges for the investors to express their opinions to the company. It is hoped to elevate corporate governance quality.</li> <li>4. Adhering to the principle of responsible investing, the bank has established investment positions in ESG funds and increased the ratio of green bond investments year over year. The bank invested in nine green bonds and seven social sustainable development bonds in 2022. The bank will continue to provide action-based support for the low-carbon and eco-friendly plans of invested companies.</li> <li>5. On 2022.10.31, the company obtained the ISO 14001 certification environmental management system certification. The certification validity was until 2025.10.30.</li> </ol> <p>(III) Continued to refine each indicators, strengthening the Company's corporate governance and sustainable development focus.</p>				

## VIII. Other

## (I) Continuing education of directors

Title	Name	Training date	Organizer	Course name	Hours
Chairman	Kuei-Fong Wang	2022.05.17	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3
		2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Principle for Fair Client Service and Financial Friendly Service	3
		2022.11.10	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Climate Change Risk Assessment and Response-How the Board of Directors Promote Corporate Information Security Management from the ESG Perspective	3
		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3
Managing Director	Ming-Hsiung Huang	2022.05.17	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3
		2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Principle for Fair Client Service and Financial Friendly Service	3
		2022.11.10	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Climate Change Risk Assessment and Response-How the Board of Directors Promote Corporate Information Security Management from the ESG Perspective	3
		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3
Managing Director	Wei-Liang Lin	2022.05.17	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3
		2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Principle for Fair Client Service and Financial Friendly Service	3
		2022.11.10	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Climate Change Risk Assessment and Response-How the Board of Directors Promote Corporate Information Security Management from the ESG Perspective	3
		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3
Independent	Chien-An	2022.05.17	Taiwan, Taiwan	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate	3

Title	Name	Training date	Organizer	Course name	Hours
executive directors	Shih		Academy of Banking and Finance (TABF)	Change Risk Assessment and Responses	
		2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Principle for Fair Client Service and Financial Friendly Service	3
		2022.11.10	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Climate Change Risk Assessment and Response-How the Board of Directors Promote Corporate Information Security Management from the ESG Perspective	3
		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3
Independent director	Li-Wen Lin	2022.05.17	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3
		2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Principle for Fair Client Service and Financial Friendly Service	3
		2022.11.10	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Climate Change Risk Assessment and Response-How the Board of Directors Promote Corporate Information Security Management from the ESG Perspective	3
		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3
Independent director	Hsin-Chang Tsai	2022.03.23	The Independent Director Association Taiwan	Information Security Protection, Strategies, and Crisis Management from the Perspective of the Rising Popularity of the Metaverse	3
		2022.05.17	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3
		2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Principle for Fair Client Service and Financial Friendly Service	3
		2022.11.10	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Climate Change Risk Assessment and Response-How the Board of Directors Promote Corporate Information Security Management from the ESG Perspective	3
		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3
Independent director	Pi-Ya Chen	2022.05.17	Taiwan, Taiwan Academy of Banking	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3

Title	Name	Training date	Organizer	Course name	Hours
			and Finance (TABF)		
		2022.06.07	Chinese National Association of Industry and Commerce	Case Studies in Enterprise Management Right Dispute Cases	3
		2022.06.08	Chinese National Association of Industry and Commerce	Organize the IoT metaverse through Processes: How Enterprises Welcome Digital Business Opportunities.	3
		2022.06.14	Taiwan Corporate Governance Association	How the Audit Committee implements financial statement reviews.	3
		2022.06.21	Taiwan Corporate Governance Association	How to Prevent Internal Disturbances: An Analysis of Enterprise Internal Investigation	3
		2022.06.24	Taiwan Corporate Governance Association	Moving Towards 3.0 (Best Practices of the Audit Committee Convenor)	3
		2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Principle for Fair Client Service and Financial Friendly Service	3
		2022.07.22	Taiwan Corporate Governance Association	The Role of Independent Directors in Corporate Management and Governance	3
		2022.08.16	Taiwan Corporate Governance Association	ESG Governance in All Perspectives-From Understanding to Implementation	3
		2022.08.19	Taiwan Corporate Governance Association	Analysis of the Enterprise Management Right Dispute Cases	3
		2022.08.26	Taiwan Corporate Governance Association	How the Audit Committee Supervise the Effectiveness of Internal Control	3
		2022.11.10	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Climate Change Risk Assessment and Response-How the Board of Directors Promote Corporate Information Security Management from the ESG Perspective	3
		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3
Director	Deh-Wei	2022.04.6	Chinese National	Enterprises Faced with New Challenges of Information Security in 2022	3

Title	Name	Training date	Organizer	Course name	Hours
	Chia		Association of Industry and Commerce		
		2022.05.17	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3
		2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Principle for Fair Client Service and Financial Friendly Service	3
		2022.11.10	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Climate Change Risk Assessment and Response-How the Board of Directors Promote Corporate Information Security Management from the ESG Perspective	3
		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3
Director	Hsin-Ching Chang	2022.05.17	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3
		2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Principle for Fair Client Service and Financial Friendly Service	3
		2022.11.10	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Climate Change Risk Assessment and Response-How the Board of Directors Promote Corporate Information Security Management from the ESG Perspective	3
		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3
Director	Yeh Shu Hui	2022.02.25	Taiwan Corporate Governance Association	Global and Taiwan's Economic Outlook for 2022	3
		2022.05.17	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3
		2022.07.07	Taiwan Corporate Governance Association	The Net-zero Carbon Reduction Path of TWSE/TPEX Listed Companies	3
		2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Principle for Fair Client Service and Financial Friendly Service	3
		2022.08.31	Taiwan Corporate	New Vision of Digital Transformation	3



Title	Name	Training date	Organizer	Course name	Hours
			Governance Association		
		2022.09.16	Taiwan Corporate Governance Association	A Seminar on False Financial Reports and Responsibilities of Directors	3
		2022.10.19	Taiwan Corporate Governance Association	The 18 <sup>th</sup> (2022) corporate Governance Summit-Enhancing the Functions of the Board of Directors and Implementing Sustainable Corporate Governance	3
		2022.11.10	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Climate Change Risk Assessment and Response-How the Board of Directors Promote Corporate Information Security Management from the ESG Perspective	3
		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3
Director	Shi-Yi Chiang	2022.05.17	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3
		2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Principle for Fair Client Service and Financial Friendly Service	3
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		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3
Director	Li-Tzu Lai	2022.05.17	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3
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		2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3

(II) Continuing education and training of corporate governance senior supervisors (period: January 1, 2022–December 31, 2022)

Training date	Organizer	Course name	Hours
2022.03.10	Taiwan Securities Exchange Corporation	A World View of Shareholder Meetings in 2022 and Independent Directors	1
2022.05.17	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance-Climate Change Risk Assessment and Responses	3
2022.07.14	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Principle for Fair Client Service and Financial Friendly Service	3
2022.10.19	Securities and Futures Development Foundation	2022 Insider Equity Transaction Legal Compliance Advocacy and Briefing Session	3
2022.11.10	Taiwan, Taiwan Academy of Banking and Finance (TABF)	A Seminar on Board of Directors and Supervisors in Practice and Corporate Governance- Climate Change Risk Assessment and Response-How the Board of Directors Promote Corporate Information Security Management from the ESG Perspective	3
2022.11.14	Taiwan Securities Exchange Corporation	2022 Cathay Sustainable Finance and Climate Change Summit	6
2022.12.02	Securities and Futures Development Foundation	A Discussion on Board Duties from the Perspective of Corporate Fraud Prevention	3
2022.12.22	Taiwan, Taiwan Academy of Banking and Finance (TABF)	Board of directors operation practice and corporate governance seminar - Fair treatment of customers and ethical corporate management	3

(4) The operation of the Remuneration Committee:  
Information on the members of the Remuneration Committee

February 28, 2023

By identity Name		Condition	Professional Qualifications and Experience	Status of Independence	Number of public companies where the members of the Remuneration Committee are also the members of the remuneration committees of these companies
Independent director	Te-Wei Li		Possesses work experiences in business and politics, specializes in leadership decision-making, crisis handling, and risk management knowledge and capability. Able to conduct assessment on the company's overall remuneration system.	<ol style="list-style-type: none"> <li>1. Does not have spouse or relatives within second degree of kinship holding position as the director, supervisor or employee of the Company or its affiliates.</li> <li>2. Does not hold the Company's shares by self, spouse, relatives within second degree of kinship, or in the name of others.</li> <li>3. Does not hold position as a director, supervisor or employee of a designated company that has specified relationship with the Company.</li> <li>4. Has not obtained compensation from providing business, legal, finance, or accounting services to the Company or its affiliates in the most recent two years.</li> </ol>	None
Independent director	Li-Yeh Hsu		Possesses work experiences in business, specializes in operational judgement, management administration and risk management knowledge and capability. Able to conduct effective assessment and suggestions on the company's overall remuneration system.		None
Independent director	Chih-Ming Shih		Possesses experiences in the banking industry, specializes in accounting analysis capability and risk management knowledge and capability, is an Audit Committee member and possesses educational background in accounting related degree. Able to provide reasonable suggestions on the company's overall remuneration system.		None

2. Information on the operations of the Remuneration Committee

- (1) The Remuneration Committee of the Company is consisted of 3 persons.  
 (2) The tenure of current members of the committee: July 11, 2022 to June 15 2025. The committee has held 5 sessions lately (A). The qualification of the members and attendance to meetings are shown below:

Title	Name	Actual number of attendance (B)	Attend through proxy	Attendance rate (%) (B/A)	Remark
Independent director	Te-Wei Li	5	0	100	
Independent director	Li-Yeh Hsu	4	1	80	
Independent director	Chih-Ming Shih	5	0	100	

Other notes:

- I. The Board may not accept the recommendations of the Remuneration Committee, or revise the recommendations, specify the date of the Board meeting, the term, the content of the motion, the resolution of the Board, and the response of the Board towards the opinions of the Remuneration Committee (e.g., the remuneration package passed by the Board is superior to the recommendation of the Remuneration Committee, specify the difference and the reasons): None.
- II. If any of the members of the Remuneration Committee hold adverse opinion or qualified opinions with record or in written declaration against the resolutions of the committee, specify the date and the session of the committee meeting, the content of the motion, the opinions of all members and the response to the opinions of the members
- (I) 2022.01.17 (8th meeting of the 5th term) Discussion of the 2021 year-end bonus for insiders and the 2022 remuneration policy and system for directors and insiders – All members in attendance approved submission to the board for discussion.
- (II) March 14, 2022 (9th meeting of the 4th term) Discussion of the ratios of 2021 appropriated surpluses for director and employee compensations – All members in attendance approved submission to the board for discussion.
- (III) 2022.06.13 (the 4<sup>th</sup> session's 10<sup>th</sup> meeting) The "salary for the company's newly appointed accountant supervisors" proposal was discussed.
- (IV) 2022.08.12 (the 5<sup>th</sup> session's 1<sup>st</sup> meeting). All the committee members elected one member as the convenor in charge of election matters. Discussion on the 2022 earnings distribution for directors and the 2022 remuneration distribution amount for internal employees. All members in attendance approved submission to the board for discussion.
- (V) 2022.12.26 (2nd meeting of the 5th term) Discussion of the 2022 year-end bonus for insiders and the 2023 remuneration policy and system for directors and insiders – All members in attendance approved submission to the board for discussion.

3. Information on members of the Nomination Committee and information on its operations: None.

(V) Differences in promoting sustainable development implementation from the Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies and the reasons therefor

1. The Company

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management and the supervision situation of the Board of Directors?	V		Based on issues such as corporate governance, economy, environment, and society, the company faces business trends in the future. Since 2015, the Finance Department has been used as a part-time unit to promote sustainable development. In 2022, the "China Fiber Corporation Sustainable Development Promotion Group" was established. , is responsible for supervising the implementation of the company's sustainable development policies, systems or related management guidelines. The chairman serves as the convener to manage related affairs, and assigns the general manager to serve as the deputy convener. The four working groups, namely, personnel and personnel, are respectively assigned by relevant units to jointly carry out the work on sustainable development issues and complete the preparation of the sustainability report. In order to establish a sound sustainability report preparation mechanism, the company formulated the "Sustainability Report Preparation and Verification Operation Procedure" in November 2022. This operation procedure was approved by the Audit Committee and approved by the Board of Directors, and incorporated into the internal control system. And submit the sustainability report preparation and verification results to the board of directors every year.	Not distinctive
II. Does the Company conduct risk assessments of environmental, social and corporate governance issues related to the company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		<ol style="list-style-type: none"> <li>1. The disclosed information addresses the company's ESG-related key issues and performance at key locations from January to December 2022. The Taipei office and Kaohsiung factory of China Man-Made Fiber Corporation are included in the company's risk assessment boundary.</li> <li>2. Perform an analysis based on the materiality principle, consult with internal and external stakeholders and review and integrate evaluation data from various departments to identify major issues and propose relevant corresponding</li> </ol>	Not distinctive

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies						
	Yes	No	Summary							
			<p>risk strategies.</p> <p>3. Establish related risk management policies or strategies for the risk from assessment:</p> <table border="1"> <thead> <tr> <th>Major issues</th> <th>Risk assessment items</th> <th>Remark</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Environmental impacts and management</td> <td> <p>1. The Company has effectively lowered the pollution emissions and its impacts to the environment through implementing manufacturing safety management and systemized management circulation.</p> <p>2. Since obtaining the ISO 50001 certification for environmental and energy management in 2018, the company has continued to obtain certifications periodically.</p> <p>3. Establish measures for the prevention and regulation of harmful gases, install equipment that can reduce emissions in the discharge flue and install a</p> </td> </tr> </tbody> </table>	Major issues	Risk assessment items	Remark	Environment	Environmental impacts and management	<p>1. The Company has effectively lowered the pollution emissions and its impacts to the environment through implementing manufacturing safety management and systemized management circulation.</p> <p>2. Since obtaining the ISO 50001 certification for environmental and energy management in 2018, the company has continued to obtain certifications periodically.</p> <p>3. Establish measures for the prevention and regulation of harmful gases, install equipment that can reduce emissions in the discharge flue and install a</p>	
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Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
				<p>continuous monitoring system capable of transmitting detected values at any time to the control room and government monitoring center.</p> <p>4. To conserve precious water resources, the waste water field cleans and treats the wastewater from the entire factory area before it is recycled and used again.</p> <p>5. Create a greenhouse gas inspection management system in accordance with the ISO14064-1 inspection guide and continue to implement carbon reduction strategies based on the inspection findings.</p> <p>Annual planning of internal audit plan for all relevant environmental laws and regulations that the Company needs to comply with, and audit various work procedures for compliance.</p>

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies									
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			<table border="1"> <tr> <td>Society</td> <td>Occupational safety</td> <td>1. Plant area completed the “ISO45001 Occupational health and safety management system” certification. Regular organization of fire drills and safety educational training once a year, cultivating employees emergency response and self-management in safety capability.</td> </tr> <tr> <td></td> <td>Product safety</td> <td>The company has obtained the Oeko-Tex Standard 100 textile (yarn) harmful substance safety certification. Its primary objective is to test the harmful substances of textile in order to ensure its safety. The most extensively used eco-label for textiles at present is Oeko-Tex Standard 100.</td> </tr> <tr> <td>Corporate Governance:</td> <td>Society, economics and legal compliance</td> <td>The company ensures compliance with applicable laws and regulations by establishing a governance structure and</td> </tr> </table>	Society	Occupational safety	1. Plant area completed the “ISO45001 Occupational health and safety management system” certification. Regular organization of fire drills and safety educational training once a year, cultivating employees emergency response and self-management in safety capability.		Product safety	The company has obtained the Oeko-Tex Standard 100 textile (yarn) harmful substance safety certification. Its primary objective is to test the harmful substances of textile in order to ensure its safety. The most extensively used eco-label for textiles at present is Oeko-Tex Standard 100.	Corporate Governance:	Society, economics and legal compliance	The company ensures compliance with applicable laws and regulations by establishing a governance structure and	
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Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
				implementing an internal control mechanism.
			Enhance the directors' function	<ol style="list-style-type: none"> <li>1. Plan related further education topics for the directors. Each year provide the directors the latest laws and regulations, system development and policies.</li> <li>2. Purchase liability insurance for the directors to protect from litigation or compensation situations.</li> </ol>
			Communicated with interested parties	<ol style="list-style-type: none"> <li>1. The members of the "sustainable development team" identify the key stakeholders based on the characteristics of the industry, their daily operations, experience in their industry and interactions with stakeholders, as well as their level of concern and impact on the company's operations. A communication channel that</li> </ol>

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
			<p>facilitates prompt responses and streamlines channels to improve efficiency.</p> <p>2. Establish mailbox for the investors with the assignment of the spokesman to answer to the investor.</p>	
<p>III. Environmental issues</p> <p>(I) Does the Company have an appropriate environmental management system established in accordance with its industrial character?</p> <p>(II) Is the Company committed to enhance the energy efficiency and use renewable materials that are with low impact on the environmental?</p> <p>(III) Does the Company assess the potential risks and opportunities of climate change for companies now and in the future, and take measures to address related issues?</p>	<p>V</p> <p>V</p> <p>V</p>	<p>(I) The environmental impact mainly comes from the Company's manufacturing processes, and the chimney of the cogeneration plant has a 24-hour exhaust gas monitoring device which is connected to the Department of Environmental Protection in order to jointly monitor the emissions quality. An environmental quality monitoring system (DAS) has been installed within the plant facility to scan for potential sources of leakage from manufacturing processes that have hazardous gases.</p> <p>(II) 1. In an effort to cut down on paper consumption, the company has started using recycled paper and implemented online approval of internal operations.  2. Staff members are expected to bring their own drinking containers.  3. Some of the treated wastewater is recycled and re-used after purification treatment at the wastewater treatment facility.</p> <p>(III) Due to climate change, the company has identified pertinent potential risk factors, improvement opportunities, and measures, as well as the need to make adjustments to operational activities. One such modification is the installation of electrostatic precipitators/sulfur and nitrate removers and exhaust systems on coal-fired boilers to ensure exhaust quality meets national standards. To recycle</p>	<p>In general, we meet the requirements of the Ethical Corporate Management Best Practice Principles for the Listed Companies.</p>	

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies																														
	Yes	No	Summary																															
(IV) Does the Company count greenhouse gas emissions, water consumption and total weight of waste over the last two years, and formulate policies for greenhouse gas reduction, water consumption reduction, or other waste management?	V		<p>and reuse waste heat, an air-preheater is installed on the boiler's inlet surface. The wastewater factory developed the wastewater treatment and recycling system to significantly reduce water usage. A reactive afterburner has been installed within the manufacturing processes to reduce odor dissipation of VOC (volatile organic matter) and the impact on the environment.</p> <p>(IV) The following annual GHG emission amounts in the two-year period:</p> <table border="1"> <thead> <tr> <th>Scope 1</th> <th>Total Emission Volume (CO2e in metric tons)</th> <th>Intensity (CO2e in metric tons/ NT\$ million)</th> <th>Validation Institution</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>429,277.6562</td> <td>74.8594</td> <td>Bureau Veritas Certification</td> </tr> <tr> <td>2022</td> <td>428,636.1791</td> <td>81.4160</td> <td>Note</td> </tr> <tr> <th>Scope 2</th> <th>Total Emission Volume (CO2e in metric tons)</th> <th>Intensity (CO2e in metric tons/ NT\$ million)</th> <th>Validation Institution</th> </tr> <tr> <td>2021</td> <td>13,399.4680</td> <td>2.3367</td> <td>Bureau Veritas Certification</td> </tr> <tr> <td>2022</td> <td>10,543.5182</td> <td>2.0027</td> <td>Note</td> </tr> </tbody> </table> <p>Note: Validation has not yet been completed as of 2022.</p> <p>Water consumption and wastewater recovery amounts in the two-year period:</p> <table border="1"> <thead> <tr> <th colspan="2">Unit: m3</th> </tr> <tr> <th>Year</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td></td> </tr> </tbody> </table>	Scope 1	Total Emission Volume (CO2e in metric tons)	Intensity (CO2e in metric tons/ NT\$ million)	Validation Institution	2021	429,277.6562	74.8594	Bureau Veritas Certification	2022	428,636.1791	81.4160	Note	Scope 2	Total Emission Volume (CO2e in metric tons)	Intensity (CO2e in metric tons/ NT\$ million)	Validation Institution	2021	13,399.4680	2.3367	Bureau Veritas Certification	2022	10,543.5182	2.0027	Note	Unit: m3		Year	2022	2021		
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IV. Social issues (I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		(I) The company endorses adherence to fundamental principles for personnel, including “Universal Declaration of Human Rights,” “ICCPR and ICESCR,” “The United Nations Global Compact” and “ILO Declaration on Fundamental Principles and Rights at Work.” Employee	Not distinctive																								

Items for evaluation	Implementation Status		Summary	Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies								
	Yes	No										
			<p>work rules have been established, and applicable labor law and regulations are adhered to in order to protect employees' legal rights and establish and implement appropriate management methods and procedures.</p> <p>The Company's human rights management and concrete plan summary as follows:</p> <table border="1"> <thead> <tr> <th>Human rights management policies</th> <th>Concrete plan</th> </tr> </thead> <tbody> <tr> <td>Provide a safe and healthy working environment  Assist employees to maintain physical and mental health and work efficiency</td> <td> <ul style="list-style-type: none"> <li>Established safety and health policy to guarantee employees and related process personnel's safety and health.</li> <li>One hour lunch break to give sufficient resting time for employees.</li> <li>Regular and irregular health examinations for employees are arranged to maintain employees' health.</li> </ul> </td> </tr> <tr> <td>Prohibit forced labor, abiding with the government's labor act.</td> <td>Implement the leave system, encourage employees to value work life balance.</td> </tr> <tr> <td>Established the "Standard for Supplier Corporate Social Responsibility"</td> <td>From the human rights, legal compliance, and environment aspects, and under the principles of timely, appropriate value, appropriate volume, and appropriate price, prioritize suppliers who adopt</td> </tr> </tbody> </table>	Human rights management policies	Concrete plan	Provide a safe and healthy working environment  Assist employees to maintain physical and mental health and work efficiency	<ul style="list-style-type: none"> <li>Established safety and health policy to guarantee employees and related process personnel's safety and health.</li> <li>One hour lunch break to give sufficient resting time for employees.</li> <li>Regular and irregular health examinations for employees are arranged to maintain employees' health.</li> </ul>	Prohibit forced labor, abiding with the government's labor act.	Implement the leave system, encourage employees to value work life balance.	Established the "Standard for Supplier Corporate Social Responsibility"	From the human rights, legal compliance, and environment aspects, and under the principles of timely, appropriate value, appropriate volume, and appropriate price, prioritize suppliers who adopt	
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Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies		
	Yes	No	Summary			
(II) Has the Company formulated and implemented reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee remuneration?	V		<table border="1"> <tr> <td>requesting suppliers to sign and commit.</td> <td>TOSHMS, OHSAS 18001, and so forth occupational safety, energy and environmental management systems. We hope to work with partners in committing to the duties of corporate social responsibilities together.</td> </tr> </table> <p>(II) Employees' remuneration The company's salary policy is in line with the provisions in the labor regulations. It has a performance appraisal system in place that annually evaluates employee performance in relation to pre-determined work goals and their personal contribution. Provide employees with a reasonable salary and bonus structure. If the company has generated annual profits, 1%~5% of those profits should be allocated to employee compensation. The distribution of retirement funds shall be prescribed by law.</p> <p>Staff fringe benefits The company has since December 15, 1976 established the Employee Welfare Committee. Each month 0.5% of revenue is allocated for planning benefits for employees, such as travel subsidies, birthday gift certificates, bonuses in the three festivals, marriage allowance, funeral allowance, child education allowance, other subsidies for employee benefits, etc.</p> <p>Special holidays are granted in accordance with the Labor Standards Act on the basis of a standard two-day weekend. Employees with six months of service are eligible to apply in writing for unpaid leave to care for a child under the age of three. This is done to ensure that employees' rights to return to work are protected while also allowing them to focus on raising their children.</p> <p>Workplace diversity and equality Realize reward conditions and equal promotion opportunities for both sexes in order to pay men and</p>	requesting suppliers to sign and commit.	TOSHMS, OHSAS 18001, and so forth occupational safety, energy and environmental management systems. We hope to work with partners in committing to the duties of corporate social responsibilities together.	
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Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
(III) Does the Company provide employees with a safe and healthy work environment and provide safety and health education to employees regularly?	V		<p>women equally for equal work. In 2022, the average proportion of women in the labor force was 16.2%, and the average proportion of women in management positions was 19.12%.</p> <p>Operating performance reflects employees' compensation Article 40 of the Articles of Incorporation: Any remaining accumulated losses at the end of the year will be appropriated based on the company's profitability in the current fiscal year (profit before tax prior to distribution of compensation to employees and directors). If there is a balance remaining, 1%-5% should be allocated to employee remuneration and no more than 0.3% will be allocated to director remuneration.</p> <p><u>(III) Occupational Safety and Health Policy</u></p> <p>The OHSAS 18001 international standard serves as the basis for the company's safety and health management system, which prioritizes the safety and health of its workforce in order to reduce employees' health and safety risks. To demonstrate the company's commitment to continuous improvement and sustainable operations, and to ensure the health and safety of employees and other operators, an occupational safety and health policy has been established.</p> <p>There were eight workplace accidents in 2022, affecting a total of 8 workers (accounting for 1.22 % of the total number of employees).</p> <p>Relevant Improvement Measures</p> <ol style="list-style-type: none"> <li>1. Workplace equipment related deficiencies: Improve and implement onsite inspection in the operational environment.</li> <li>2. The industrial safety accident unit proposes specific improvement measures and develops hazard identification and risk assessment in accordance with ISO-45001.</li> <li>3. Advocacy for workplace safety and SOP education</li> </ol>	

Items for evaluation	Implementation Status		Summary	Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies														
	Yes	No																
			<p>training for operating potentially dangerous machinery and equipment.</p> <p><u>Work safety audit</u> The Company has established the annual work safety internal audit work plan. The factory director will act as the chief convener. The work safety audit team will compile the audit suggestions and improvement matters and specific improvement situations of the various audit reports and enter them into the “internal audit system.” Each unit will have to conduct the follow-up and improvements. Every quarter, the unit will review deficiencies at the Safety and Health Management Meetings based on the audit suggestions and improvement matters.</p> <table border="1"> <thead> <tr> <th colspan="2">Work safety audit process</th> </tr> </thead> <tbody> <tr> <td colspan="2">Daily irregular patrol inspection</td> </tr> <tr> <td colspan="2">Firefighting equipment practice and drills every quarter</td> </tr> <tr> <td colspan="2">General inspection of large size public hazardous materials twice every year</td> </tr> </tbody> </table> <p><u>Equipment safety management</u> To ensure the safe operations of equipment, the company performs equipment grading, compiles a list of potentially hazardous machinery and equipment and conducts exhaustive inspections. Establish rules for the use of personal protective equipment in the workplace so that employees can wear equipment correctly to enhance operating safety. Employees are also regularly provided with safety education and training. Work safety educational training and advocacy in the recent two years</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number of persons for education and training</th> <th>Hours of education and training</th> </tr> </thead> <tbody> <tr> <td>2021</td> <td>257</td> <td>1,866</td> </tr> </tbody> </table>	Work safety audit process		Daily irregular patrol inspection		Firefighting equipment practice and drills every quarter		General inspection of large size public hazardous materials twice every year		Year	Number of persons for education and training	Hours of education and training	2021	257	1,866	
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2022	347	1,790					
(IV) Does the Company have an effective career capacity development training program established for the employees?	V		<p>Certifications: The Company's plant area has obtained ISO 45001 certifications.</p> <p>(IV) The company offers internal and external vocational training for its supervisors and employees at all levels, including education training for new hires, ongoing training for employees and talent training for supervisors, among others. Employees are encouraged to evaluate their interests, expertise, values and career objectives and to share this information with their managers in order to facilitate future career planning. For the number of persons and total hours participating in the 2022 career development and educational training, please refer to the "2022 China Man-Made Fiber Corporation Sustainable Development Report."</p>				
(V) Regarding customer health and safety, customer privacy, marketing, and labeling of products and services, does the Company comply with relevant regulations and international standards, and formulate relevant consumer protection or customer interests policies and appeal procedures?	V		<p>(V) Every stage from the raw materials procurement to product sales, the Company values the importance of the customer's health and safety. Continuous improvement of the production procedures and align with the market trends and demands of downstream customers, moving towards no toxic production, environmental friendly and green energy products, development trends, etc.</p> <p>All products of the Company are labeled pursuant to relevant norms and specifications to ensure conformity with national and international regulations. Customer complaints are handled by relevant personnel to safeguard consumer rights and interests.</p> <p>To ensure the security and proper use of customer data, the company has installed internal anti-virus software, external network firewalls and a security control mechanism for computer network systems. Non-affiliated, controlling operators are denied access to sensitive client information. Ensure the protection of client privacy.</p>				

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(VI) Has the Company formulated a supplier management policy that required suppliers to follow relevant norms on specific issues, such as, environmental protection, occupational safety and health, or labor rights, and their implementation?	V		(VI) The Company has established the “Standard for Supplier Corporate Social Responsibility” and requested suppliers to sign and commit. From the human rights, legal compliance, and environment aspects, and under the principles of timely, appropriate value, appropriate volume, and appropriate price, prioritize suppliers who adopt TOSHMS, OHSAS 18001 and so forth occupational safety, energy and environmental management systems. We hope to work with partners in committing to the duties of corporate social responsibilities together. In case the Company discovers specific contractor or contractor has negative social image, the Company shall notify the contractor to give explanation and take corrective action. If the situation is critical, terminate the purchase or proceed to return of sales depending on the content of the contracts.	
V. Does the Company refer to international criteria or guidelines for the preparation of reports, and compile reports on corporate non-financial information, such as, sustainable reports? Did the aforementioned reports obtain the assurance or guarantee opinion of a third-party verification institute?	V		The “2022 China Man-Made Fiber Corporation Sustainability Report” was prepared by the company in accordance with the GRI Standards, globally recognized report preparation guidelines. The limited validation statement presented by the accounting firm based on the validation criteria released by the Accounting Research and Development Foundation should be obtained for the sustainability report. As of the date of annual report print for publication, the 2022 sustainability report has not yet been prepared. The “2021 China Man-Made Fiber Corporation Sustainability Report and Accountants Limited Validation Statement” is now available on the company’s website. ( <a href="http://www.cmfc.com.tw">http://www.cmfc.com.tw</a> )	Not distinctive
VI. If the Company has established its sustainable development code of practice according to the "Sustainable Development Best Practice Principles for Listed Companies", please describe the operational status and differences: The Company has not yet established its own Development Best-Practice Principles.				

Items for evaluation	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies										
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<p>VII. Other important information for facilitating the understanding of Sustainable Development and its implementation: Please refer to the key information on the implementation of corporate governance and the sustainable development report.</p> <p>(I) Amount committed to the community-friendly policy in 2022: Local give-back rewards and subsidies to the local groups and schools for a total of NT\$4,787 thousands.</p> <p>(II) Employment opportunities to local residents in 2022:</p> <table border="1"> <thead> <tr> <th>Dashe</th> <th>Nanzih</th> <th>Renwu</th> <th>Total</th> <th>% of the whole plant</th> </tr> </thead> <tbody> <tr> <td>78 persons</td> <td>89 persons</td> <td>37 persons</td> <td>204 persons</td> <td>41.1%</td> </tr> </tbody> </table>					Dashe	Nanzih	Renwu	Total	% of the whole plant	78 persons	89 persons	37 persons	204 persons	41.1%
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Note 1: If a check is made for “yes” for the implementation, please explain the adopted important policies, strategies, measures and implementation; If a check is made for “no,” please explain the deviation and causes in the column for “Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies,” and explain future adopted related policies, strategies and measures plan.

Note 2: Materiality refers to environmental, social and corporate governance issues that have a significant impact on the Company's investors and other stakeholders.

Note 3: For disclosure method, please refer to the best practice reference on the Corporate Governance Center website of the Taiwan Securities Exchange Corporation.

\* Consolidated companies

1. Pan Asia Chemical Corporation

Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management and the supervision situation of the Board of Directors?	V		The company adheres by the vision and mission of the ESG policy. Starting 2015, the Financial Department served as the unit for concurrently promoting the company's sustainable development. In 2023, the "PACC Sustainability Development Promotion Team" became the company's highest sustainability development decision-making center, with the chairman as the convener. The sustainability development team served as the platform for both vertical and horizontal interdepartmental communication integration. Responsible for periodically discussing sustainability development issues with designated personnel from respective departments and identifying sustainability issues affecting the company's operations and stakeholders. Likewise, corresponding strategies and work guidelines are developed. In addition, submit the sustainability report to the board of directors (at least once a year) for reporting. When necessary, the board of directors shall urge the team to make adjustments.	Not distinctive
II. Does the Company conduct assessments of risks associated with environmental, social, and corporate governance issues related to company operations in accordance with materiality principles and formulated relevant risk management policies and strategies (Note: the term "materiality principles" refers to environmental, social, and corporate governance issues that have a significant impact on investors and other stakeholders.)	V		<ol style="list-style-type: none"> <li>1. The information disclosed pertains to the company's performance in terms of sustainable development from January to December 2022. The majority of the risk assessment perimeter consists of the company, including its Kaohsiung factory.</li> <li>2. Analysis is conducted based on the materiality principles of the sustainable development report, communicated with internal and external stakeholders. Through review and integrate the assessment information of various departments, assess ESG topics with materiality. Corresponding risk strategies are also proposed.</li> <li>3. Establish related risk management policies or strategies for</li> </ol>	Not distinctive

Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies						
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			<p>the risk from assessment:</p> <table border="1"> <thead> <tr> <th>Major issues</th> <th>Risk assessment items</th> <th>Remark</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Environmental impacts and management</td> <td> <ol style="list-style-type: none"> <li>1. The Company has effectively lowered the pollution emissions and its impacts to the environment through implementing manufacturing safety management and systemized management circulation.</li> <li>2. Adopt pollution prevention measures, install Continuous Emission Monitoring Systems (CEMS), test the control value, committed to mitigate air pollution harm to the environment.</li> <li>3. Conduct instant testing for the water quality of the wastewater for release, to ensure the release water quality complies with the competent authorities</li> </ol> </td> </tr> </tbody> </table>	Major issues	Risk assessment items	Remark	Environment	Environmental impacts and management	<ol style="list-style-type: none"> <li>1. The Company has effectively lowered the pollution emissions and its impacts to the environment through implementing manufacturing safety management and systemized management circulation.</li> <li>2. Adopt pollution prevention measures, install Continuous Emission Monitoring Systems (CEMS), test the control value, committed to mitigate air pollution harm to the environment.</li> <li>3. Conduct instant testing for the water quality of the wastewater for release, to ensure the release water quality complies with the competent authorities</li> </ol>	
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			<p>regulations.</p> <p>4. Conduct proper waste sorting management. For waste that are recyclable for reuse or of value, they can be recycled and reused through internal contacts and recycling vendor's survey, striving towards low emissions.</p> <p>5. When there are no wastes of recycling value, commission qualified clearing and treatment vendor to carry out clearance and transportation and treatment of wastes, and list under management and file as follow-up item.</p> <p>6. Annual planning of internal audit plan for all relevant environmental laws and regulations that the Company needs to comply with, and audit various work</p>	

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			procedures for compliance.	
			<p>Society</p> <p>Occupational safety</p> <p>1. In 2022, two occupational injury events occurred. One of the two incidents was deemed by the competent authority to be in violation of pertinent labor regulations.</p> <p>2. The factory passed the “ISO45001 Occupational Health and Safety Management System” annual verification reevaluation.</p> <p>3. Regular organization of fire drills and safety educational training, cultivating employees emergency response and self-management in safety capability.</p>	
			<p>Product safety</p> <p>1. Every stages from the raw materials procurement to the product sales, the</p>	

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				<p>company values the importance of the customer's health and safety. Continuous improvement of the production procedures and align with the market trends and demands of downstream customers, moving towards no toxic production, environmental friendly and green energy products, so on development trends.</p> <p>2. Products for production and sales, their function specifications and attention on use are listed in the physical properties and safety data sheet (SDS) to enable customers to understand safety use method. The inquiry hotline is listed. We put in all efforts in supporting customers in acquiring the required information. All</p>



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			<p>Communicated with interested parties</p> <p>1. To avoid the difference in positions between the stakeholders and the Company resulting in misunderstandings or litigation risks, the Company will analyze the material topics of concern for important stakeholders each year.</p> <p>2. Provide communications channels to reduce oppositions and misunderstandings. Establish investment areas and spokesperson or dedicated personnel will handle and respond.</p>	
<p>III. Environmental issues</p> <p>(I) Does the Company have an appropriate environmental management system established in accordance with its industrial character?</p>	V		<p>(I) The company will comply with national environmental protection policies and laws, plan ahead to reduce greenhouse gas emissions, and operate efficiently while adhering to international sustainability standards. Currently, the company conducts its own investigation without external verification. Despite the absence of verification by an external third party, the accuracy of the report's data</p>	Not distinctive

Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
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(II) Is the Company committed to enhance the energy efficiency and use renewable materials that are with low impact on the environmental?	V		<p>is ensured through stringent internal control and inspection mechanisms.</p> <p>In the current stage, the company will abide by all applicable laws and regulations of the government and the schedule of the Financial Supervisory Commission), as well as use the ISO-14064-1 specification for greenhouse gas inspection and independent verification. The verification will be completed in 2027 after the greenhouse gas inspection and verification schedule are finished in 2024~2025.</p> <p>(II) Policies to boost energy effectiveness:</p> <ol style="list-style-type: none"> <li>1. Replace high energy-consuming equipment with low energy-consuming equipment, such as facilities in the processes, electrical facilities, LED lighting, etc.</li> <li>2. In order to reduce reheating or refrigerating equipment due to temperature loss and increase unnecessary energy consumption, replace old thermal-insulation packaging materials with high-efficiency ones.</li> <li>3. Energy-intensive process heating systems should be purposefully turned off outside of the production window to reduce energy and fuel consumption.</li> </ol> <p>Policy for recycled materials use:</p> <ol style="list-style-type: none"> <li>1. Increase the proportion of recycling and reutilizing secondary packaging for finished</li> </ol>	

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(III) Does the Company assess the potential risks and opportunities of climate change for companies now and in the future, and take measures to address related issues?	V		<p>goods.</p> <p>2. Make it easier for recyclable and reproducible waste to be transferred to recyclers for use as raw materials or as materials to implement the circular economy.</p> <p>In 2022, manufacturers reused a combined 157.59 metric tons of waste packaging materials and recycled and reused 49.7 metric tons of industrial waste. The power consumption per unit product rose from 236.54 kWh/unit product (tons) in 2021 to 262.53 kWh/unit product (tons) in 2022, with a drop of about 11% due to the impact of the pandemic, which led to a lower work commencement rate and a decrease in production capacity of about 10%. The overall energy-saving policy's performance is unchanged after accounting for the aforementioned elements.</p> <p>(III) The "sustainable development promotion team" is the company's highest organization for managing potential climate change-related risk factors and relevant improvement opportunities and measures, with the chairman serving as its convener. Relevant improvement opportunities and measures can be drafted by identifying potential risk factors, such as greenhouse gas emission costs, environmental protection act-related legal issues, elimination of high carbon emission products and services, low carbon operational costs, extreme climate risks, etc.</p>	

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(IV) Does the Company count greenhouse gas emissions, water consumption and total weight of waste over the last two years, and formulate policies for greenhouse gas reduction, water consumption reduction, or other waste management?	V		<p>Additionally, global greenhouse gas emission reduction, air pollutant discharge reduction, water use and energy conservation, waste reduction and recycling and re-use are indicators of opportunities in an effort to actively promote the target values and conduct rolling reviews.</p> <p>Sustainability reports are regularly prepared and reported to the board of directors and disclosed to stakeholders.</p> <ol style="list-style-type: none"> <li>1. Maintain the purchase and use of low-pollution heat energy and clean fuel natural gas as the company's primary heat source.</li> <li>2. Continue to promote waste sorting and reduction and recycling strategies to lower indirect greenhouse gas emissions volume.</li> <li>3. Continue to statistically analyze the correlations among energy, production capacity, and greenhouse gas emissions in order to analyze energy utilization and reduce direct greenhouse gas emissions.</li> </ol> <p>(IV) Implement factory site pollution and emissions control in accordance with regional environment changes and policies from the authority.</p> <p>Set temperature control policies for indoor air-conditioning to prevent waste of electricity.</p> <p>Carry out inspection of greenhouse gas emissions from the manufacturing processes and conduct energy-saving and carbon-reduction measures based on policies from the</p>	

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			<p>authority.            Use automatic detection devices to change the time of using supplementary lightning depending on the season.            Garbage sorting is promoted and implemented to reduce the amount of generated waste. Processes are improved to decrease the amount of process waste. A constant pursuit of technical feasibility of waste re-use in Taiwan serves the purpose of minimizing environmental burdens.            To make resources sustainable, environmental protection has become a key topic in the world. To reduce energy and resources consumption and emissions of greenhouse gas and improve product efficiency and competitiveness, the factory plans to save at least 3% in electricity consumption, reduce 15% of greenhouse gas emissions and cut down waste by 5% within 5 years. The factory will put energy-saving, carbon reduction and waste recycling to full practice, fulfilling the duties of global citizens.</p> <p>State of annual greenhouse gases emissions over two years' time:            Unit: CO2e metric tons</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Carbon dioxide</td> <td>372.6372</td> <td>11405.4920</td> </tr> <tr> <td>Greenhouse gas emissions volume (Scope 1)</td> <td>373.011</td> <td>528.9641</td> </tr> <tr> <td>Greenhouse gas emissions volume (Scope 2)</td> <td>-</td> <td>11038.3798</td> </tr> <tr> <td>Carbon dioxide emissions density (CO2e in metric tons/products in metric</td> <td>0.0752</td> <td>0.3419</td> </tr> </tbody> </table>	Year	2021	2022	Carbon dioxide	372.6372	11405.4920	Greenhouse gas emissions volume (Scope 1)	373.011	528.9641	Greenhouse gas emissions volume (Scope 2)	-	11038.3798	Carbon dioxide emissions density (CO2e in metric tons/products in metric	0.0752	0.3419	
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			<p>tons).</p> <p>Although the preceding data has not been independently verified by a third party, robust internal control and audit mechanisms were applied to ensure the accuracy of the data presented in the report. The company's greenhouse gas inspection and verification schedule is planned to be completed by 2024~2025 and 2027, respectively. In 2022, the greenhouse gas emission density was 0.3419 (CO2e in metric tons/products in metric tons), higher than 0.0752 (CO2e in metric tons/products in metric tons) in 2021. The primary reason is that beginning in 2022, the company was the first to echo the government's autonomous carbon disk promotion for businesses. An inspection was conducted in accordance with ISO-14064. It was added to "Scope 2 emissions are indirect emissions that occur through the use of purchased electricity," which had not been included in the inspection requirements previously, in order to meet international standards. Based on the aforementioned description of the carbon disk specifications standards, the carbon reduction effectiveness in 2022 cannot be compared directly to that in 2021. To further improve the energy-saving and carbon-reduction performance of the entire process, the company will continue to implement emission reduction plans and measures, such as continuous process optimization and improvement, continuous utilization of low-polluting natural gas as fuel, reduction of pollution and energy consumption. The Company has not yet use renewable energy. Other efforts in response to climate change and driving the company's sustainable management are: Eliminate equipment with high energy consumption and replace with equipment with low energy consumption, including manufacturing equipment,</p>	

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			<p>electronic equipment, lightings and so on, eliminate old temperature insulating packaging materials and use high efficiency insulating packaging materials. This can lower the times the equipment renew the heating or cooling due to temperature loss, which increases unnecessary energy consumption. By doing so can raise the energy usage efficiency.</p> <p>On using recycled materials, enhance the recycling rate of recycled secondary product packaging, and enhance the recycling of recyclable wastes for re-manufacturing transferring them to recycling vendors for use as raw materials in implementing the circular economy.</p> <p>Water consumption in the two-year period:</p> <p style="text-align: right;">Unit: metric tons</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Running water amount</td> <td>129,262</td> <td>100,514</td> </tr> <tr> <td>Water use density (water usage/products)</td> <td>3.4361</td> <td>2.9705</td> </tr> <tr> <td>Wastewater amount</td> <td>63,451</td> <td>75,647</td> </tr> </tbody> </table> <p>Multiple improvement measures, including the improvement and elimination of inefficient process equipment, have been implemented by the company in order to reduce operational water use, concentrate production of similar products, reduce system cleaning water use and decrease wastewater production. As a result of the water resource utilization and water-saving management technology, the water use density in 2022 was 13.55% lower than in 2021.</p>	Year	2021	2022	Running water amount	129,262	100,514	Water use density (water usage/products)	3.4361	2.9705	Wastewater amount	63,451	75,647	
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			<p>Total weight of waste in the two-year period: Unit: metric tons</p> <table border="1"> <thead> <tr> <th></th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>General domestic waste</td> <td>47.11</td> <td>46.53</td> </tr> <tr> <td>General industrial waste</td> <td>376.09</td> <td>346.2</td> </tr> <tr> <td>Special industrial waste (hazardous)</td> <td>0</td> <td>0</td> </tr> <tr> <td>Recycled and reused waste</td> <td>0</td> <td>24</td> </tr> <tr> <td>Waste load density (metric tons/metric tons)</td> <td>0.0112</td> <td>0.0123</td> </tr> </tbody> </table> <p>The Company's ultimate goal for waste management is "Zero Waste." To achieve sustainable resource and recycling, the Company adopts the strategy of reduction in overall waste volume and turning waste into resource as its strategy, prioritize recycling and reuse for use within the plant, and reduce the consumption volume of raw materials and packaging; followed by engaging external vendors for recycling and re-use. Lastly, the wastes that cannot be recycled and re-used are sent for burning at an incinerator or for landfill. The various paths as major policies. In addition to continuing to optimize and enhance manufacturing processes, reducing waste output begins at the source. The overall production capacity decreased by approximately 10% in 2022 as a result of the pandemic's effects. As this has nothing to do with routine output, the waste density in 2022 was 0.0123 (metric tons per metric tons), which increased by 9.8% compared to 0.0112 (metric tons/metric tons) in 2021.</p>		2021	2022	General domestic waste	47.11	46.53	General industrial waste	376.09	346.2	Special industrial waste (hazardous)	0	0	Recycled and reused waste	0	24	Waste load density (metric tons/metric tons)	0.0112	0.0123	
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IV. Social issues																						

Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/GTSM Listed Companies						
	Yes	No	Summary							
(I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	V		<p>(I) The Company complies with the relevant government laws and regulations, supports and respects internationally recognized human rights conventions and principles, including the United Nations Universal Declaration of Human Rights, the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Right; sexual harassment prevention and control measures, complaints and disciplinary action points has implemented human rights-related policies, prohibits any form of forced labor, illegal discrimination, and child labor. We comply with relevant labor laws and regulations, protects employees' legitimate rights and interests, and manages them through two-way communication.</p> <p>The Company's human rights management and concrete plan summary as follows:</p> <table border="1"> <thead> <tr> <th>Human rights management policies</th> <th>Concrete plan</th> </tr> </thead> <tbody> <tr> <td>Provide a safe and healthy working environment</td> <td>* Established safety and health policy to guarantee employees and related process personnel's safety and health.</td> </tr> <tr> <td>Assist employees to maintain physical and mental health and work-life balance</td> <td>* One hour lunch break to give sufficient resting time for employees. * Regular and irregular health examinations for employees are arranged to maintain employees' health.</td> </tr> </tbody> </table>	Human rights management policies	Concrete plan	Provide a safe and healthy working environment	* Established safety and health policy to guarantee employees and related process personnel's safety and health.	Assist employees to maintain physical and mental health and work-life balance	* One hour lunch break to give sufficient resting time for employees. * Regular and irregular health examinations for employees are arranged to maintain employees' health.	Not distinctive
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Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies				
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(II) Has the Company formulated and implemented reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.), and appropriately reflect operating performance or results in employee remuneration?	V		<table border="1"> <tr> <td>Prohibit forced labor, abiding with the government's labor act.</td> <td>Implement the leave system, encourage employees to value work life balance.</td> </tr> <tr> <td>Established the "Standard for Supplier Corporate Social Responsibility" requesting suppliers to sign and commit.</td> <td>From the human rights, legal compliance, and environment aspects, and under the principles of timely, appropriate value, appropriate volume, and appropriate price, prioritize suppliers who adopt TOSHMS, CNS-45001, ISO-45001 and so forth occupational safety, energy and environmental management systems. We hope to work with partners in committing to the duties of corporate social responsibilities together.</td> </tr> </table>	Prohibit forced labor, abiding with the government's labor act.	Implement the leave system, encourage employees to value work life balance.	Established the "Standard for Supplier Corporate Social Responsibility" requesting suppliers to sign and commit.	From the human rights, legal compliance, and environment aspects, and under the principles of timely, appropriate value, appropriate volume, and appropriate price, prioritize suppliers who adopt TOSHMS, CNS-45001, ISO-45001 and so forth occupational safety, energy and environmental management systems. We hope to work with partners in committing to the duties of corporate social responsibilities together.	
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			(II) <u>Employees' remuneration</u> Employee welfare policies of the Company are positively correlated with individual abilities, contributions to the company, individual performance, and business performance. For instance, 5% of annual surpluses are appropriated as employee compensation. The Company gives back to its employees based on its business performance and results in an adequate manner. <u>Staff fringe benefits</u> The company has established the Employee Welfare Committee. Each year, 0.05% of the revenues will be appropriated to the Committee for use. The Committee plans					

Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
(III) Does the Company provide employees with a safe and healthy work	V		<p>a series of welfare benefits for the employees, such as: Employee travel subsidies, birthday gifts, wedding subsidies, maternity subsidies, funeral subsidies, educational subsidies for children, other benefits and so forth.</p> <p>On the leave system, on the basis of the fixed two-day weekend, employees will receive special leaves after they assume office for a specific period of time. In giving employees a peace of mind in raising children below three years old, depending on one's circumstances, employees can apply for unpaid parental leave in writing after assuming post for six months. This enables them to take care of the young child and guarantees their work rights after the parental leave. Employees can during the period or after, apply for reinstatement, balancing the needs for individual and family care.</p> <p><u>Workplace diversity and equality</u> Realize equal pay for equal work between male and female employees for rewards and compensation conditions and equal promotion opportunities, driving sustainable and inclusive economic growth. Female employees account for 14.95% in 2022. Females in managerial positions account for 27.78%.</p> <p><u>Operating performance reflects employees' compensation</u> Article 19 of the Articles of Incorporation: Based on the profit situation for the year, the Company will first set aside the amount to make up for the accumulated losses. If there are remainders, between 1% to 5% shall be appropriated for the employees remunerations and not more than 0.3% to be appropriated for the directors remuneration.</p> <p>(III) <u>Occupational Safety and Health Policy</u> The Company has established the safety and health policies</p>	

Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
environment and provide safety and health education to employees regularly?			<p>and respected the request of related stakeholder groups on occupational safety and health, in order to build a safe and healthy work environment.</p> <p>The Company's core philosophy is based on disaster prevention and response. By using suitable management tools and mature technology and usable resources, integrate the occupational safety and health problems within the plant area, to propose effective policies and continue to improve the promotion of occupational safety culture. Furthermore, heighten prevention management of operation personnel to create a zero disaster environment.</p> <p>There was 2 case of occupational accidents in 2022, with 2 employee injured (accounting for 1.8% of the total number of employees at the end of 2022), missing the annual target of zero accidents.</p> <p><u>Workplace environmental monitoring</u> To guarantee labors are free from harm from hazardous substances in the work place, provide labors a healthy and comfortable work environment. Each year, will carry out 2 times the work environment monitoring to gradually understand the state of exposure of the employees. Regular health examination for employees.</p> <p><u>Work safety audit</u> The Company has established the annual work safety internal audit work plan. The factory manager will act as the chief convenor. The work safety audit team will compile the audit suggestions and improvement matters and specific improvement situations of the various audit reports and enter them into the "internal audit system." Each unit will have to conduct the follow-up and improvements. Every quarter, the unit will review deficiencies at the Safety and Health</p>	

Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies																	
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			<p>Management Meetings based on the audit suggestions and improvement matters.</p> <table border="1"> <tr> <td>Work safety audit process</td> </tr> <tr> <td>Daily irregular patrol inspection</td> </tr> <tr> <td>Firefighting equipment practice and drills every quarter</td> </tr> <tr> <td>Publicly-available, potentially hazardous items undergo periodic and annual general inspections.</td> </tr> <tr> <td>Monitoring and auditing of the safety and health management system are carried out on an annual basis by independent experts.</td> </tr> </table> <p><u>Equipment safety management</u>  Conduct comprehensive safety check and testing once a year for high-risk machinery and equipment.  Set up rules for the use of occupational safety gears and equipment so employees can properly wear their personal protective equipment, ensuring their own safety.  Occupational safety education and training sessions are regularly held for employees.  <u>The Company's industrial safety education and training and awareness-raising over the past three years</u></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number of persons for education and training</th> <th>Hours of education and training</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>203</td> <td>395</td> </tr> <tr> <td>2021</td> <td>160</td> <td>325</td> </tr> <tr> <td>2022</td> <td>180</td> <td>381</td> </tr> </tbody> </table> <p><u>Certifications:</u>  The Company's plant area has obtained ISO 45001</p>	Work safety audit process	Daily irregular patrol inspection	Firefighting equipment practice and drills every quarter	Publicly-available, potentially hazardous items undergo periodic and annual general inspections.	Monitoring and auditing of the safety and health management system are carried out on an annual basis by independent experts.	Year	Number of persons for education and training	Hours of education and training	2020	203	395	2021	160	325	2022	180	381	
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Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
(IV) Does the Company have an effective career capacity development training program established for the employees?	V		<p>certifications.</p> <p>(IV) The Company provide related internal and external professional educational trainings to all management and employees to enhance employees' occupational training for career skills. Trainings include new employees orientation, professional occupational trainings, managerial skills training, and so on. It is hoped to support employees to continue to learn and grow through diverse learning methods and to encourage employees assess their own interests, skills, values, and goals. They can communicate their personal career intention to their managers for future career plans. For the number of persons and total hours participating in the 2022 career development and educational training, please refer to the "2022 Pan Asia Chemical Corporation Sustainable Development Report."</p>	
(V) Regarding customer health and safety, customer privacy, marketing and labeling of products and services, does the Company comply with relevant regulations and international standards and formulate relevant consumer protection or customer interests policies and appeal procedures?	V		<p>(V) Every stage from the raw materials procurement to product sales, the Company values the importance of the customer's health and safety. Continuous improvement of the production procedures and align with the market trends and demands of downstream customers, moving towards no toxic production, environmental friendly and green energy products, development trends, etc.</p> <p>The Company's products for production and sales, their function specifications and attention on use are listed in the physical properties and safety data sheet (SDS) to enable customers to understand safety use method. The inquiry hotline is listed. We put in all efforts in supporting customers in acquiring the required information. All products are labeled 100% in compliance of relevant laws and regulation. The Company strives to achieve "Customer Satisfaction" and "Customer privacy" and values and immediately handles</p>	

Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
(VI) Has the Company formulated a supplier management policy that required suppliers to follow relevant norms on specific issues, such as, environmental protection, occupational safety and health, or labor rights, and their implementation?	V		<p>customer complaints to provide customer with comprehensive product information.</p> <p>The customers' customized products or processed product information are kept confidential to avoid customer transaction related-information leaks. Strictly comply with the government's relevant laws and regulations to manage and protect the customer's privacy.</p> <p>Before transaction, the Company must confirm the product specification. After production, there will be analysis for random samples. Business employees will handle customer's appeal cases to better maintain the work for protecting customers' rights.</p> <p>(VI) The Company has established the "Standard for Supplier Corporate Social Responsibility" and requested suppliers to sign and commit. From the human rights, legal compliance, and environment aspects, and under the principles of timely, appropriate value, appropriate volume, and appropriate price, prioritize suppliers who adopt TOSHMS, CNS-45001, ISO-45001 and so forth occupational safety, energy and environmental management systems. We hope to work with partners in committing to the duties of corporate social responsibilities together.</p> <p><u>Selection of suppliers:</u></p> <p>Obtained ISO environmental management, occupational safety management, energy management system, etc to show declaration statements.</p> <p>Obtained ISO 9000 quality management system, show declaration statement.</p> <p>Monitor the performance of suppliers and include the grading into the supplier assessment. Implement supplier appraisal every half year.</p>	



Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies
	Yes	No	Summary	
			<p><u>Safety management:</u> The Company place special value on contractor safety management. All contractor contracts consist of related safety management articles requesting contractors to truly implement safety management based on related regulations. Before construction begins, there is a need to convene negotiating organization meetings to ensure the safety during the joint operations and to conduct appraisal of the following items: Comply with safety and health related matters performance, take an active approach to provide safety and health related management information on its situations, vendor safety and health management capability.</p> <p><u>Supplier appraisal:</u> Advocacy on the sustainable environment and occupational safety and health policy. Request for safety data sheet (SDS) when providing hazardous substance information. Raise the materials recycling ratio to increase materials circular use and reduce the generation of wastes. Pay attention to the latest restricted substances to ensure the non-use of restricted substances. A priority to use manufacturers with ISO 14001 or TOSHMS certification. A priority to use manufacturers with good management on environment and hazardous substances. If suppliers produce negative impacts to the environment, suspend the transaction. Decide whether to continue collaboration relationship after renewed assessment. Besides signing the supplier corporate social responsibility commitment declaration, continue to advocate to suppliers to</p>	

Promotion item	Implementation Status			Deviation and causes of deviation from the Corporate Sustainable Development Best-Practice Principles for TSEC/ GTSM Listed Companies	
	Yes	No	Summary		
			truly commit and act accordingly to the declaration contents. Regularly coordinate material preparation mechanism with the supplier, and establish long term strategic collaboration relationship with the supplier. A priority to use good suppliers, cease collaboration relationships with misrepresented vendors.		
V. Does the Company refer to international criteria or guidelines for the preparation of reports, and compile reports on corporate non-financial information, such as, sustainable reports? Did the aforementioned reports obtain the assurance or guarantee opinion of a third-party verification institute?	V		The Company referenced the spirit of Global Reporting Initiative's (GRI) GRI Standards - Core option to prepare the "2021 Pan Asia Chemical Corporation Sustainable Development Report" to disclose the company's non-financial information. The 2021 Sustainable Development Report shall obtain the CPA's audit report based on the Standard of the Accounting Research and Development Foundation of the R.O.C.. As of the annual report publication date, preparation of the sustainable development report has not yet completed.	Not distinctive	
VI. If the Company has established sustainable development code of practice based on the Sustainable Development Best Practice Principles for the Listed Companies, please describe any discrepancies between the policies and their implementation in the Company: The Company has not yet established its own Development Best Practice Principles.					
VII. Other important information for facilitating the understanding of Sustainable Development and its implementation: please refer to the sustainable development report. <a href="https://www.pacc.com.tw/social_tw.php?id=4">https://www.pacc.com.tw/social_tw.php?id=4</a> (I) Amount committed to the community-friendly policy in 2022: Local give-back rewards for NT\$1,273 thousand and subsidies to the local groups and schools for NT\$164 thousands. (II) Employment opportunities to local residents in 2022:					
	Nanzih	Renwu	Dashe	Number of people in Kaohsiung.	% of the whole plant
	14 persons	5 persons	4 persons	92 persons	25%

## 2. Taichung Commercial Bank

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
I. Has the Bank established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and the supervision situation of the Board of Directors?	✓		<p>Adhering to the management philosophy of sustainable development, the “Corporate Governance and Nomination Committee” under the board of directors was set up in 2021 to oversee the implementation of sustainable development and execution status. Three directors make up the committee, and more than 50% of them are independent directors. According to the “Taichung Commercial Bank Sustainable Development Best Practice,” the company department is the dedicated unit in charge of promoting sustainable development, as well as sustainable development policies, systems, related management guidelines, and the proposition and execution of specific promotion plans. In addition, the company department and other departments work in concert to implement sustainable development undertakings.</p> <p>Sustainable development execution effectiveness is routinely reported to the Corporate Governance and Nomination Committee and the Board of Directors each year to review the implementation effectiveness and achieve continuous improvement with regard to the economic, environmental, and social issues resulting from operational activities. Refer to 3 (4) Corporate Governance Operational Status and (5) Corporate Governance and Nomination Committee member data and operational status.</p> <p>In 2022, the board of directors oversaw ESG proposals for sustainable development. These included plans and goals for promoting sustainable development, revisions to related policies, plans for inspecting and verifying greenhouse gas emissions, and plans for carrying out sustainable development on an annual basis (including an assessment of the content of the TCFD implementation and the risks and opportunities presented by climate change).</p> <p>During a meeting, the board of directors posed questions and made suggestions about the ESG plan and policy’s contents, which were subsequently approved by resolution. The board’s suggestions were monitored at every meeting prior to their implementation. The board of directors discussed the ESG plan and policy and passed a resolution endorsing its contents after asking questions and making suggestions. Every suggestion made by the board was carefully considered before being put into action.</p>	no difference
II. Does the Bank conduct risk assessments of environmental, social and corporate governance issues related to the company’s operations in accordance with the materiality principle and formulate relevant risk management policies or	✓		<p>According to Article 3 of the “Sustainable Development Code of Practice,” on material principles, the Company will conduct risk assessment for material topics. The related risk management strategies will be established after the assessment. In order to strengthen climate risk monitoring, the bank has incorporated climate risk into its “Risk Management Policy” and disclosed information about climate risk in a separate chapter of</p>	no difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and reasons
	Yes	No	Summary	
strategies?			its sustainability report.	
III. Environmental issues (I) Has the Bank established a suitable environment management system by nature of the industry?	✓		The bank’s “Code for Sustainable Development” stipulates that the Department of General Affairs shall serve as the dedicated unit of environmental management. Related environment management systems shall be formulated, promoted, and maintained, with specific action plans, while assisting in environmental education courses. The Bank has also established the “Particulars for the Management of Corporate Headquarters Building” and “Rules for Occupational Safety and Health.” ISO management systems, such as ISO14064-1 greenhouse gas inspection system and ISO14001 environmental management system, have also been imported.	no difference
(II) Is the Bank committed to enhance the energy efficiency and use renewable materials that are with low impact on the environmental?	✓		The bank prioritizes the procurement of renewable material, recycled materials, or energy-saving environmentally friendly products. In procurement tenders, procurements from manufacturers that have obtained Green Mark Use Permit recognized by the government, or whose processes and waste disposal meet renewable material, recycled material, low-pollution, or energy-saving requirements are prioritized in order to increase social benefits and reduce social costs. In terms of interior decoration, minimizing the amount of interior decoration is to be encouraged, while existing office furniture are to be integrated with the new space, which not only reduces waste, reutilizes items, but also meets the environmental protection appeal. Note: During interior decoration planning, building material with the Green Mark from at home and abroad and Green Mark Building are adopted. Waste produced from decoration should be properly classified to reduce environmental impacts.	no difference
(III) Does the Bank assess the potential risks and opportunities of climate change for companies now and in the future, and take measures to address climate-related issues?	✓		In order to evaluate the business risks and opportunities associated with climate change, an internal operational risk assessment was conducted. The risks and opportunities associated with climate change were summarized based on their natures in order to develop coping strategies. The bank has included the Environmental, Social and Governance (ESG) criteria in its due diligence governance policy. In addition, the “risk management policy” shall be formulated and amended to include climate change risks, and include ESG in the credit review procedures in order to improve asset quality and business development.	no difference
(IV) Has the Bank kept statistics on the greenhouse gas emission volume, water consumption volume and total weight of wastes over the last 2 years and	✓		(I) The bank imported the ISO 14064-1 greenhouse gas inspection system in 2020 and commissioned the “Taiwan Green Productivity Foundation” with its implementation in order to gain a deeper understanding of the status of greenhouse gas emissions	no difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies” and reasons																																	
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mapped out the policies for managing the reduction of carbon, greenhouse gas emission, water consumption and the generation of wastes?			<p>and contribute to the development of a low-carbon economy. The Minzu Building and the Minchuan Building were the inspection bases in 2020, while the Employee Training Center (including Taiping Branch) and the Taichung dormitory in Southern Taiwan (including the Taichung branch in southern Taiwan) were added as the inspection bases in 2021. Both obtained validation from the British Standards Institution (BSI). The validated data in the greenhouse gas reports in the recent two years are as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Scope 1 (tCO2e)</td> <td>258.7706</td> <td>215.478</td> </tr> <tr> <td>Scope 2 (tCO2e)</td> <td>1,750.3096</td> <td>1761.197</td> </tr> <tr> <td>Scope 3 (tCO2e)</td> <td>-</td> <td>389.972</td> </tr> <tr> <td>Greenhouse gas emissions volume (metric tons CO2e/year)</td> <td>2009.080</td> <td>2366.648</td> </tr> <tr> <td>No. of Person</td> <td>717</td> <td>869</td> </tr> <tr> <td>Intensity (tCO2e/per person)</td> <td>2.802</td> <td>2.723</td> </tr> </tbody> </table> <p>(II) Beginning in 2021, the bank intended to install solar photovoltaic equipment in two of its wholly-owned offices annually in order to maintain the international reduction trend. The progress is explained below:</p> <ol style="list-style-type: none"> <li>2021: The Shengang Branch and Wufeng Branch’s application for the National Renewable Energy Certification (T-REC) were approved in February 2023, when the Kwh calculation began.</li> <li>2022: Pitou Branch and Hemei Branch (under construction).</li> </ol> <p>(III) The bank falls under the sector of financial services. The water consumption and waste generated by employees’ daily office and service activities include five dimensions: water resource management from wastewater treatment, water usage conservation, water quality safety, water resources, and water conservation advocacy. The water usage statistics for the bank’s headquarters are as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Total surface water usage (Kwh)</td> <td>12,407</td> <td>14,358</td> </tr> <tr> <td>Carbon dioxide (metric tons)</td> <td>2.169</td> <td>2.510</td> </tr> <tr> <td>Usage per person</td> <td>17.3</td> <td>16.5</td> </tr> </tbody> </table>	Year	2020	2021	Scope 1 (tCO2e)	258.7706	215.478	Scope 2 (tCO2e)	1,750.3096	1761.197	Scope 3 (tCO2e)	-	389.972	Greenhouse gas emissions volume (metric tons CO2e/year)	2009.080	2366.648	No. of Person	717	869	Intensity (tCO2e/per person)	2.802	2.723	Year	2020	2021	Total surface water usage (Kwh)	12,407	14,358	Carbon dioxide (metric tons)	2.169	2.510	Usage per person	17.3	16.5	
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			<p>The bank head office’s data of building waste in the recent two years:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2020</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>General trash (kg)</td> <td>35,880</td> <td>35,880</td> </tr> <tr> <td>kitchen leftovers (kg)</td> <td>5,520</td> <td>5,520</td> </tr> <tr> <td>Total weight (kg)</td> <td>41,400</td> <td>41,400</td> </tr> <tr> <td>Intensity generated per person</td> <td>57.74</td> <td>47.64</td> </tr> </tbody> </table> <p>(IV) In order to the above-mentioned execution results, ISO 14001: 2015 Environmental Management System was introduced in 2022 to gain insight into the company’s current environmental situation. In addition verification from the British Standards Institution (BSI) was obtained. 2019: 1,898.008 metric tons of CO2e/year</p>	Year	2020	2021	General trash (kg)	35,880	35,880	kitchen leftovers (kg)	5,520	5,520	Total weight (kg)	41,400	41,400	Intensity generated per person	57.74	47.64	
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Total weight (kg)	41,400	41,400																	
Intensity generated per person	57.74	47.64																	
<p>IV. Social issues</p> <p>(I) Has the Bank established related management policy and procedure in accordance with applicable legal rules and international conventions on human rights?</p>	✓		<p>(I) The Company has established its “Sustainable Development Code of Practice” according to the “Sustainable Development Best Practice Principles for Listed Companies” and disclosed the human rights policy on the official website.</p> <p>(II) The human rights policy and gender equality and workplace friendliness advocacy were included in the required education training for new employees. The contents include an introduction to relevant laws and regulations (such as the Gender Equality Act, the Sexual Harassment Prevention Act, the Occupational Safety and Health Act, the Personal Data Protection Act, etc.), briefings on reporting and complaint channels, workplace blueprint and promotion systems, employee career development, bank teller- related rights and responsibilities, and welfare issues. The bank protects and emphasizes human rights policies and its commitment to creating a safe, equal, discrimination-free, and harassment-free workplace through education training. In 2022, there were no instances of discrimination, and human rights policy-related education training courses were conducted with a 100% employee training ratio and 91 hours of training.</p>	no difference															
<p>(II) Has the Bank formulated and implemented reasonable employee benefits measures (including remuneration, vacation and other benefits, etc.) and appropriately reflect operating performance or results in employee remuneration?</p>	✓		<p>(I) Regarding related welfare measures, see page 108-109 for various employee welfare measures, retirement systems, and implementation situations.</p> <p>(II) The bank has set up the “Guidelines for Employee Assessment” and the “Directions for the Promotion of Incumbents.” According to the corporate operation performance situation, personal performance and in reference to salary standards in</p>	no difference															

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies” and reasons
	Yes	No	Summary	
			the same industry, the employees’ rank and salary shall be adjusted after thorough consideration. (III) The bank’s holiday system, in addition to the Labor Standards Act as the reference, marriage leave, funeral leave and general injury and sick leave are also granted.	
(III) Has the Bank provided a safe and health work environment for the employees, and provided education on labor safety and health regularly?	✓		<p>The company complies with pertinent laws such as the “Occupational Safety and Health Act” and “Management Regulations of Occupational Safety and Health” in order to provide a safe and secure working environment for all employees and stakeholders. The company also creates safety and health regulations based on the fundamental principle of disaster avoidance. The safety maintenance supervision team has also been established and safety meetings are held on a yearly basis. The bank continues to enhance occupational safety and health management in order to create a healthy work environment filled with happiness.</p> <p>(I) Working environment: In addition to simple and functional interior decoration, the majority of building materials have environmental protection labels from domestic and foreign governments, as well as green building material labels. To ensure employee comfort, the use of recyclable and low-polluting building materials is mandated, and the CO2 content and drinking water quality of the bank’s headquarters are routinely monitored every quarter.</p> <p>(II) Occupational safety: The “interdepartmental occupational safety and health personnel list” has been created. After personnel transfer to other departments, the human resources system automatically transfers relevant personnel and schedules an annual occupational safety and health education training session. In 2022, 53 people enrolled in the initial training and 51 people enrolled in the retraining for “occupation safety and health service supervisors;” 4 people enrolled in the initial training and 15 people enrolled in the retraining for “education training on safety and health for rescue personnel;” 11 people enrolled in the initial training and 8 people enrolled in the retraining for “seminar training for fire protection managers.” For the purpose of enhancing professional competence, advocacy training materials for on-the-job employee education have been created. Each business unit conducts safety drills every six months: disaster drills in the first half of the year and anti-theft drills in the second. This will allow individuals to become familiar with various equipment and disaster management, heightening their</p>	no difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies” and reasons
	Yes	No	Summary	
			<p>awareness of potential dangers and enhancing their ability to respond to and manage catastrophes.</p> <p>In 2022, there were 17 cases of injuries (disability) with a rate of 0.646% and 0 cases of major occupational accidents (death/disability), most of which were caused by traffic accidents. The majority of injuries and accidents were caused by automobile collisions. After reviewing the report of the safety maintenance meeting held at the end of the year, the company strengthened the traffic safety reminder.</p> <p>(III) Health education: Depending on the frequency and age of the employees, the “Labor Health Protection Rules” also require employers to conduct periodic health checks. The bank conducts health examinations more frequently than required by law. Additionally, the infirmary, quarterly doctor health seminars, and free health consultations are offered to all employees every two years to increase employee health awareness.</p>	
(IV) Has the Bank established the training program for the effective planning of career development for the employees?	✓		Based on the strategic development and career mapping of each employee, the Company establishes annual education and training plans to promote exclusive training sessions of each function. Every year, outstanding talents are selected to be nurtured through individual development plan (IDP) to handle future managerial duties.	no difference
(V) Regarding customer health and safety, customer privacy, marketing, and labeling of products and services, does the Company comply with relevant regulations and international standards, and formulate relevant consumer protection or customer interests policies and appeal procedures?	✓		<p>(I) Concerning related financial commodities or services, the bank attaches importance to marketing ethics. In compliance with relevant regulations and international standards, relevant implementation strategies and specific measures have been set up by fair and reasonable means, which have been implemented in business activities.</p> <p>(II) The bank’s norms on customer privacy has been set up in accordance with relevant provisions in the “Personal Information Protection Act,” which shall serve as criteria for implementing personal information protection. The PIMS (Personal Information Management Standards) have been imported; the “BS 10012: 2017 personal Information Management System” standard certification has also been obtained.</p> <p>(III) In view of the protection of consumer rights and interests, the bank has set up the “consumer protection policy” and the “fair treatment of customers principle policy and strategy.” The customer opinion and complaint channel and dispute handling procedures are also explicitly regulated.</p> <p>(IV) In order to enhance customer complaint handling efficiency, the bank has set up the “Taichung Commercial Bank Consumption Dispute Handling System” and the “Directions for Taichung Commercial Bank Customer Complaint Handling.” They explicitly stipulate customer opinion and complaint channels and dispute handling</p>	no difference



Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies” and reasons
	Yes	No	Summary	
			procedures. The “Customer Complaint Handling Team” has also been set up, which is the dedicated unit for assisting the departments in handling customer complaint cases, making them feel the banks attention and concern.	
(VI) Has the Bank established the supplier management policy to demand suppliers observe applicable rules and regulations governing environmental protection, occupational safety and health, or labor rights, and the state of implementation?	✓		<p>From procurement to design to construction, the bank raises safety and health management issues. In accordance with the applicable occupational safety and health laws and regulations, the tender documents, such as illustrations or construction safety and health specifications, are then included in the construction contract for implementation.</p> <p>In procurement tenders, procurements from manufacturers that have obtained Green Mark Use Permit recognized by the government, or whose processes and waste disposal meet renewable material, recycled material, low-pollution, or energy-saving requirements are prioritized in order to increase social benefits and reduce social costs. The Occupational Safety and Health Act also requires manufacturers to provide construction workers with certified PPE and relevant dangerous machinery and equipment. They must be examined by the inspection agency prior to use.</p> <p>In order to implement the bank’s supply management commitment and responsibilities, jointly observe good ethical standards with suppliers, focus on the goals of labor human rights and environmental sustainability promotion, and encourage the bank’s suppliers to jointly endeavor or sustainable development fulfillment.</p> <p>In 2022, 119 manufacturers (suppliers) were encouraged to sign pertinent labor rights, occupational safety and health and environmental regulations. Over the course of 2021, an additional 63 suppliers were added, bringing the total number of suppliers screened in accordance with environmental standards to 100%.</p>	no difference
V. Does the Bank refer to international criteria or guidelines for the preparation of reports, and compile reports on corporate non-financial information, such as, sustainable reports? Did the aforementioned reports obtain the assurance or guarantee opinion of a third-party verification institute?	✓		(I) The bank complies with the GRI Universal Standards and Likely Material Topic released by the Global Reporting Initiative (GRI), the SASB Standards released by the Sustainability Accounting Standards Board (SASB). The Task Force on Climate-Related Financial Disclosures, (TCFD) were added and included to prepare the sustainability report for the previous year. In addition, the “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies” were also included, in which all the financial data used New Taiwan Dollars as the computation unit. The financial statements conform to the International Financial Reporting Standards (IFRSs). Based on the validation cases in TWSAE3000-non-historical financial information, Deloitte Taiwan was also tasked with checking or reviewing the validation-related aspects of this report.	no difference

Items for evaluation	Implementation Status			Deviations from “Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM Listed Companies” and reasons
	Yes	No	Summary	
			(II) Since 2015, the sustainability report has consistently received validated or guaranteed opinions. However, as of the date of annual report print for publication, the 2022 sustainability report has not yet been released.	
<p>VI. If the Company has established sustainable development code of practice based on the Sustainable Development Best Practice Principles for the Listed Companies, please describe any discrepancies between the policies and their implementation in the Company:  The Bank has established the “Sustainable Development Code of Practice for Taichung Commercial Bank” according to the “Sustainable Development Best Practice Principles for Listed Companies” to fulfill sustainable development and there are no differences with the establishment.</p>				
<p>VII. Other important information to facilitate better understanding of the Company’s implementation of sustainable development:  Please refer to Five. Business performance, Three. Implementation of Sustainable Development, or the Bank’s sustainability report.</p>				

The bank's climate related information

Item	Implementation Status																							
<p>I. The board of directors and management's monitoring and governance of climate related risks and opportunities</p>	<p>(I) Climate risk has been incorporated into the bank's integrated risk management mechanism in order to monitor risks and opportunities related to it. With reference to the bank's practice manual for managing climate-related risk, the model of internal cooperation has been adopted. The highest level of decision-making for climate risk management is the board of directors. The board has established a risk management committee to execute board-approved risk management decisions and review risk management-related matters. Quarterly meetings are held, and climate risk monitoring is included in the risk management report. The report covers the most recent risk management regulations issued by the competent authorities, as well as the results of monitoring and updating climate risk and opportunity identification. Coping measures have been put forward to improve the bank's management of climate risk. The relevant information will be subsequently presented to the board of directors.</p> <p>(II) The Taiwan Stock Exchange and Taipei Exchange have established the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," which have included climate assessment and responses in the bank's "Sustainable Development Best Practice Principles." In accordance with the Financial Supervisory Commission's "Guidelines for Domestic Bank Climate Risk and Financial Disclosure," climate risks are incorporated into the bank's "risk management policies" and its integrated risk management mechanism. The aforementioned regulations, which improve the bank's management of climate-related risks, have been approved for implementation by the board of directors. In addition, in accordance with the "TWSE's Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies," climate related information has been disclosed in a separate chapter and incorporated into the bank's "Procedural Guidelines for Sustainable Report Compilation and Verification," which has been approved by the general manager for implementation.</p>																							
<p>II. Identify the impacts of climate risks and opportunities on the bank's businesses, strategies and finance (short-term, middle-term, and long-term).</p>	<p>In order to identify the financial impacts of climate change on the bank and disclose accurate information, the bank identified the transformation risk of a low-carbon economy within climate risks as well as the physical risks affected by climate change. After describing the risks, the impacts and effects are assessed and then linked to the corresponding traditional risks and durations (short-term, medium-term and long-term) to improve the bank's climate risk management and monitoring.</p> <p>The table below shows the climate risks and opportunities identified:</p> <table border="1" data-bbox="331 692 1449 999"> <thead> <tr> <th data-bbox="336 692 416 736">Type of risk</th> <th data-bbox="416 692 528 736">Risk items</th> <th data-bbox="528 692 879 736">Description of risks</th> <th data-bbox="879 692 1198 736">Financial impact or consequences</th> <th data-bbox="1198 692 1342 736">Corresponding traditional risks</th> <th data-bbox="1342 692 1449 736">Duration of impact</th> </tr> </thead> <tbody> <tr> <td data-bbox="336 736 416 953" rowspan="2">Physical risks</td> <td data-bbox="416 736 528 863">Immediate risks</td> <td data-bbox="528 736 879 863">Extreme weather has a direct impact on the company's various business locations by causing damage to the operating buildings, operations, and information equipment of the company.</td> <td data-bbox="879 736 1198 863">In the event of damage to the bank's property, maintenance costs and operating expenses must be increased in order to maintain information technology and repair damaged premises.</td> <td data-bbox="1198 736 1342 863">Operational risk</td> <td data-bbox="1342 736 1449 863">Short</td> </tr> <tr> <td data-bbox="416 863 528 953"></td> <td data-bbox="528 863 879 953">Extreme weather depreciates the value of credit collaterals or causes credit clients to incur operational disruptions or loss of personnel or property.</td> <td data-bbox="879 863 1198 953">Credit accounts may have difficulty repaying when operational interruptions take place, causing the bank to incur bad debt losses.</td> <td data-bbox="1198 863 1342 953">Credit risk</td> <td data-bbox="1342 863 1449 953">Short</td> </tr> <tr> <td data-bbox="336 953 416 999"></td> <td data-bbox="416 953 528 999">Long-terms risks</td> <td data-bbox="528 953 879 999">Due to elevated sea levels, business locations may be impacted by flooding, which may</td> <td data-bbox="879 953 1198 999">Maintenance costs and operating expenses must be increased in order to</td> <td data-bbox="1198 953 1342 999">Operational risk</td> <td data-bbox="1342 953 1449 999">Long</td> </tr> </tbody> </table>	Type of risk	Risk items	Description of risks	Financial impact or consequences	Corresponding traditional risks	Duration of impact	Physical risks	Immediate risks	Extreme weather has a direct impact on the company's various business locations by causing damage to the operating buildings, operations, and information equipment of the company.	In the event of damage to the bank's property, maintenance costs and operating expenses must be increased in order to maintain information technology and repair damaged premises.	Operational risk	Short		Extreme weather depreciates the value of credit collaterals or causes credit clients to incur operational disruptions or loss of personnel or property.	Credit accounts may have difficulty repaying when operational interruptions take place, causing the bank to incur bad debt losses.	Credit risk	Short		Long-terms risks	Due to elevated sea levels, business locations may be impacted by flooding, which may	Maintenance costs and operating expenses must be increased in order to	Operational risk	Long
Type of risk	Risk items	Description of risks	Financial impact or consequences	Corresponding traditional risks	Duration of impact																			
Physical risks	Immediate risks	Extreme weather has a direct impact on the company's various business locations by causing damage to the operating buildings, operations, and information equipment of the company.	In the event of damage to the bank's property, maintenance costs and operating expenses must be increased in order to maintain information technology and repair damaged premises.	Operational risk	Short																			
		Extreme weather depreciates the value of credit collaterals or causes credit clients to incur operational disruptions or loss of personnel or property.	Credit accounts may have difficulty repaying when operational interruptions take place, causing the bank to incur bad debt losses.	Credit risk	Short																			
	Long-terms risks	Due to elevated sea levels, business locations may be impacted by flooding, which may	Maintenance costs and operating expenses must be increased in order to	Operational risk	Long																			

Item	Implementation Status					
			cause damage to offices or equipment and operational interruptions.	repair damaged equipment in business locations. Additionally, operational interruptions have a negative impact on a company's revenue.		
		Elevated sea levels cause depreciates the value of credit collaterals or cause losses in the enterprises' head offices and assets' credit and investment positions, thereby affecting creditor rights and potential bad debt risks.		The impact of risks on a company's real estate and production value has an effect on the default rate of investments and financing.	Credit risk Market risk	Long
	Transformation risks	Policy and regulation risks	Stricter requirements for reducing greenhouse gas emissions, energy conservation and power consumption policies and regulations have all resulted in increased penalties for non-compliance; inadequate disclosure of climate-related risks have resulted in lawsuits.	The company's reputation has been damaged and costs have increased as a result of the penalties.	Operational risk	Middle
			Carbon prices, carbon boundary taxes/emissions, carbon reduction targets, and reporting obligations are all becoming more stringent in policies or regulations in an effort to mitigate climate change, which could lead to credit and investment targets' decreased profits credit and could affect the company's creditor rights.	The low-carbon policies have an impact on the profitability of investment and financing targets and result in additional costs, which in turn affect the bank's profits and the ability of clients to repay.	Credit risks and market risks	Middle
		Technical risks	Customers will be less willing to transact with the bank as a result of the risk of climate change transformation and failure to develop financial technology and promote paperless, energy-saving and carbon-reducing green cashflows through digital financial and electronic services.	Clients' willingness to transact with the bank will decline as a result of unsuccessful transition of risks, which will have an impact on revenue.	Operational risk	Middle
	Technical risks	In response to climate change management procedures, additional costs may be incurred due to transformation, which will indirectly affect earnings, if investment and financing targets (credit clients, investment companies) are compelled to seek transformation in the future or develop more energy-efficient and environmentally-friendly products and technologies.	Enterprises must incur additional expenses as a result of the low-carbon transformation, which has an adverse effect on clients' earnings and, inadvertently, the Bank's revenue.	Credit risks and market risks	Long	

Item	Implementation Status					
		The risk of a mismatch between consumer preferences and market supply and demand	If timely sustainable financial commodities and service launches are not made, markets related to climate change may be lost, which would mean lost revenue and clients.	Failure to adapt to market trends could result in a loss of clients and business, which would have an impact on revenue and client interactions.	Credit risks and market risks	Middle
		Reputational risk	If the media reports negatively on the environmental pollution incurring to the bank's credit clients, the bank's goodwill and revenue could have an indirect effect. Likewise, the bank's image and reputation could be affected if it fails to take an active role in addressing the climate change issues that are important to its stakeholders.	Damage to the credit account's reputation can have a negative impact on a client's credit score and loyalty to the bank.	Credit risk	Short
	<p>Explanation of opportunities</p> <p>The server room upgraded its infrastructure with newer, more efficient components in an effort to reduce energy consumption and operating costs.</p> <p>Increasing client numbers and opening up new markets can be accomplished by bettering digital financial services and creating more user-friendly financial technology. To cut down on labor costs and draw clients, the company promotes paperless account opening, electronic transactions, and account processing services.</p> <p>Issue credit cards with sustainable themes to attract target groups and consumers adhering by the concept of sustainability.</p> <p>Promote urban planning financing projects, convert older structures into energy-efficient, carbon-reducing, and eco-friendly communities and offer preferential loans for green buildings, so that more people will be willing to buy green buildings.</p>					<p>Duration of impact</p> <p>Short</p> <p>Short</p> <p>Middle</p> <p>Long</p>
<p>III. The Impact of Extreme Climate Events and Transformation Actions on Finances</p>	<p>(I) Events of extreme climate (physical risks): After an assessment, no events of extreme climate change were identified as having a financial impact on the bank in 2022.</p> <p>(II) Transformation actions: In order to identify the financial effects of climate risks, the Risk Management Committee conducts a quarterly climate situation analysis. Climate's impact on the bank's future finances is identified and evaluated, as is the impact of transformation risk on investment and financing clients.</p>					

Item	Implementation Status
<p>IV. How can climate risk identification, evaluation, and management processes integrate the overall risk management system?</p>	<p>(I) The bank's climate risk management procedures are as follows:</p> <ol style="list-style-type: none"> <li>1. Identify climate risks: Bank climate risk management identification will be based on domestic and international organization climate risk proposal documents.</li> <li>2. Measure climate risks: the likelihood and severity of climate risks can be evaluated using external research and analysis documents. The operational experience of internal business personnel can be used to evaluate the degree of impact.</li> <li>3. Climate risk reports: after adjusting identified climate risks and conducting statistical analysis, the climate risk monitoring will be reported to the Risk Management Committee to enhance the bank's climate risk management.</li> <li>4. Climate risk measures: in accordance with the recommendations of the committee and the opinions of departments, related measures were adjusted. Climate risks were included in the bank's risk management policy. The climate risk information was disclosed in a separate chapter in the sustainability report and submitted for approval before disclosure. The information covers climate risk governance, management procedures, identification opportunities and risks, situational analysis and other contents, all of which contribute to the bank's climate risk information transparency.</li> </ol> <p>(II) The Bank's "Sustainable Development Best Practice" and "Risk Management Policy" have been updated to include climate risk in an effort to improve the Bank's system for handling climate change. The Board of Directors and Risk Management Committee receive quarterly updates on climate risk monitoring.</p>
<p>V. If scenario analysis is being used to evaluate resiliency to the effects of climate change, describe the scenarios, parameters, and assumptions, as well as the significant financial impacts.</p>	<p>The bank refers to the "Plan for Climate Change Situational Analysis Operations and Planning of Domestic Banks" when conducting situational analysis and evaluation on resilience when faced with climate change risks. In the above operating planning, the main economic factor situation setting, the Network for Greening the Financial System (NGFS) was adopted. In 2021, the second stage produced situations such as orderly, disorderly, hot house world, too little, too late, etc., which served as the primary economic factors for various analysis situations. Environmental factors are planned in accordance with the representative concentration pathways (RCPs) established by the Intergovernmental Panel on Climate Change (AR5). The RCP8.5 (no transformation) and RCP2.6 (active transformation) were used to evaluate information regarding the ratio of general businesses and personal risk-related expected loss in base year net worth and pre-tax profit or loss in 2030 and 2050 under the conditions of orderly transformation and disorderly transformation, respectively. The information was included in the sustainability report's climate risk financial disclosure.</p>
<p>VI. Describe the plan's objectives and indicators for identifying and managing physical risks and transformation risks if there is a transformation plan in place to cope with climate-related risks.</p>	<p>In 2022, a new climate risk monitoring report was included in the risk management committee and board of directors reports in response to the management of climate-related risks. In order to facilitate regular indicators and targets for identifying and managing physical risks and transformation risks, the bank has introduced the TCFD framework, signed on to become a TCFD supporter and comply with the TCFD framework. Each year, the four elements of climate-related financial information are disclosed publicly, including: governance, strategy, risk management, indicators and goals. In addition, targeting sustainability and climate related risk trends, wind pipe reports are timely produced and submitted to senior executives.</p>
<p>VII. Describe the pricing basis if internal carbon pricing is being used as a planning tool.</p>	<p>An internal carbon price has currently not yet been established by the bank.</p>

Item	Implementation Status
<p>VIII. Describe the activities covered, the scope of greenhouse gas emissions, the planning schedule, the annual progress and other information if climate-related goals are set.</p>	<p>(I) The bank began issuing the greenhouse gas inspection report in 2018. The operational control method was employed to inspect the boarder setting. The greenhouse gas emissions and elimination were compiled. The bank's head office buildings (Minchuan building and Minzu building), Taichung Branch in Southern Taiwan (including the dormitory), and employee training center (including Taiping branch) mainly used as office buildings and information computer rooms were inspected. 2021 was set as the base year to set future carbon reduction goals.</p> <p>(II) The bank's commitments comply with ISO 14064-1 (2018 version)/CNS 14064-1 and the provisions of the "Guidelines to Greenhouse Gas Inspection and Registration" by the Environment Protection Administration, Executive Yuan. The operating control method is included in the setting of the inspection border. Emissions or elimination of greenhouse gases were compiled. At present, Scopes 1, 2, and 3 are used to report greenhouse gas emissions.</p> <p>(III) Energy conservation and carbon reduction goals  Short-term goal: reduce power usage by 1% per person.  Middle-term goal: reduce power usage by 1% per person each year.  Long-term goal: the bank's power usage is reduced by 10% per person in 2030 compared to 2021.</p>

(VI) The Company’s ethical corporate management performance and its difference from the “Ethical Corporate Management Best-Practices Principles for TWSE/GTSM Listed Companies” and the root causes

1. The Company

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
<p>I. The policy and plan of business integrity</p> <p>(I) Does the Company explicitly state policies and methods of ethical corporate management in its approved ethical corporate management policies, rules, and regulations, and external documents and is the commitment of the board and management level to active implementation of such policies clearly stipulated?</p> <p>(II) Has the Company had established a risk assessment mechanism against unethical conduct, regularly analyzed and assessed business activities within the business scope which were at a higher risk of being involved in unethical conduct and established prevention programs accordingly that at least included the preventive measures against the conducts specified in Article 7, paragraph 2 of the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?”</p> <p>(III) Has the Company specified the operating procedures, guidelines for conducts punishment and appeal system for violations in the prevention programs, have they been implemented accordingly and regularly reviewed and revised the aforementioned programs?</p>	V	V	<p>(I) The Company has not yet clearly defined matters related to ethnical business management but has required directors and executives to lead by example, follow the principle of good faith and build a corporate culture of sincerity and integrity.</p> <p>(II) The code of conduct for employees also specifies reward and punishment measures to prevent any dishonest behaviors.</p> <p>(III) The Company also complies with the laws and regulations, requiring each donation and sponsorship to be reported and authorized by the proper authorization levels before being approved. The Company adheres to the business philosophy of integrity, transparency and responsibility, continues to promote policies based on good faith and establish robust corporate governance and risk control measures to create a sustainable business environment.</p>	Not distinctive
<p>II. The Materialization of Business Integrity</p> <p>(I) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?</p> <p>(II) Does the Company set up a unit dedicated to promoting ethical corporate management under the board of directors, and regularly (at least once a year) report to the board of directors its ethical corporate management policies and unethical conduct preventive action and the implementation of</p>	V	V	<p>(I) The Company engages in transactions and purchases in accordance with the laws and regulations to prevent the engagement with those who have had records of unethical conduct.</p> <p>(II) No dedicated unit has been designated</p>	Not distinctive



Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
<p>supervision?</p> <p>(III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?</p> <p>(IV) Does the Company have established an effective accounting system and internal control system for the implementation of ethical corporate management and the internal audit unit based on the assessed risk of unethical conduct to formulate relevant audit plans, and check the compliance with the unethical conduct preventive action or commission an accountant to perform the check?</p> <p>(V) Has the Company organized corporate management internal and external education and training programs on a regular basis?</p>	V		<p>(III) No dedicated unit has been designated; to prevent conflicts of interest, it can be stated through administrative reporting channels whether a potential conflict of interest that is likely to prejudice the interest of the Company exists.</p> <p>(IV) The Company's Audit office conducts auditing procedures based on the Regulations Governing Establishment of Internal Control Systems by Public Companies and assigns audit personnel according to the annual audit plan.</p> <p>(V) The Company provides regular education and training for its employees every year. It also encourages relevant personnel to participate in off-the-job training on relevant issues.</p>	
<p>III. The operations of the Company's Report System</p> <p>(I) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?</p> <p>(II) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms?</p> <p>(III) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?</p>	V		<p>(I) If unethical conduct is detected, employees may directly report malpractices or improper conduct to top executives or the HR Department.</p> <p>(II) The Company has a disciplinary system and enables employees to file grievances through regular administrative procedures. Disciplinary action is taken against violators and dedicated personnel is designated for the handling of relevant cases to ensure full implementation of the confidentiality mechanism.</p> <p>(III) Relevant measures are adopted pursuant to HR rules and regulations of the Company based on the principle of protecting the innocent and punishing the guilty to prevent retaliation and safeguard the rights and interests of employees.</p>	no difference
<p>IV. Enhancing Information Disclosure</p> <p>Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?</p>	V		The Company has already disclosed its "Code of Ethics" on its official website.	no difference
V. If the company has established corporate governance policies based on the Ethical Corporate Management Best Practice Principles for the Listed Companies, please describe				

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
any discrepancy between the policies and their implementation in the Company: The Company has not defined its code of ethical business management but the operations follow the Ethical Corporate Management Best Practice Principles for the Listed Companies.				
VI. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity):				
China Man-Made Fiber Code of Ethical Conduct			It was resolved in the Board meeting on March 16, 2015	
Article 1 (Purpose and basis) This code of conduct is developed to guide the directors, supervisors (or independent directors), managers and employees to meet ethical standards and also allow the Company's stakeholders to gain more awareness of the Company's ethical standards.				
Article 2 (Subject of Application) This code of conduct applies to directors, supervisors (or independent directors), managers and employees. The above-mentioned subjects are hereinafter referred to as the company personnel.				
Article 3 (Principle of Good Faith) The Company personnel shall abide by the regulatory requirements and this code of conduct when performing their duties and maintain active, positive and responsible attitude, have empathy, value teamwork and principle of good faith and hold themselves to high ethical standards.				
Article 4 (Preventing Conflict of Interest) The Company personnel shall handle tasks in an objective and efficient manner and shall not direct improper benefits to themselves, spouses, parents, children or blood relatives within the second degree while holding positions in the Company. If the above-mentioned people work for affiliates who have capital transactions, major assets transactions and buying and selling with the Company or the Company provides guarantee to the affiliates, the Company personnel shall take the initiative to explain if there is any potential conflict of interest and report the relation to the superiors or managers to prevent conflict of interest.				
Article 5 (Self-Interest Not Allowed) When the Company has an opportunity for profit, it is the responsibility of the Company personnel to maximize the reasonable and proper benefits that can be obtained by the Company. Company personnel shall not conduct the following acts: 1. Obtaining personal gain by using company property or information or taking advantage of their positions. 2. Engagement in competition with the Company.				
Article 6 (Confidentiality) 1. The Company personnel shall be bound by obligation to maintain the confidentiality of any information regarding the Company or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers. 2. The Company personnel shall keep secret information, technical data, personal data or other business information unknown to the public (whether verbal, in writing or with or without being marked with "Confidential") of the third-party, affiliates, users of affiliates or the Company confidential. Except for the performance of their tasks, the information shall not be arbitrarily inquired or used. Confidential information shall not be duplicated or produced in additional backup without the prior written consent of the Company. The information shall not be disclosed, mentioned or transferred to others in any way or published in any format.				
Article 7 (Fair Trade)				

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
<p>1. Company personnel shall treat all suppliers and customers, competitors and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.</p> <p>2. Company personnel are expected to abide by the Company's ethical standards and principle of fair trade in their daily work and business operations. Pay attention to the following matters when accepting gifts or hospitality from companies who are interested parties:</p> <p>(1) Do not request or expect or accept bribes, kickbacks, gifts or other illegitimate gains through the job position.</p> <p>(2) If the gifts or hospitality from companies are found to be in violation of social etiquette or custom, they shall be rejected right away, and it is strictly forbidden to accept cash or negotiable securities as gifts.</p> <p>(3) If, due to force majeure or the gifts or hospitality from companies are found to be in violation of social etiquette or custom after being accepted, the incident shall be reported to the superiors, and at the same time the top auditing supervisor shall be notified to determine further actions.</p> <p>Article 8 (Proper Protection and Use of Company Assets)  Company personnel have the responsibility to safeguard company assets and ensure that they can be effectively and lawfully used for official business purposes to prevent any theft, negligence in care or waste of the assets.</p> <p>Article 9 (Regulatory Compliance)  All Company personnel shall abide by all laws and regulations governing company activities, company policies and the Securities and Exchange Act, and regulations on anti-insider trading shall be advocated. The Company's key undisclosed information shall not be used to be engaged in securities trading.</p> <p>Article 10 (Encouraging Reporting on Illegal or Unethical Activities)  Incidents suspected of or are found to be in violation of regulations or any code of ethical conduct shall be reported to supervisors or audit committee, managerial officers, human resources units, internal head of auditing or other appropriate individual, and sufficient information shall be provided to enable further responsive measures.</p> <p>The Company will handle the reported cases in a confidential manner and do its best to protect the safety of the person filing the grievance. For those who make malicious or false reports, the Company will provide counseling or, if necessary, carry out punishment. Retaliation, threat or harassment as a result of the above shall be immediately reported to the superiors or managers, and the Company will immediately take appropriate measures.</p> <p>Article 11 (Penalty and Remedy)  If the Company personnel are suspected of violating the code of ethical conduct, the Company shall handle the issues according to the related regulations. However, anyone who violates this code of conduct may file an appeal, and the Company may provide remedies for violations of the ethical code of conduct.</p> <p>Article 12 (Procedures for Exemption)  If the directors, supervisors and managers are to be exempt from the requirements of this code of conduct, they shall be first approved by the board of directors. The date of approval by the board for exemption, objection or reservation of the independent directors, exemption period and reasons and the applicable criteria shall be disclosed on the Market Observation Post System.</p> <p>Article 13 (Disclosure Method)  This Code shall be published internally within the Company and disclosed in the annual report, prospectus and the Market Observation Post System, and the same applies to the amendment.</p> <p>Article 14 (Enforcement)  This code of ethical conduct is to be implemented after the approval by the board, and the same applies to the amendment.</p>				

(VII) Inquiry for code of corporate governance and the related regulations: The Company has not yet established the procedures but will handle issues according to the regulations established by the authority.

(VIII) Important information regarding the Company's governance operations and the inquiry method: <http://www.cmfc.com.tw>

\* Consolidated companies

1. Pan Asia Chemical Corporation

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/ GTSM in best-practice principles of business integrity
	Yes	No	Summary	
<p>I. The policy and plan of business integrity</p> <p>(I) Has the Company formulated an ethical corporate management policy that was approved by the board of directors, and clearly specified in the rules and external document the ethical corporate management policies and strategies and the commitment by the board of directors and senior management on rigorous and thorough implementation of the policies in internal management and in commercial activities?</p> <p>(II) Has the Company had established a risk assessment mechanism against unethical conduct, regularly analyzed and assessed business activities within the business scope which were at a higher risk of being involved in unethical conduct and established prevention programs accordingly that at least included the preventive measures against the conducts specified in Article 7, paragraph 2 of the "Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?"</p> <p>(III) Has the Company specified the operating procedures, guidelines for conducts punishment and appeal system for violations in the prevention programs, have they been implemented accordingly and regularly reviewed and revised the aforementioned programs?</p>		V	<p>(I) Conceived with the corporate philosophy of integrity, transparency and accountability, the Company established its corporate policy on the basis of honesty and sincerity and has properly developed the mechanisms of corporate governance and risk control for cultivating the operation environment of sustainable development. The Company has developed its Code of Ethical Conduct and required directors and executives to lead by example, follow the principle of good faith and build a corporate culture of sincerity and integrity.</p> <p>(II) The Company first assesses the legality and the past transaction records based on good faith of the companies before establishing business relationships in order to avoid dealing with those who have flawed records. The Company also complies with the laws and regulations, requiring each donation and sponsorship to be reported and authorized by the proper authorization levels before being approved.</p> <p>(III) The code of conduct for employees also specifies reward and punishment measures to prevent any dishonest behaviors.</p>	The differences are summarized in the abstract, which is generally accurate.

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/ GTSM in best-practice principles of business integrity
	Yes	No	Summary	
<p>II. The Materialization of Business Integrity</p> <p>(I) Does the company have the integrity of the trade counterparty assessed and with the code of integrity expressed in the contract signed?</p> <p>(II) Does the Company set up a unit dedicated to promoting ethical corporate management under the board of directors, and regularly (at least once a year) report to the board of directors its ethical corporate management policies and unethical conduct preventive action and the implementation of supervision?</p> <p>(III) Has the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?</p> <p>(IV) Does the Company have established an effective accounting system and internal control system for the implementation of ethical corporate management and the internal audit unit based on the assessed risk of unethical conduct to formulate relevant audit plans, and check the compliance with the unethical conduct preventive action or commission an accountant to perform the check?</p> <p>(V) Has the Company organized corporate management internal and external education and training programs on a regular basis?</p>	V	V	<p>(I) The Company engages in transactions and purchases in accordance with the laws and regulations and reviews the contract performance of suppliers to prevent the engagement with those who have had records of unethical conduct.</p> <p>(II) The Company has not yet established any dedicated team or team concurrently responsible for ethical corporate conduct to report to the board on a regular basis. For the purpose of sustainable management, the appointment of managers values ethics as the priority. Any violations of ethical management shall be punished and reported to the board.</p> <p>(III) Administrative reporting procedures can be used to explain whether there is a potential conflict of interest with the Company.</p> <p>(IV) The Company's Audit office conducts auditing procedures based on the Regulations Governing Establishment of Internal Control Systems by Public Companies and assigns audit personnel according to the annual audit plan.</p> <p>(V) The Company advocates for the principle of ethical business management and conveys the value to employees through meetings.</p>	The differences are summarized in the abstract, which is generally accurate.
<p>III. The operations of the Company's Report System</p> <p>(I) Does the Company have a specific report and reward system stipulated, a convenient report channel established and a responsible staff designated to handle the individual being reported?</p> <p>(II) Has the Company established standard operating procedures for investigating reported events, follow-up measures to be taken after the investigation was completed, and related confidentiality mechanisms?</p> <p>(III) Has the Company taken proper measures to protect the whistle-blowers from suffering any consequence of reporting an incident?</p>	V	V	<p>If there is any act of dishonesty, employees can directly report fraud or misconduct to the high-rank executives. The Company also keeps the identity of informant and the content of grievance filing confidential to prevent any retaliation. The Company has a disciplinary system of which formal administrative procedures can be followed to take disciplinary action against violators.</p> <p>The Company is responsible for the confidentiality of the person filing grievances and will not take any improper handling procedures.</p>	Adequate.
IV. Enhancing Information Disclosure				Adequate.

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/ GTSM in best-practice principles of business integrity
	Yes	No	Summary	
(I) Does the Company have the contents of corporate management and its implementation disclosed on the website and MOPS?	V		The Company has already disclosed its "Code of Ethics" on its official website.	
V. If the company has established corporate governance policies based on the Ethical Corporate Management Best Practice Principles for the Listed Companies, please describe any discrepancy between the policies and their implementation in the Company: The Company has not defined its code of ethical business management but the operations follow the Ethical Corporate Management Best Practice Principles for the Listed Companies.				
VI. Other vital information that helps to understand the practice of business integrity of the Company (e.g., the review and revision of the best-practice principles of the Company in business integrity):				
<p>Pan Asia Oil &amp; Chemical Corporation Code of Ethical Conduct</p> <p style="text-align: right;">Approved by the board on March 16, 2015</p>				
I. Purpose of institution and normative reference				
To help the Company's directors, supervisors, managerial officers (including general managers or their equivalents, assistant general managers or their equivalents, department directors or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of a company) and other employees to act in line with ethical standards and to help interested parties better understand the ethical standards of the Company, this code of conduct is developed in accordance with the Guidelines for the Adoption of Codes of Ethical Conduct for the Listed Companies.				
II. Subject of Application				
This code of conduct applies to directors, supervisors, managers and other employees. The above-mentioned subjects are hereinafter referred to as the company personnel.				
III. The content				
The Company's code of ethics includes the following eight aspects:				
(I) Prevention of the conflict of interest:				
The Company personnel shall handle tasks in an objective and efficient manner and shall not direct improper benefits to themselves, spouses, parents, children or blood relatives within the second degree while holding positions in the Company.				
If the abovementioned people work for affiliates who have capital transactions, major assets transactions and buying and selling with the Company or the Company provides guarantee to the affiliates, the Company personnel shall take the initiative to explain if there is any potential conflict of interest and report the relation to the superiors.				
(II) Avoidance of seeking personal interest:				
1. Company personnel shall not conduct the following acts:				
(1) Seeking opportunities for personal interest with the use of company assets, information, or the duties and functions they performed.				
(2) Acquisition of personal interest with the use of company assets, information, or the duties and functions they performed.				
(3) Engagement in competition with the Company.				
2. When there is an opportunity for the Company to generate profits, the Company's staff should strive to help generate legitimate interests for the Company.				
(III) Confidentiality				
The Company personnel shall be bound by obligation to maintain the confidentiality of any information regarding the Company or its suppliers and customers, except when authorized or required by law to disclose such information. Information for non-disclosure includes the undisclosed information possibly be used by competitors or the disclosure of which may cause damage to the Company or the customers.				
The Company personnel shall keep secret information, technical data, personal data or other business information unknown to the public (whether verbal, in writing or with or without being marked with "Confidential") of the third-party, affiliates, users of affiliates or the Company confidential. Except for the performance of their tasks, the				

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/ GTSM in best-practice principles of business integrity
	Yes	No	Summary	
<p>information shall not be arbitrarily inquired or used. Confidential information shall not be duplicated or produced in additional backup without the prior written consent of the Company. The information shall not be disclosed, mentioned or transferred to others in any way or published in any format.</p> <p>(IV) Fair Trade Company personnel shall treat all suppliers and customers, competitors and employees fairly, and may not obtain improper benefits through manipulation, non-disclosure or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.</p> <p>(V) Protection and appropriate use of company assets: Company personnel have the responsibility to safeguard company assets and ensure that they can be effectively and lawfully used for official business purposes to prevent any theft, negligence in care or waste of the assets.</p> <p>(VI) Compliance with applicable laws Company personnel shall abide by the Securities and Exchange Act and other related regulations.</p> <p>(VII) Encourage the reporting of any illegal act or act of defiance of the Code of Conduct: Incidents suspected of or are found to be in violation of regulations or any code of ethical conduct shall be reported to supervisors, managerial officers, human resources units, internal head of auditing or other appropriate personnel. Sufficient information shall be provided to enable further responsive measures. The Company will handle the reported cases in a confidential manner and do its best to protect the safety of the person filing the grievance. For those who make malicious or false reports, the Company will provide counseling or, if necessary, carry out punishment. Retaliation, threat or harassment as a result of the above shall be immediately reported to the superiors or managers and the Company will immediately take appropriate measures.</p> <p>(VIII) Penalty: If the Company personnel are suspected of violating the code of ethical conduct, the Company shall handle the issues according to the related regulations. However, anyone who violates this code of conduct may file an appeal, and the Company may provide remedies for violations of the ethical code of conduct.</p> <p>IV. The Waiver Procedure If the directors, supervisors and managers are to be exempt from the requirements of the Company's code of conduct, they shall be first approved by the board of directors. The date of approval by the board for exemption, objection or reservation of the independent directors, exemption period and reasons and the applicable criteria shall be disclosed on the Market Observation Post System.</p> <p>V. Means of Disclosure This code of ethical conduct shall be disclosed in the Company's official website, annual report, prospectus and the Market Observation Post System, and the same applies to the amendment.</p> <p>VI. Implementation This code of ethical conduct is to be implemented after the approval by the board, and the same applies to the amendment.</p>				

(VII) Corporate Governance Practices and the relevant regulations: Please refer to <http://newmops.tse.com.tw/> corporate governance

(VIII) Important information regarding the Company's governance operations and the inquiry method: <http://www.pacc.com.tw>

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
<p>I. The policy and plan of business integrity</p> <p>(I) Has the Bank formulated an ethical corporate management policy that was approved by the board of directors, and clearly specified in the rules and external document the ethical corporate management policies and strategies and the commitment by the board of directors and senior management on rigorous and thorough implementation of the policies in internal management and in commercial activities?</p>	✓		<p>(I) The bank resolved on and approved the set-up of the “Code for Integrity Management” on December 18, 2019. It stipulates the prohibition of dishonest conducts by the chairman, managers, employed persons, appointed persons, or those with de facto control during the process of business practices, integrity management policies and practices, and the board and senior management’s commitment to implement integrity management policies; employees shall comply with integrity management policies based on employment conditions.</p> <p>(II) The Company has made declaration at the website and in the declaration of internal control that it shall duly observe the regulation governing internal control and internal audit system of financial holding companies and banks, and announced the issues requiring additional internal control and corrective action for improvement.</p>	no difference
<p>(II) Has the Bank had established a risk assessment mechanism against unethical conduct, regularly analyzed and assessed business activities within the business scope which were at a higher risk of being involved in unethical conduct and established prevention programs accordingly that at least included the preventive measures against the conducts specified in Article 7, paragraph 2 of the “Ethical Corporate Management Best-Practice Principles for TWSE/GTSM Listed Companies?”</p>	✓		<p>(I) In order to implement integrity management policies and actively prevent dishonest conducts, the “Integrity Management Operational Procedures and Guidelines for Conduct” and the “Code of Business Conduct for the Board of Directors and Manager.” They stipulate matters to pay attention to during business execution by the chairman, managers, and employed persons. In addition, the good manager should fulfill duty of care, supervise the company to prevent dishonest conducts, timely review implementation results, and continue to make improvement to ensure the implementation of integrity management.</p> <p>(II) The bank has established the dishonest conduct risk assessment mechanism. Through it, business activities involving higher dishonest conduct risks within the business scope are periodically analyzed. Prevention plans have been accordingly set up. The appropriateness and effectiveness of the prevention plans are periodically reviewed. They also cover the “prohibition of provision or acceptance of illegitimate profit, “integrity management evaluation before establishing business relations,” “prohibition of facilitation payment,” “prohibition of insider trading,” “intellectual property management and retention, confidentiality operations” and related</p>	no difference



Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
			<p>preventive measures. The bank-wide dishonest conduct risk evaluation report was submitted to the board of directors on March 29, 2023.</p> <p>(III) The bank has set up the “Operating Standards for External Donations” in accordance with relevant laws and regulation. The donation recipients and approved amounts shall be in accordance with the said standards. The “Directions for Professional Ethics and Conducts of Financial Management Personnel” have been set up. They clearly state that employees recommend and recruit financial management businesses according to the principle of integrity;</p> <p>(IV) In the “Standards for Employee Conduct,” a chapter on fair trading principles has been created, which explicitly stipulates matters not to engage in during various operations, trading conducts or duty fulfillment. At the same time, the principles of fairness, reasonability, equality, mutual benefits, and integrity shall be abided by to maintain fair trading order.</p>	
(III) Has the Bank specified the operating procedures, guidelines for conducts punishment and appeal system for violations in the prevention programs, have they been implemented accordingly and regularly reviewed and revised the aforementioned programs?	✓		<p>(I) Relevant operational handling procedures, rewards and punishment, complaint system, and disciplinary disposal have been established in the bank’s “Operational Procedures for Integrity management and Guidelines for Conduct.” Arrangements are also made for the chairman, managers, or senior management to periodically convey to importance of integrity to the board of directors, employed persons, and appointed persons. In case of serious offenses of bank employees in violation of integrity, the said employees shall be demoted or dismissed according to relevant laws and regulation or the company’s personnel regulations.</p> <p>(II) The bank actively prevents dishonest conducts and includes integrity management policies into employee assessment. An explicit and effective punishment and complaint system shall be set up for periodic implementation and review.</p>	no difference
<p>II. The Materialization of Business Integrity</p> <p>(I) Has the Bank evaluated the record on ethical practices of its counterparties, and has specified the clause of business ethic in the agreements binding the Bank and its counterparties?</p>	✓		<p>Has the Bank paid attention to the record of ethical practices of contractors in procurement or tender invitation, and has signed the clauses in the agreements on the consequences of the violation of ethical practices, and signed the “Letter of Commitment for Ethical Corporate Management, Human Rights, and Environmental Sustainability.”</p>	no difference

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
(II) Does the Bank set up a unit dedicated to promoting ethical corporate management under the board of directors, and regularly (at least once a year) report to the board of directors its ethical corporate management policies and unethical conduct preventive action and the implementation of supervision?	✓		<p>(I) The board of directors' office promotes integrity management policies, assists the board of directors and management level in setting up and supervising integrity management policies and prevention plans. The implementation situation shall be reported to the Corporate Governance and Nomination Committee and the board of directors every year. It is mainly responsible for the following matters:</p> <ol style="list-style-type: none"> <li>1. Assist the incorporation of integrity and ethical value into corporate operation strategies. Set up related fraud prevention measures in conjunction with the legal system.</li> <li>2. Periodically analyze and evaluate dishonest conduct risk within the business scope in order to set up dishonest conduct prevention plans. In the plans, work related standard operating procedures and guidelines or conduct shall be set up.</li> <li>3. Plan internal organization, preparation and responsibilities, or business activities involving higher dishonest conduct risk within the business scope, set up a mutual supervision and balancing mechanism.</li> <li>4. The promotion and coordination of integrity policy advocacy and training.</li> <li>5. Plan the reporting system to ensure implementation effectiveness.</li> <li>6. Assist the board of directors and senior management in inspecting and evaluating whether preventive measures for integrity management implementation are operating effectively. The compliance situation of relevant business processes shall also be periodically evaluated and made into a report.</li> <li>7. Produce and properly retain the integrity management policy and compliance statement and documents pertaining to commitments and execution status.</li> </ol> <p>(II) The 2022 integrity management and corporate governance implementation situation has been submitted to the Corporate Governance and Nomination Committee on March 29, 2023 and board of directors.</p>	no difference

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
(III) Has the Bank mapped out the policy for the avoidance of the conflict of interest and has provided suitable channels for such purpose, and properly pursued the policy?	✓		(I) Control and archiving of stakeholder information is based on the Bank's Policy Governing Control of Stakeholder Information and Lending. The Bank has also formulated a Policy Governing the Management of Transactions with Stakeholders Other than Lending to prevent conflicts of interest. The Code of Conduct for Directors and Managers also contains provisions stipulating recusal to avoid conflict of interest and thereby facilitate implementation of ethical corporate management. Directors are also required to exercise self-discipline and refrain from mutual support in improper dealings.  (II) The bank has a designated spokesperson, acting spokesperson contact hotline, and Audit Committee contact hotline on the bank's external official website, thereby providing a channel for making statements.	no difference
(IV) Has the Bank have established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit based on the assessed risk of unethical conduct to formulate relevant audit plans, and check the compliance with the unethical conduct preventive action or commission an accountant to perform the check?	✓		In accordance with the bank's "Guidelines for Internal Audit System Implementation," periodic inspection shall be conducted, and the annual audit plan shall be formulated. Improvement suggestion shall also be timely provided. The audit business should be reported to the board of directors and the Audit Committee every six months. The "Department of Accounting" has been set up, and the bank's "accounting system" has been set. There should be no external accounts of confidential accounts. Furthermore, the Deloitte Taiwan has been appointed to periodically inspect financial statements.	no difference
(V) Has the Bank organized internal and external training on ethical corporate management?	✓		(I) The bank regularly holds integrity management related educational training, such as personal information protection system, money laundering prevention, consumer banking and credit business, principle to treat clients fairly, business integrity policy, whistleblower protection and important customer rights and so on. The issues shall be listed as internal educational training teaching material. Personnel shall also be timely dispatched to attend related courses organized by external agencies. The 2022 education training conduction situation is as follows:  1. All the employees are required to join the aforementioned online course and pass the test (every person is required to complete more than 12 hours of courses and complete the test every year). A total of 2,817 people completed the training, with 39,438 hours of training in total.	no difference

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
			<p>2. The Taiwan Academy of Banking and Finance was requested to conduct a 3-hour “Bank Fair Client Service and Friendly Financial Service” course in July 2022. Directors, corporate governance supervisors, managers, directors and supervisors of subsidiaries, legal compliance supervisors, and staff from pertinent departments attended the classes. In December 2022, the Taiwan Academy of Banking and Finance requested to conduct a 3-hour “Principle of Fair Hospitality and Integrity Management” course. The course covers: Convention on the Rights of Persons with Disabilities, privacy protection, Guidelines for elderly clients, etc. The directors, corporate governance supervisors, managers, directors and supervisors of subsidiaries, as well as supervisors from pertinent departments’ legal compliance and related staff attended the classes.</p> <p>The above courses included 72 participants, 210 hours in total.</p> <p>3. Advocacy on the bank’s integrity management policy was conducted in October 2022. The contents included: “the guideline for conduct of integrity management and dishonest conducts and preventive plans.”</p> <p>(II) Self-auditor workshops are organized regularly every year and “three lines of defense” concepts are reinforced and implemented through case studies to ensure effective implementation of self-audits, strengthen internal control of business units, and prevent the occurrence of unethical conduct.</p> <p>(III) Legal compliance awareness of employees is strengthened through education on cases of fines and sanctions in the financial industry and the main focus of inspections and internal audits of domestic banks made public by the competent authority.</p>	
III. The reporting system of the Bank in action				
(I) Has the Bank established a reporting and reward system and the channels for facilitating the report on unethical practices, and has appointed designated personnel to handle the subject of reporting?	✓		In accordance with the “Regulations to Handling of Reported Cases, the “Employee Work Rules” stipulates reporting and rewarding systems. Reporting hotline, reporting email, and email box acceptance, and other acceptance channels have also been set up. The dedicated unit shall accept and track reported matters.	no difference
(II) Has the Bank established the standard operation procedures	✓		(I) The Bank has established the “Regulation for Human Resources	

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
for the investigation of complaints as reported, follow-up actions after the investigation, and related mechanisms for confidentiality?			<p>Evaluation and the Establishment of the Evaluation Committee” and the “Regulation Governing the Complaints of Sexual Harassment and Related Punishment” and also the review and investigation procedure, provisions for the avoidance of the conflict of interests by stakeholders, and confidentiality and no-disclosure mechanism.</p> <p>(II) In accordance with the “Regulation to Handling of Reported Cases,” the “Reported Case Review Committee” responsible for reviewing reported cases has been set up. It is stipulated that for reported events verified to be true, the whistleblower shall be given appropriate rewards according to the employee work rules; for reported cases that are falsely reported or with false evidence, the cases will be transferred to the “the Personnel Arbitration and Assessment Committee” or disposal. The dedicated department or office shall request relevant business management units to review the internal control system and operational procedures and propose improvement measures. In case of major violations or matters that subject the bank to major damage, the matters will be reported to the independent directors. The disposal method and review and improvement measures shall be reported to the board of directors.</p> <p>(III) When stipulating reported case acceptance and investigation procedures, the whistleblower’s identity and reported content should be kept confidential. Information that adequately leads to the whistleblower’s identity shall not be disclosed. Unless otherwise provisioned by law, browsing or copying by a third party is prohibited.</p>	
(III) Has the Bank taken protection measures to protect the informant from improper treatment after reporting on unethical practices?	✓		<p>(I) Under the “Regulations Governing the Implementation of Compliance System”, the heads of all functional units shall not take any revenge or harmful action against the Compliance Officer. The Legal and Compliance Department shall pay close attention to safeguard the rights and interest of the compliance officers of relevant functional units.</p> <p>(II) The “Regulations Governing the Handling of Reporting Cases” specify it is mandatory for the whistleblower identity confidentiality. The whistleblower shall not be discharged, dismissed, demoted, receive reduced pay as a result. The whistleblower shall not be deprived of rights and interests entitled by law, contract, or custom or be subject to adverse action of a punitive nature.</p>	no difference

Items for evaluation	Implementation Status			Difference with other companies listed in TWSE/GTSM in best-practice principles of business integrity
	Yes	No	Summary	
IV. Enhancing Information Disclosure Has the Bank disclosed the content of ethical corporate management best practice principles and the result at its official website and MOPS?	✓		The Bank discloses ethical corporate management related regulations and practices on its official website and MOPS. This includes Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Code of Conduct for Directors and Managers, Procedures for Handling Material Inside Information, Rules of Procedure for Board of Directors Meetings, the Audit Committee Charter, due care and fiduciary duties of directors, managers, and employees as good administrators, performance of operations based on principles of good faith and trust, recusal of directors if an interested party relationship exists with regard to an agenda item of a board meeting, and faithful exercise of duties by audit committee members with the due care of good administrators.	no difference
V. If the Company has established corporate governance policies based on the Ethical Corporate Management Best Practice Principles for the Listed Companies, please describe any discrepancy between the policies and their implementation in the Company: The Bank has established the "Sustainable Development Code of Practice" according to the "Sustainable Development Best Practice Principles for Listed Companies" to fulfill sustainable development and there are no differences with the establishment.				
VI. Additional important information that may assist in the understanding of corporate business integrity operations: Please refer to Five. Business performance, Three. Implementation of Sustainable Development, or the Bank's sustainability report.				

- (VIII) The disclosed items based on the Bank's Corporate Governance Practices and the relevant regulations, please refer to the Bank's official website (Website: <https://www.tcbbank.com.tw>) About Taichung Bank/Corporate Governance; Open information/legally disclosed matters.
- (IX) Corporate Governance Practices and the relevant regulations:  
Please visit the Market Observation Post System at <http://mops.twse.com.tw> for corporate governance.
- (X) Other major Information:  
Please visit the Market Observation Post System at <http://mops.twse.com.tw> for important messages and announcements.

(IX) The following shall be disclosed in the pursuit of the internal control system

1. Declaration of Internal Control Policies

CHINA MAN-MADE FIBER CORPORATION

Statement of Declaration of Internal Control System

Date: March 8, 2023

The following declaration is based on the 2022 self-audit over the Company's internal control policies:

- I. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities of the Company's board of directors and managers. These policies were implemented throughout the Company. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.
- II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance on the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.
- III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. The criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation and response, 3. Procedural control, 4. Information and communication, 5. Supervision. Each element further contains several items. Please refer to "The Governing Principles" for details.
- IV. The Company adopted the abovementioned criteria to evaluate the effectiveness of its policy design and execution.
- V. Exactly pursuant to the evaluation results of the preceding paragraph, the Company firmly believes that the Company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2022, including awareness of the effectiveness of operations and the extent to which the efficiency goals are achieved where the reporting system proves reliable in real-time, transparent and consistent with laws and ordinances concerned, the design and implementation of the relevant internal control system and the like are effective enough to reasonably ensure the successful achievement of the aforementioned goals.
- VI. The "Internal Control System Declaration" will be the main content of the Company's annual report and prospectus for the reference of the public. Any misrepresentation or concealment of the aforementioned disclosures shall be liable to violation of Articles 20, 32, 171 and 174 of the Securities and Exchanges Act and the legal consequences thereof.
- VII. This declaration was approved by the Company's Board of Directors in the meeting dated March 8, 2023. None of the 9 directors present to the meeting held any objections, and had unanimously agreed to the contents of this declaration.

CHINA MAN-MADE FIBER CORPORATION

Chairman Kuei-Shiang Wang

President: Chieh-Yi Wang

2. For the CPAs specifically commissioned to review the internal control system, the Independent Auditor's Report should be disclosed.

(X) Penalties incurred by the Company and its employees pursuant to relevant laws or penalties imposed by the Company for violations of internal control system regulations by its employees in the most recent fiscal year up to the date of printing of annual reports must be listed with detailed information on relevant contents, major deficiencies, and improvements provided that the results of such penalties have a significant impact on shareholders' equity or security prices: NA

(XI) Important Resolution of the Board of Directors and implementation as of the Publication Date of the Annual Report:

1. The important resolutions reached in the 2022 shareholders' meeting and their implementation:

(1) Confirm the Company's 2021 business report and financial report.

(2) Acknowledging the Company's 2021 Earnings Distribution.  
Execution status: not distributed according to the resolution.

(3) Pass with resolution of the amendments to the Operational Procedures for Acquisition and Disposal of Assets.  
Implementation status: Handling in accordance with amended laws, regulations, and procedures

(4) Election and appointment of the nine members of the 27th term board of directors (smooth board operations)

2. Major Board of Directors resolutions:

January 17th, 2022 Passed the budget for purchase of coal storage warehouse of the newly-built steam and electricity plant, formulated the 2021 year-end bonuses for the Company's insiders. Formulated the preparation for 2022 salary and remuneration of the Company's directors and insiders.

The bank financing proposal, 2021 internal control system statement, 2021 Accompanying financial statement, Consolidated Financial Statement, business report, 2021 Earnings Distribution Proposal, 2021 Director and Employee Remuneration Distribution Proposal, amendment to the partial articles of Regulations Governing the Acquisition and Disposal of Assets, the establishment of the 2022 shareholders' meeting dates and motion details and the replacement of appointed CPAs due to internal adjustments were approved on March 14, 2022.

The proposal for the review of 1% of shareholders and the nomination of directors (including independent directors) at the 2022 shareholders meeting were approved on April 29, 2022.

Passed the revision of the bank financing proposal, internal control system for stock affairs on May 9, 2022.

On June 13, 2022, the company passed the proposal for the merger with grandson company Jin-Bang-Ge Industry Co., Ltd. merger. The company signed the "liquidation agreement" in the "land development consultant appointment contract" for the Zhixing Section of Wanhua District and discussed the company's "accountant supervisor post adjustment and replacement proposal."

Directors Kuei-Shiang Wang, Ming-Shan Chuang, and Te-Wei Li (an independent director) were re-elected to their positions on June 16, 2022, with Kuei-Shiang Wang taking the helm as chairman and Ming-Shan Chuang serving as vice chairman. Director Chieh-Yi Wang was unanimously voted in as the new general manager by the board of directors.

On July 11, 2022, the company's board of directors passed the proposal for the merger with the grandson company Xiangfeng Development Co., Ltd.



Independent directors Te-Wei Li, Li-Yeh Hsu and Chih-Ming Shih were appointed as new remuneration committee members.

August 12, 2022 Approval of the bank financing proposal, the Company's internal personnel 2022 salary adjustment proposal and 2021 directors earnings distribution and internal employees remuneration distribution amount.

On November 7, 2022, the bank Financing Proposal, the Taichung Commercial Bank Subscription 2022 Capital Increase Case, the 2022 Third Quarter Consolidated Financial Statement, the 2022 Annual Public Expenses for Appointment of Deloitte Taiwan, revision of "Operating Procedures for Handling Internal Material Information and Preventing Insider Trading" internal audit proposal, formulation of "Operating Procedures for Sustainability Report Preparation and Verification" internal audit proposal, amendment to partial articles of "Regulations Governing Board of Directors Meetings," appointment of information security unit establishment and information security officer proposal, revision of "Functions and Responsibilities of the Information Processing Department" internal control and internal audit, 2023 annual internal audit operation plan, and 2023 budget discussion.

The bank Financing Proposal was approved on December 26, 2022. The company proposed the merger with the grandson company Xiangfeng Development Co., Ltd., amendment to partial articles of the "Rules for Performance Evaluation of Board of Directors," the company's internal 2022 annual year-end bonus and the 2023 remuneration policy for the company's board of directors and internal personnel.

- (XII) If the directors or supervisors have different opinions on the resolutions reached by the Board of Directors with a record or written statement made in the most recent year and up to the printing date of the annual report, please state the content of the opinion: Not applicable.
- (XIII) Resignation and dismissal of persons connected to financial statements in the most recent fiscal year up to the date of printing of annual reports (incl. Chairperson, General Manager, and chief accounting, finance, internal audit, governance, and R&D officers): NA
- (XIV) Procedures for handling material inside information

At the 3rd meeting of the 27th term of the board on November 7, 2022, the board passed the Procedures to Prevent Insider Trading and has notified all employees, managers and directors of the regulation to prevent violations due to insider trading. The procedures for handling material information specified in Article 5 are as follows:

1. To establish a robust handling and disclosure mechanism for material inside information. Prevent improper disclosure of information. Ensure the consistency and correctness of information released by the Company to the general public.
2. The company's internal major information processing and disclosure should be in accordance with pertinent laws, orders, and the "TWSE Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities," related Q&A, and these operating procedures in order to ensure information immediacy, accuracy and completeness.
3. The company's dedicated unit for handling internal material information is responsible for drafting the scope of the internal major information referred to in these operating procedures, which shall be approved by the board of directors. Drafting must take into account the requirements of the Securities and Exchange Act as well as any other applicable laws, orders and TWSE's pertinent regulations.

The scope of internal major information covers the following:

- (1) Information deemed crucial by the “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.”
  - (2) Matters outlined in the “Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities.”
  - (3) Matters outlined in Article 7 of the Enforcement Rules of Securities and Exchange Act.”
  - (4) Major information outlined in Paragraph 157-1 of the Securities Act and Paragraph 5 and Paragraph 6 of the Regulations Governing the Scope of Material Information and the Means of its Public Disclosure.
4. The Finance Department is responsible for handling material inside information, and its obligations include the following:
- (1) Responsible for formulating and amending the drafts of these Procedures.
  - (2) Responsible for receiving inquiries in connection with the methods of handling material inside information, and for consultation, review, and recommendations relating to these Procedures.
  - (3) Responsible for receiving reports on unauthorized disclosures of material inside information and formulation of corresponding measures.
  - (4) Responsible for designing a system for preserving all documents, files, electronic records and other materials related to these Procedures.
  - (5) Responsible for review of major information.
5. The directors, managerial officers and employees of the Company shall exercise duty of care and duty of loyalty and act in good faith when performing their duties and shall sign confidentiality agreements.
- No director, managerial officer or employee with knowledge of material inside information of the Company may divulge the information to others.
- No director, managerial officer, or employee of the Company may inquire about or collect any non-public material inside information not related to their individual duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of the Company of which they become aware for reasons other than the performance of their duties.
6. Proper protection of confidentiality shall be given to files and documents containing the Company's material inside information when transmitted in written form. When transmitted by e-mail or other electronic means, such files and documents must be processed with appropriate security technology such as encryption or electronic signatures. All the files containing the company's major internal information should be stored in safe locations; relevant data must be retained for at least five years.
7. Any organization or person outside of the Company involved in any corporate action of the Company relating to a merger or acquisition, major memorandum of understanding, strategic alliance, other business partnership plans or the signing of a major contract shall be required to sign a confidentiality agreement, and may not disclose to another party any material inside information of the Company's thus acquired.
8. The Company shall comply with the following principles when making external disclosures of material inside information:
- (1) The information disclosed shall be accurate, complete, and timely.
  - (2) There shall be a well-founded basis for the information disclosure.
  - (3) The information shall be disclosed fairly.
9. Major decisions and events of the company are in compliance with the “Taiwan

Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.” The authority must submit the “Major Information Publication Application Form and Evaluation Checklist” on the date of the event. After approval by the unit supervisor, they are submitted to the company’s dedicated unit for major information for review and then sent to the company’s spokesperson for review and approval. They must be approved and implemented by the general manager and chairman within the allotted period for publication. Major decisions or events that have a significant impact on the company’s finances, business, or shareholders’ rights or interests are disclosed in accordance with the “Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.” If the information has a material impact on the price of securities, it must be promptly disclosed within the legal window of time and in accordance with the guidelines in the previous sentence.

Any disclosure of the Company’s material inside information, unless otherwise required by law or regulation, shall be made by the spokesperson or the acting spokespersons in a confirmed sequential order. When necessary, the disclosure may be made directly by a responsible person of the Company.

The Company’s spokesperson or acting spokespersons shall communicate to outside parties only information within the scope authorized by the Company, and no personnel other than those serving as the responsible person, spokesperson, or acting spokespersons may disclose any material inside information of the Company to outside parties without authorization.

10. The responsible unit is accountable for evaluating and reviewing the company’s major information, with the dedicated unit taking on this task specifically. The “Material Information Release Application Form and Assessment Checklist” must be recorded in writing and submitted to the general manager and chairman for resolution, with the exception of emergencies, non-business hours or special circumstances. When conducting an evaluation or review digitally, a written record ought to be archived. Documents for approval, assessment records and pertinent data should all be kept for at least five years.

The following records should be retained when the company publishes major information.

- (1) Evaluation content.
  - (2) The evaluation, review, and decision makers’ signatures or seals, along with the dates and times.
  - (3) The content of major information published and applicable laws and regulations as the basis.
  - (4) Any other relevant details.
11. If the contents of the media report are inconsistent with the those disclosed by the Company, the Company shall promptly issue a clarification on the Market Observation Post System and request the media agency to correct the information.
  12. Any director, managerial officer, or employee of the Company that becomes aware of any unauthorized disclosure of the material inside information shall report to the responsible unit and the internal audit department as soon as possible.

Upon receipt of a report made pursuant to the preceding paragraph, the responsible unit shall formulate corresponding measures. When necessary, it may invite members from the internal audit and other departments to meet for discussion of the measures, and shall keep a record of the results of the measures for future reference. The internal auditors shall also perform such audits as their duties may require.

13. The Company shall take measures to find those responsible and take appropriate legal action against any personnel under any of the following circumstances:

- (1) Company personnel who disclose material inside information without authorization to any outside party, or otherwise violate these Procedures or any other applicable law or regulation.
- (2) The spokesperson or acting spokesperson of the Company communicates to any outside party any information beyond the scope authorized by the Company, or otherwise violates these Procedures or any other applicable law or regulation.

The company will pursue legal responsibility through appropriate channels if an outsider discloses sensitive company information or violates operating procedures, resulting in harm to the company's property or interests.

## V. Disclosure of CPAs' remuneration

Unit: NT\$

Firm Name	CPA Name	The duration of the audit	Auditing fee	Non-Auditing fee	Total	Remark
Deloitte and Touche	Su-Huan You	January 1, 2021 to December 31, 2022	5,570	383	5,953	Non-audit public expenses include public expenses for organizational restructuring and tax compliance audit (\$310 thousand), transfer pricing reports (\$50 thousand), and maintenance costs of overseas companies (\$23 thousand).
	Owen-P Wang					

1. Commissioned a new CPA Firm to serve for an audit fee less than the year before: Not applicable.

2. Audit fee of current year is more than 10% less than the year before: Not applicable.

VI. Change of CPA: In order to maintain the independence of accountants and implement the internal argumentation mechanism of accountants of Qinye Zhongxin United Accounting Firm, from the first quarter of 2011, the certified accountants were changed from accountants Xu Wenya and accountants You Suhuan to accountants You Suhuan and Accountants Wang Panfa.

VII. Any of the Company's Chairman, General Manager, or managers involved in financial or accounting affairs being employed by the auditor's firm or any of its affiliated company within the recent year: Not applicable.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests (during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report) by a director, supervisor, managerial officer or principal shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

## (I) Changes in shareholdings

Title	Name	2022		Until February 28, 2023	
		Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares	Increase (decrease) in No. of Shares	Increase (decrease) in No. of Pledged Shares
Institutional Director	Chung Chien Investment Co., Ltd.	0	0	0	0
Institutional Director	Pan Asia Investment Co., Ltd.	0	0	0	0
President	Chieh-Yi Wang	0	0	0	0
Assistant VP	Hung-Yang Wu	0	0	0	0
Chief financial officer	Po-Nien Lin	0	0	0	0
Chief accountant	Tzu Wei Huang	0	0	0	0
Major Shareholder	Pan Asia Chemical Corporation	0	0	0	0

(II) Information of shares ownership transfer: Not applicable, because the counterparts of said shares ownership transfer are not stakeholders.

(III) Information of shares ownership pledge: Not applicable, because the counterparts of said shares ownership pledge are not stakeholders.

IX. The top 10 shareholders by proportion of shareholding and information on their affiliations

February 28, 2023

Name	Own shareholdings		Shares Held by Spouse & Dependents		Shareholdings under the title of a third party		Title, name and relationship of the top ten shareholders who have mutual relationship as spouse or blood relative within the second degree.		Remark
	Quantity	Ratio of Shareholdings	Quantity	Ratio of Shareholdings	Quantity	Ratio of Shareholdings	Name	Affiliation	
Pan Asia Chemical Corporation	261,500,828	15.51%	0	0	0	0	Shen-Ren Knitting Factory Co., Ltd. China Man-Made Fiber Investment Co., Ltd. Chou Chin Industrial Co., Ltd. Yu Hwei Technology Co., LTD. Deh Hsing Investment Co., Ltd. Chou Chin Industrial Co., Ltd.	Corporate director of the Pan Asia Chemical Corporation Substantial related party Substantial related party Same responsible person Same responsible person Substantial related party	
Shen-Ren Knitting Factory Co., Ltd.	73,601,678	4.36%	0	0	0	0	Pan Asia Chemical Corporation China Man-Made Fiber Investment Co., Ltd. Chou Chin Industrial Co., Ltd. Yu Hwei Technology Co., LTD. Deh Hsing Investment Co., Ltd. Chou Chin Industrial Co., Ltd.	Institutional Director of Pan Asia Chemical Corporation Same responsible person Same responsible person Same responsible person Same responsible person Same responsible person	
Chou Chin Industrial Co., Ltd.	61,487,744	3.65%	0	0	0	0	Pan Asia Chemical Corporation Shen-Ren Knitting Factory Co., Ltd. China Man-Made Fiber Investment Co., Ltd. Pan Asia Investment Co., Ltd. Yu Hwei Technology	Substantial related party Same responsible person Same responsible person Same responsible person Same responsible person Same responsible	

							Co., LTD. Deh Hsing Investment Co., Ltd.	person	
Pan Asia Investment Co., Ltd.	52,393,736	3.11%	0	0	0	0	Shen-Ren Knitting Factory Co., Ltd. Chou Chin Industrial Co., Ltd. China Man- Made Fiber Investment Co., Ltd. Pan Asia Chemical Corporation Yu Hwei Technology Co., LTD. Deh Hsing Investment Co., Ltd.	Same responsible person Same responsible person Same responsible person Same responsible person Same responsible person Same responsible person	
Chung Chien Investment Co., Ltd.	43,929,431	2.61%	0	0	0	0	Pan Asia Investment Co., Ltd. Pan Asia Chemical Corporation Chou Chin Industrial Co., Ltd. Yu Hwei Technology Co., LTD. Deh Hsing Investment Co., Ltd. Shen-Ren Knitting Factory Co., Ltd.	Same responsible person Institutional Director of Pan Asia Chemical Corporation Same responsible person Same responsible person Same responsible person Same responsible person	
Yu Hwei Technology Co., LTD.	16,511,952	0.98%	0	0	0	0	Chou Chin Industrial Co., Ltd. China Man- Made Fiber Investment Co., Ltd. Pan Asia Chemical Corporation Pan Asia Investment Co., Ltd. Deh Hsing Investment Co., Ltd. Shen-Ren Knitting Factory Co., Ltd.	Same responsible person Same responsible person Same responsible person Same responsible person Same responsible person Same responsible person	
Deh Hsing Investment Co., Ltd.	11,619,530	0.69%	0	0	0	0	Chou Chin Industrial Co., Ltd. China Man-	Same responsible person Same	

							Made Fiber Investment Co., Ltd. Pan Asia Chemical Corporation Yu Hwei Technology Co., LTD. Pan Asia Investment Co., Ltd. Shen-Ren Knitting Factory Co., Ltd.	responsible person Same responsible person Same responsible person Same responsible person Same responsible person	
Chou Chin Industrial Co., Ltd., Sheng Jen Knitted Textiles Co., Ltd., China Man-Made Fiber Investment Co., Ltd., Pan Asia Investment Co., Ltd., Yu Hwei Technology Co., LTD., Deh Hsing Investment Co., Ltd. and Pan Asia Chemical Corporation Chairman Kuei-Shiang Wang	0	0	0	0	0	0	N/A	N/A	
JP Morgan Chase Taipei branch as a custodian for Vanguard Emerging Markets Stock Index Fund Investor Shares managed by the Vanguard Group	20,023,016	1.19%	0	0	0	0	N/A	N/A	
JP Morgan Chase N.A., Taipei Branch as a custodian for Vanguard Total International Stock Index Fund	17,620,236	1.04%	0	0	0	0	N/A	N/A	
Standard Chartered sales department serves as a custodian for iShares Core MSCI Investment Account for emerging market ETF	13,813,574	0.82%	0	0	0	0	N/A	N/A	



X. Investments jointly held by The Company, The Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by The Company. Calculate shareholding in aggregate of the above parties

Unit: Thousand Shares; %

Investee	Invested by The Company		Held by directors, supervisors, managers and directly or indirectly controlled enterprises		Combined investment	
	Quantity	Shareholding	Quantity	Shareholding	Quantity	Shareholding
Taichung Commercial Bank	1,077,78615	21	317,239	6	1,395,025	28
Pan Asia Chemical Corporation	6,575	44	0	0	156,575	44
Deh Hsing Investment Co., Ltd.	79,000	100	0	0	79,000	100
Taichung Securities Investment Trust Co., Ltd.	922	3	14,695	47	15,617	50
Nan Chung Petrochemical Corp.	100,000	50	0	0	100,000	50
Chou Chin Industrial Co., Ltd.	38,759	47	2,636	3	41,395	50
EUREKA INVESTMENT COMPANY LIMITED	0	0	0	0	0	0
Melasse	0	0	0	0	0	0

Note: The Company's investment in the equity method

## Four. Funding Status

### I. Capital and outstanding shares

#### (I) Share capital sources in the most recent year and as of the date of annual report print for publication

Year /month	Issuing price	Authorized shares capital		Paid-in shares capital		Remark		
		Stock	Amount	Stock	Amount	Sources of shares and dividends	Paid in properties other than cash	Others
2021/11	10	2,100,000,000	21,000,000,000	1,686,209,745	16,862,097,450	November 12, 2021 Jing-Shou-Shang-Zhi Document #11001206600 approved recapitalization of earnings at NT\$648,425,280.	N/A	N/A

Stock Type	Authorized shares capital			Remark
	Outstanding shares	Unissued Shares	Total (Note)	
Common stock	1,686,209,745	413,790,255	2,100,000,000	Shares outstanding are all publicly traded.

Self-registration system information: none

#### (II) Composition of Shareholders

February 28, 2023

Composition of Shareholders Amount	Government Apparatus	Financial Institution	Other Juridical	Individual	Foreign Institution and Foreigner	Total
No. of Person	1	0	304	165,431	178	165,914
Quantity of Shares	9,898	0	547,648,874	1,006,424,978	132,125,995	1,686,209,745
Shareholding	0.00%	0.00%	32.48%	59.68%	7.84%	100.00%

#### (III) Equity Distribution

February 28, 2023

Range of Shares	No. of Shareholders	Quantity of Shares	Shareholding
1 to 999	78,192	14,810,936	0.88%
1,000 to 5,000	52,901	116,883,278	6.93%
5,001 to 10,000	14,840	101,585,672	6.02%
10,001 to 15,000	7,819	90,610,059	5.37%
15,001 to 20,000	2,820	49,047,028	2.91%
20,001 to 30,000	3,681	86,966,221	5.16%
30,001 to 40,000	1,612	54,777,567	3.25%
40,001 to 50,000	885	39,638,157	2.35%
50,001 to 100,000	1,801	122,137,334	7.24%
100,001 to 200,000	798	107,396,893	6.37%
200,001 to 400,000	321	85,435,246	5.07%
400,001 to 600,000	104	50,391,626	2.99%
600,001 to 800,000	40	27,376,456	1.62%
800,001 to 1,000,000	31	27,770,816	1.65%
1,000,001 and above	69	711,382,456	42.19%
Total	165,914	1,686,209,745	100.00%

Preferred stock: Not issued.

## (IV) List of major shareholders

February 28, 2023

Stock	Quantity of Shares	Shareholding
Name of Principle shareholder		
Pan Asia Chemical Corporation	261,500,828	15.51%
Sheng Jen Knitted Textiles Co., Ltd.	73,601,678	4.36%
Chou Chin Industrial Co., Ltd.	61,487,744	3.65%
Pan Asia Investment Co., Ltd.	52,393,736	3.11%
Chung Chien Investment Co., Ltd.	43,929,431	2.61%
JP Morgan Chase Taipei branch as a custodian for Vanguard Emerging Markets Stock Index Fund Investor Shares managed by the Vanguard Group	20,023,016	1.19%
JP Morgan Chase N.A., Taipei Branch as a custodian for Vanguard Total International Stock Index Fund	17,620,236	1.04%
Yu Hwei Technology Co., LTD.	16,511,952	0.98%
Standard Chartered sales department serves as a custodian for iShares Core MSCI emerging market ETF	13,813,574	0.82%
Deh Hsing Investment Co., Ltd.	11,619,530	0.69%

## (V) Market price, net value, earnings, dividends per share and related information in the last 2 years

Unit: NTD

Item	Year	2022	2021	
Market Price Per Share	The Highest	10.25	14.15	
	The Lowest	7.13	8.21	
	Average	8.52	10.30	
Net Value Per Share	Before Distribution	16.36	17.39	
	After dividend distribution (Note 1)	Note 1	17.39	
Earnings per share	Weighted average shares (in thousands shares)	1,341,680	1,341,680	
	Before adjustment	(-1.01)	0.00	
	Post-adjustment (Note 1)	Note 1	0.00	
Dividends Per Share (Note 2)	Cash dividends	0.00	0.00	
	Free-Gratis Dividends	Retained Shares Distribution	0	0
		Capital Reserve Shares Distribution	0	0
	Retained Dividends	0	0	
Return on investment Analysis	P/E ratio (Note 3)	(8.45)	2575.00	
	Dividends Yield (Note 4)	0.00	0.00	
	Cash Dividend Yields (Note 5)	0.00	0.00	

Note 1: The shareholder meeting resolved that the cash dividends would be deducted first before further calculation.

Note 2: Annual profit distribution.

Note 3: P/E ratio = Average closing price per share for the year / earnings per share.

Note 4: Price to dividend ratio = Average closing price per share for the year / cash dividends per share.

Note 5: Cash dividend yield = Cash dividend / average closing price per share for the current year.

(VI) The company's dividend policies and execution

1. Dividend policies

If the Company is profitable in the fiscal year, it shall allocate 1% to 5% of the profit as the remuneration of employees in the form of stocks or cash as resolved by the board. Employees of subsidiaries are also entitled to receive remuneration, provided that they meet the criteria specified by the board of directors. Up to 0.3% (inclusive) of the aforementioned profit may be distributed as director remuneration at the discretion of the board of directors. The proposal for distributing the remuneration to employees, directors and supervisors shall be submitted to the shareholders' meeting. However, if the Company still has accumulated losses, the amount shall be retained for compensation, and then appropriated as remuneration to employees, directors and supervisors based on the percentages mentioned above.

If there is profit, the Company pays taxes and makes up for the accumulated losses in accordance with the law before allocating 10% as an earnings reserve. However, the legal reserve shall not be allocated once it reaches the amount of the Company's paid-in capital. The rest will be recognized or reversed as special earnings reserve. The reversed special earnings reserve is consolidated into undistributed surplus before being distributed. If there is a balance, it is consolidated into the accumulated undistributed earnings in the previous year. The board may propose a profit distribution proposal, depending on the actual situation, and request the shareholders meeting to determine the distribution of dividends to shareholders.

The Company's dividend policy is in line with the current and future development plans and considers the investment environment, long-term financial planning and shareholders' equity. The annual dividend distribution is mainly in the form of cash and it may be distributed in the form of stock. However, the proportion of stock dividends is not higher than 95% of the total dividends.

2. Dividend distribution proposal of this shareholders meeting: It is recommended not to distribute stock dividends and cash dividends
3. Significant changes to the expected dividend policy: None.

(VII) The impact of bonus shares proposed by the shareholder meeting on the Company's operating performance and earnings per share: The Company has not prepared and announced the 2022 financial forecast and is not required to disclose such information in accordance with Tai-Chai-Cheng (1) Document #00371 of February 1, 2000 (89) specified by the Securities and Futures Bureau of the Ministry of Finance.

(VIII) Remuneration for directors and supervisors

1. The percentage or scope of remuneration to the employees, Directors, and Supervisors as stated in the Articles of Incorporation: Refer to dividend policy.
2. The estimation basis of remuneration to employees, directors and supervisors for the current period, and the accounting process when there is discrepancy between the calculation basis and actual distribution amount of employee remuneration distributed by shares and the estimated value:

The Company's estimate of remuneration payable to employees, directors and supervisors is based on the requirements of the articles of incorporation. At the end of the fiscal year, where the directors' meeting resolves the actual allocated amount different from the estimate, the changes shall result in the adjustment of the expenses provided for the current year. Where the

shareholders' meeting resolves the actual allocated amount different from the estimate, it shall be stated as the change in accounting valuation in the year of the resolution made by the shareholders' meeting. If the shareholders' meeting resolves to allocate stock as the employees' bonus, the quantity of stock shall be determined based on the amount of the employee bonus divided by fair value of the stock. The fair value of the stock is based on the closing price on the day prior to the day of resolution made by the shareholders' meeting and takes the effect of ex-right and ex-dividends into consideration

3. Remuneration to be distributed as resolved in the board of directors:
  - (1) Remunerations for employees, directors and supervisors distributed in cash or stocks. (If actual expenses incurred during the year differ from projections, the difference, as well as the rationale and treatment for the difference, must be disclosed): N.A.
  - (2) The proportion of amount equivalent to the stock distributed as compensation for employees in the earnings after tax in the individual or single financial statement of the period and the total amount of compensation for employees: not applicable.
4. The actual distribution of remuneration for employees, directors and supervisors in the previous year (including the number of shares, amount and share price when distributed), difference with the recognized remuneration for employees, directors and supervisors and the description on the difference, reasons and ways to handle the circumstances: For the year ended 2021, the remuneration for employee is NT\$57,741 thousand, and for directors and supervisors, it is NT\$17,322 thousand.

(IX) Buy-back of the Company's shares by the company:

Buy-back instance	Sixteenth
Purpose of buy-back	Transfer of shares to employees
Buy-back period	2020/03/30-2020/05/15
Price range of buy-back	NT\$5.17-NT\$6.11
Actual type and number of shares bought back	304,000 common stock
Actual buy-back amount	NT\$1,745,662
Ratio (%) of buy-back number to the Estimated number of shares bought back issued	1.52
Number of shares already canceled and transferred	0
Accumulated number of Company shares held	304,000 shares
Ratio (%) of accumulated number of Company shares held to the total number of shares issued	0.02

- II. Any offering of corporate bonds (including offshore bonds): None.
- III. Disclosure relating to preference shares: None.
- IV. Disclosure relating to depository receipts: None.
- V. Employee stock warrants: None.
- VI. Restricted stock awards: None.
- VII. Disclosure on new shares issued for the acquisition or transfer of other shares:  
None.
- VIII. Progress on the use of funds: None.

## Five. Business performance

### I. Content of business

#### (I) Business scope

##### \* The Company

#### 1. Principal business activities

- (1) Manufacturing, processing and buying and selling of man-made fiber, cellophane, polyamine fiber, polyester fiber, chemicals and the raw materials.
- (2) Development, manufacturing and buying and selling of machinery used for the above products.
- (3) Manufacture and trading of ethylene glycol, ethylene oxide, nonylphenol, ethylene, LGP and petrochemical industry-related products;
- (4) Commission construction firms to build residential and commercial buildings to be rented or for sale.
- (5) Distribution, sorting and storage of various products.
- (6) Operate supermarkets which sell fresh food, vegetables, fish, meat, cooking garnishes and spices and seasonings.
- (7) Manufacturing and sales of steam and industrial and commercial electricity by cogeneration (electricity shall not be sold to energy users).
- (8) Agency, distribution and contract bidding for installation of cogeneration and pollution control equipment.
- (9) Manufacturing and sales of oxygen, liquid oxygen, nitrogen, liquid nitrogen, air argon, liquid argon, carbon dioxide and compressed air.
- (10) F212011 Gas station.
- (11) D201021 Gas station.
- (12) Non-prohibited or non-restricted businesses, in addition to the permitted businesses.

#### 2. Percentage of current business

In the Company's 2022 business operations, chemical products account for 70%, chemical fiber products account for 29% and the rest account for 1%.

#### 3. Current product line

Type	Item
Chemical products	Ethylene glycol, ethylene oxide, nonylphenol
Chemical fibers	Polyester pellet, polyester filament

#### 4. New products planned for development

Continuing the development of oriented yarn, we plan to manufacture products made of oriented yarn and develop another new type of product, textured yarn, which retains the characteristics of oriented yarn and improves the texture and comfort.

##### (1) Draw textured color yarn:

Polyester color yarn is dyed before spinning, so it does not fade easily. It offers good color fastness against sunlight, water and rubbing. It does not require post-dyeing processing, so there is no waste water pollution. DTY with colors offers good texture feel and a variety of applications, such as in home decoration, curtains, luggage, backpacks and others.

##### (2) Moisture absorption and wicking DTY fibers:

Offer better moisture absorption and quick drying than the oriented yarn, improving the wearing comfort of the fabric. It uses irregular cross-section with high surface area and capillary effect to accelerate the sweat wicking, keeping body dry and comfortable.

##### (3) DTY high denier count fiber:

The thinner the denier, the softer the fiber, offering better texture of fabric and products will have better added value. In addition to retaining the original characteristics of oriented yarn, it offers even better texture and softness and can be widely used in high-end dresses for females.

- (4) DTY FD dull yarn:  
By adding high-concentration inorganic particles, the gloss of the fiber is reduced, at the same time enhancing the suspension of fiber.  
FD dull yarn is mainly used in sportswear.
- (5) DTY CD yarn:  
By using cationic dye particles, fiber in dark and vivid color effect can be spun, creating a softer touch with better fastness. CD yarn is mostly used in sportswear, casual wear, jackets and coats.
- (6) DTY antibacterial and mold resistant yarn:  
Antibacterial materials are added according to different needs, and the yarn does not get decomposed by ultraviolet rays, acids, alkalis or organic solvents. It provides long-term antibacterial and mold resistant effects and is mainly used in sportswear, underwear, medical fabrics, bedding fabrics and shoe materials.
- (7) UV resistant fiber:  
UV-resistant fiber offers the best protection for skin, as UV-A and UV-B with a wavelength of 200-400nm may penetrate the ozone layer and cause great damage to human skin. They can lead to melanogenesis, skin aging and even skin cancer.
- (8) Hollow fiber:  
The lightweight and warm hollow fiber is a new type of material of which the cross-section is hollow. The inner air layer blocks the loss of body temperature, so that the surface temperature of the skin is not quickly lost due to the harshness of weather conditions, hence the insulation effect.
- (9) SDY and DTY environmental protection yarn:  
Use eco-friendly yarns used in woven fabric made of eco-friendly pellets, reduce reliance on petrochemical raw materials, carbon dioxide and the use of energy and risk of warming climate.
- (10) Eco-friendly pellets:  
Use recycled PET bottles for circular manufacturing and use, produce eco-friendly polyester pellet of spinning raw materials, to provide for downstream to produce yarn.

\* Consolidated companies

1. Pan Asia Chemical Corporation
  - (1) The main contents of the business service:
    - A. C801020 Petrochemical manufacturing.
    - B. C802090 Cleaning products manufacturing.
    - C. D101050 Steam and electricity paragenesis.
    - D. F212011 Gas station.
    - E. F212061 Automobile liquefied petroleum gas station.
    - F. H701010 Residence and buildings lease construction and development
    - G. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval
  - (2) Percentage of current business  
Nonionic surfactants account for about 80% of the revenue and esterified products account for about 20%.
  - (3) Current products  
Polyethylene glycol and alkane ether, polyethylene glycol and alkyl ether, castor oil EO addenda, polyethylene glycol propanamine, polyethylene glycol and fatty acid esters, polyethylene glycol, poly-propylene glycol and polyethylene glycol, trimethylolpropane EO additive, polyol EO, PO addenda, spinning oil agent, lubricating oil esters, plastic slip agents, cosmetic esters, cleaning agent esters and bath softeners.
  - (4) New products planned for development  
Polyethylene glycol derivatives, spinning oil agents, fiber softeners, esterified products.
2. Taichung Commercial Bank



- (1) The main contents of the business service:  
Deposits, corporate finance, consumer banking, foreign exchange, wealth management, digital finance, trust and investment, finance products marketing business.
  - (2) Percentage of current business: 100% in banking.
  - (3) Current products: Not applicable.
  - (4) New products under development: Not applicable.
- (2) Industry overview
- \* The Company
1. Present state of the industry and development
    - (1) Ethylene glycol: The supply in market has increased and the competition has become more significant.
    - (2) Polyester yarns:
      - A. In the face of depleting earth's resources and global warming, issues related to green environmental protection must be faced by mankind. Therefore, businesses in Taiwan have actively promoted laying down roots the concept of circular economies in industrial development. From product design to production, they will move in the direction of re-use, recycle, waste reduction, and energy conservation. Green environmental products have become mainstream in the research and development of polyester products in Taiwan.
      - B. Competition from mainland China and Southeast Asia, as well as the loss of downstream manufacturers, have resulted in domestic polyester manufacturers' business difficulty in recent years. To increase production efficiency, improve quality, increase customer base, and conduct appropriate screening to search for long-term stable customers who are willing to cooperate to achieve mutual benefit, manpower should be adjusted as soon as possible. To maintain the industry's competitiveness, it is necessary to increase equipment automation, reduce the defect rate and the occurrence of major abnormalities, work to reduce production costs, strengthen technology R&D capabilities, engage in production proportional to economies of scale, produce high-quality and high-value-added products and promptly cope with changes in downstream demand.
      - C. Emerging Asian countries have heavily invested in man-made fiber industrial development, with fierce competition in the supply and demand markets.
      - D. The COVID-19 pandemic has accelerated a second industry outflux of the domestic textile fiber industry, which has dispersed its dependence on China's textile product supply chain.
      - E. Orders for ready-to-wear garments have gradually shifted to China or Southeast Asia (especially in Vietnam), and domestically, functional and industrial fabrics (shoes) have better competitive advantages. However in recent years, the value chain in Vietnam and other places have formed, and the level of technologies in those countries have been improved. Orders from the European and American brands no longer favor Taiwan. The advantages of the abovementioned products will gradually disappear, further impacting the growth of the man-made fibers industry on the upstream.
    - (3) Nonylphenol: Provided as an additive to industrial products, and the demand is stable.
  2. The association of industries from upstream to downstream:
    - (1) The Company obtains ethylene from CPC Corporation and Formosa Petrochemical Corp. to produce ethylene glycol and ethylene oxide. The produced ethylene glycol is used at the Company's polyester plant and sold to other polyester plants in Asia. Ethylene oxide is sold to surfactant manufacturers.
    - (2) Nonene and Phenol raw materials are sourced from other companies both at home and abroad to produce nonylphenol, which is then sold to the other domestic and foreign surfactant manufacturers.

(3) Polyester yarn is supplied to other domestic and foreign processing fiber plants and textile mills.

3. Trends of development of various products and competition

(1) Ethylene glycol: Stable downstream customers. Reinforce the supply-demand relationship.

(2) Nonylphenol: the booming development of the textile industry in Asia drives the demand for textile additives. Build a quality brand image and produce in volume to reduce cost.

(3) Polyester fiber: Product customization, diversification, refinement, differentiation and market segmentation.

\* Consolidated companies

1. Pan Asia Chemical Corporation

(1) Industrial status and development:

The global market was subject to impact from COVID-19 in 2022. Despite changes in supply and demand took place in the markets of Asian countries, the overall sales remain the same as the previous year.

(2) Correlation of upstream, midstream and downstream industry:

Nonionic surfactants serve as a bridge between the upstream petrochemical industry and the downstream consumer and industry product industries, and they are irreplaceable to the growth of industries.

(3) Developing trend and competitiveness of products:

A. Nonionic surfactants are essential for economic development and are less susceptible to the impact from economic fluctuations.

B. The industry requires the advantages of having EO plants, and the Company has the competitive advantage.

C. Due to the zero tariff between the member countries in the ASEAN-China Free Trade Area starting 2009, the Company has faced challenges in terms of the pricing.

2. Taichung Commercial Bank: Not applicable.

(III) Technological research and development

\* The Company

1. Research and development expenses

Research and development expenses committed the past two years: no research and development expenses.

2. Successfully developed technologies or products: None.

3. Expected R&D program in the future and the forecast R&D expenses: no R&D program.

\* Consolidated companies

1. Pan Asia Chemical Corporation

(1) R&D expenses: NT\$17,028 thousand.

(2) Technologies or products successfully developed: environmentally friendly plasticizer-DOTP, metal cleaning agent, spinning oil agent, lubricating oil esters, plastic slip agents, cleaning agent esters and bath softeners.

2. Taichung Commercial Bank

(1) R&D expenses the past two years:

Unit: NTD thousand

Year	2022	2021
Amount	230,149	143,473

(2) R&D results the past two years:

A. System innovation and fundamental optimization

(A) Foreign exchange host operating system and database transfer projects:  
The foreign exchange host has been converted from physical to virtual, and the Unix Solaris9 operating system has been replaced with Linux. Adopting virtual equipment can reduce backup recovery time, thereby enhancing the foreign exchange system's operational performance.

- (B) LIBOR Cessation Alternative Reference Rate (ARR): In response to the cessation of LIBOR, alternative reference rates (ARR) are used instead, such as TERM SOFR as ARR for USD, DURIBOR as ARR for EUR, TIBOR as ARR for JPY.
  - (C) International ETF system optimization operations: As a result of the addition of a good-till-cancelled (GTC) with multiple matchings in one order, trading in equity commodities (ETF, overseas ordinary shares, and special shares) is now open 24 hours a day, 7 days a week, giving investors the opportunity to swiftly respond to major international events in real time.
  - (D) OBU Branch and Labuan Branch profit and loss resorted to covered arbitrage since 2022: Adjustments were made to the monthly profit and loss carryover operations of OBU and Labuan Branch to protect against exchange losses at year's end due to great fluctuations in the exchange rate.
  - (E) The employee digital learning system: To provide bank tellers with a more diverse learning channel, mitigate employees' fatigue from commuting, and reduce employees' transportation costs, while enhancing employees' functions and personnel quality, without regard to time or space constraints.
  - (F) Robotic Process Automation (RPA): A new application called UiPath was introduced to optimize internal processes, finish setting up automation processes like "daily search of tax and accounting news" and "debt certificate prescription interruption process," etc. RPA automated job scripts continued to undergo planning and setup to aid in daily and keep plotting and constructing RPA automated job scripts to help with mundane tasks.
  - (G) Data analysis and technical applications- foreign currency trading online banking customer base prediction and technology model: With the help of data analysis and a forecast model, clients' preferences for foreign currency products can be forecast, achieving the purpose of personalized recommendations and precision marketing.
  - (H) The SMS system optimization and improvement project: The existing SMS version of the bank's system is optimized and improved in conjunction with the competent authorities, with different transaction types and marketing SMS sent to different phone numbers.
- B. Optimization of ATM Services
- (A) Addition of multi-lingual ATM interfaces: In conjunction with the competent authorities, the ATM now supports multi-lingual transaction interfaces (Japanese, Korean, Thai, Vietnamese, Indonesian) in addition to the original Chinese and English versions, allowing users to withdraw money, make deposits, make transfers, check balances, change PINs, and get cash advances, six features in total.
  - (B) Pending ATM transfer notification setting: New clients have the option to set whether or not they want to receive or cancel notifications about ATM transfers totaling more than NT\$10,000.
  - (C) ATM voice feature for the visually impaired: 20 additional ATMs now offer voice services for the visually impaired. Voice guide allows clients to make withdrawals, transfers, balance inquiries and other functional services while maintaining their privacy and security thanks to the "transaction masking screen" feature.
  - (D) ATM feature of online banking/bank password reset: All ATMs in Taiwan now offer the "online banking/banking password reset" service, allowing clients to easily reset their password via three security mechanisms (debit card, identity verification or SMS one-time password).

- (E) Interbank transfer via a mobile number: Customers can bundle their mobile number with the financial account on the Bank's ATM and internet banking. After that, the mobile number can be used as the receiving account number replacing the original bank deposit account number that is very long. Customers can enjoy a convenient new transfer service option.
  - (F) Optimization of passbook update service: Improve the accuracy of determining the page during passbook update and the fluidity of automatic page turning to provide customers with more convenient and fluid passbook update services.
- C. Information Security and Anti-fraud
- (A) Web application program firewall set up program: To heighten the Bank's website application program safety. The firewall system set up for the website application has already been completed.
  - (B) Fraud website detection and mobile application mechanism service project: a third-party firm is tasked with aiding in the detection of fake websites and mobile applications. The removal of malicious websites and mobile applications is conducted to enhance the security of the bank's website and reduce the likelihood of clients falling victim to fraud on malicious and fake websites.
  - (C) The promotion of the "early warning mechanism for overseas financial accounts suspected of fraud" in conjunction with the National Police Agency, Ministry of the Interior's: To protect clients from fraud risks, the "early warning mechanism for foreign financial accounts suspected of fraud" feature has been added to the foreign currency system export and remittance.
- D. Internet banking/mobile bank service optimization:
- (A) Activate the night currency exchange feature: in order to provide clients with foreign currency transaction services outside of business hours and to facilitate funds for nighttime transactions, the online banking/mobile banking transaction hours have been extended until 23:00 P.M.
  - (B) Upgrade and expansion of the online banking system environment and application platform: conduct system performance evaluation and optimization for online banking/mobile banking to enhance the functioning platform and system environment information security and to improve the system environment.
  - (C) Fair Client Service and Elderly Care:
  - (D) Before engaging in online banking/mobile bank transfer transactions, anti-fraud reminder text (enlarged alert text with bold/color prompts) and repeated transaction reminder messages (a pop-up message appears prior to confirming a transaction) are displayed. The transaction needs to be reconfirmed to proceed.)
  - (E) In response to the "Ten Commandments to Financial Consultants 2.0" and in order to prevent falsified financial consultant statements, the "12-month inquiry statement" feature has been added to online banking/mobile banking. This feature allows trust clients to inquire about and download 12-month trust financing statements.
  - (F) In order to provide assistance to elderly clients, the "Personal Online Banking/Mobile Banking Application Form and Agreement" has been added. Its questions confirm whether the elderly are accompanied when applying for services, as well as whether their reading, writing, expression, and behavior are normal. Additionally, the online banking login font is modified to provide a more pleasant online banking user experience.
- E. Digital services

- (A) Customization of MyData's digital services: Connected MyData's digital services focusing on online credit card applications and loan applications have been developed using government-provided customized documentation, thereby streamlining online application processes.
  - (B) Remote visual and audio service application: establish the remote visual and audio service application system, providing financial personnel online customer identity verification process through mobile APP. This can reduce unnecessary contacts with people and can expedite business handling procedures.
  - (C) Text-based Intelligent Customer Service:
  - (D) Internal text-based customer service system: Provide the Bank's internal personnel business knowledge search, to expedite one's level of grasp of the business and affairs handling speed.
  - (E) External text-based customer service system: Provide the quicker and more convenient finance service inquiry interface, and to reduce real person customer service process burden.
- F. Optimization of processes
- (A) The bank branch's pre-filling reservation area: Provide domestic natural persons with over-the-counter pre-filling account opening services, guide clients to pre-fill account opening data, and add email verification and ID upload features. Clients can pre-fill information online and submit documents to improve independent predisposing operations and reduce waiting time at the counter.
  - (B) Counter service-smart deposit, withdrawal, transfer, and form-exempt system:
    - a. In the three model branches, clients are not required to complete the form; instead, clients will narrate at the counter while tellers complete the form and conduct transactions.
    - b. To track the use of clients' funds and prevent fraud, subpoena overprinting, passbook scanning and automatic credit entry inquiry, and NC automatic inquiry have been added. These features also automatically determine criteria such as client age or transaction amount and generate corresponding care question sheets.
  - (C) Domestic legal entities opening credit accounts at OBU: In collaboration with the competent authorities, DBU clients can open credit accounts at OBU branches, thereby enhancing the flexibility of client fund allocation.
  - (D) Mechanism for deducting premiums paid in a foreign currency: For consistency and to ensure that the deduction information pertains to the insured's account, add insurance number and client number verification to the insured's initial or renewal insurance premium.
  - (E) Replace the processes of collecting interest on a foreign currency loan, repaying the principal, and adjusting the interest rate with the automated computer system: To increase client convenience and reduce risks associated with manual operation, add selectable designated dates or relative dates for foreign currencies, loan granting, and interest collection.
  - (F) Online banking deposit slip printing in a foreign currency: Clients who bank online have the option of printing or querying counter transaction slips.
  - (G) Activate the foreign-currency media transfer feature for file upload: Provide a file upload method for one-on-many transfers in a single currency to online banking customers.
  - (H) Add the feature of national agent bank payments: agent bank's national payment account feature: In conjunction with the Dept. of Land

Administration, M.O.I.'s digital counter, add the features of the land administration national agent bank.

- (I) Five-fold revitalization coupon: The bank's external official website now features API-accessible linking and revitalized five-fold coupon query services.
  - (J) Upgrade and expansion of the electronic statement system project: conduct the electronic statement system architecture, strengthen and monitor information security, optimization and expansion of the backstage management platform, and enhancement of statement system momentum.
  - (K) Common questions area (FAQ area): Eight categories of common questions from clients are provided (e-financial security mechanism application, online banking, bulk service, parent-subsidiary authorization business, mobile banking, mobile payment, cheque printing, and virtual account collection E keeper). A user-friendly interface, keyword search, and backstage management have been implemented to help clients search and internal staff update, manage and maintain Q&A contents more quickly.
  - (L) Corporate salary transfer area: over-the-counter "corporate salary transfer area" services have been added. Clients can schedule transfers in advance and make salary payments on non-business days. The client will be notified immediately of the transaction's success, allowing them to proceed with their specific counter salary transfer requirements.
  - (M) Virtual collection E-keeper: To accommodate a variety of client collection methods, features such as adding single or virtual collection account payment deadlines/starting dates, multiple payments within the payment period, and so on are available. In order to facilitate more streamlined account reconciliation, a "virtual account collection statement" has been added to corporate online banking to tally the number of entries and amounts in respective channels.
- (IV) Long and short-term business development plans
- 1. Ethylene glycol: good market stability  
Short-term: conduct sales planning for products.  
Long-term: Increase sales volume and market share in the market of ethylene glycol through investments and collaboration.
  - 2. Nonylphenol  
Short-term: Establish collaboration with downstream partners, for example, outsource the contract manufacturing of surfactants to downstream partners or help them to promote products.  
Long-term: form long-term partnership with downstream players so both parties benefit from long-term interests.
  - 3. Polyester yarns  
Short-term: environmental Protection and Develop special-purpose yarns to diversify products and increase operating profit.  
Long-term:
    - A. Make products more refined, diversified and technological to gain higher profit.
    - B. Adequate adjustment of order and product mixes to facilitate selection of high-profit orders.
    - C. Integrated development with the upstream and downstream partners to take advantage of vertical integration.
- \* Consolidated companies
- 1. Pan Asia Chemical Corporation
    - (1) Short-term: increase the proportion of sales of EOD and esterified products which are value-added to increase overall revenue and profit.
    - (2) Long-term: improve the technology level of products, develop vertical integration to explore new fields in the market.

2. Taichung Commercial Bank

- (1) Short-term: please refer to (II) Expected sales and its basis on page 4.
- (2) Long-term: Please refer to (IV) Future development strategies on page 5.

II. Market and sales overview

(I) Market analysis

\* The Company

1. The regions for the sale of premium products

- (1) Ethylene glycol: Supply domestic companies (35%) and export to countries in Asia (65%).
- (2) Ethylene oxide: mainly supply domestic downstream companies who manufacture ethylene oxide derivatives.
- (3) Nonylphenol: About 30% for domestic market, 70% export to other countries in Asia.
- (4) Polyester yarns: About 80% for domestic market and 20% is for export.
- (5) Electricity: Sold to Taipower beside the proportion for in-house use.

2. Market share

Product portfolio	Market share (domestic)	Product portfolio	Market share (domestic)
Ethylene glycol	20 %	Nonylphenol	50 %
Ethylene oxide	30 %	Polyester yarns	5 %

3. Future market supply/demand and growth potentials

- (1) Ethylene glycol: Polyester fiber for the domestic downstream partners. At present, the production capacity is not increased.
- (2) Ethylene oxide: stable demand from downstream customers. Expect to maintain stable sales volume.
- (3) Nonylphenol: bigger fluctuation in price of raw material. Fierce competition for products in the market.
- (4) Electricity: Domestic power supply has been insufficient.
- (5) Polyester yarn: Will gradually enter the peak demand for polyester yarn in Q2, which should drive market growth.

4. Competitive advantage

Focus on production in full capacity and sales in full capacity. Reduce production cost. Improve product quality and competitiveness.

5. Favorable and unfavorable factors and response policy of development vision

- (1) Favorable conditions: the demand for polyester fiber will gradually increase, further driving the demand for ethylene glycol. Competitors in polyester market will gradually withdraw from the market, which will increase the Company's market share and selling price.
- (2) Unfavorable conditions: main product materials come from CPC and the contracted quantity is insufficient.
- (3) Responsive measures: Find other import channels or purchase from Formosa Petrochemical to avoid the insufficient supply of CPC.

\* Consolidated companies

1. Pan Asia Chemical Corporation

- (1) The regions for the sale of premium products
  - A. Domestic sales: about 35%, through other distributors or by the Company.
  - B. Export: About 65%, with the most comes from China, followed by Southeast Asia, the Middle East and Australia.
- (2) Market share: about 40% in the domestic market.
- (3) Future market supply and demand and the growth
  - A. Supply and demand situation: in 2022, the global market was still under the impact of COVID-19. Changes in the supply and demand of markets in Taiwan, China and other countries and regions rose, but the overall sales remain the same as in the previous year.
  - B. ECFA reduced the import tariff of China to 0%. Very helpful for some of the

Company's products sold to China.

- (4) Competitive advantage
  - A. Stable supplies of raw materials of EO, NP, DEG and natural alcohol.
  - B. Stable quality. Competitive price. Seamless marketing channels.
- (5) Favorable and unfavorable factors and response policy of development vision
  - A. Favorable factors
    - a. Diversified products. Wide variety of demands in the industry, and it is less susceptible to the impact from economic fluctuation.
    - b. Higher levels of technology than China and Southeast Asia. Stable production and supply. Stable export volumes to China and Southeast Asia every year.
    - c. Strong sales channels and relationships. Products are sold to various industries both domestically and internationally.
    - d. Secure supply of raw materials. The supply of main raw materials, NP and petrochemical EO, comes from a long-term partner, CMFC's production line.
  - B. Unfavorable factors
    - a. Environmental awareness is still high. Large fluctuation in the price of global crude oil. Stronger competition among industry players both at home and abroad. The Company will quickly adjust the sales proportion of main products and increase the sales volume of specialty products which offer higher gross margin to stimulate the overall revenue.
    - b. The domestic industries continue to move out, further reducing the demand. Our company actively cooperate with customers to develop and export to overseas market in the hope to maintain and elevate sales volume.
    - c. The domestic environmental protection policy limits the use of nonylphenol products and the textiles sold to Europe are prohibited from using nonylphenol additives. Our company actively develop alternative products for nonylphenol series and cooperate with customers to develop new products or new purpose.
  - C. Countermeasures
    - a. Develop natural alcohol-based products in response to the trend of environmental protection to reduce the impact from the increasing price of petrochemical raw materials.
    - b. Develop high value-added products and contract manufacturing products in response to the industry upgrade and customer demands to improve the competitiveness in the industry.

2. Taichung Commercial Bank

(1) Territories of banking business

As of the end of 2022, the bank had 83 domestic branches and one international financial business branch. Overseas, there are the Labuan Branch in Malaysia, the Marketing Service Office in Kuala Lumpur, the Marketing Service Office in Penang, and the Marketing Service Office in Kota Kinabalu that offer personal finance, business finance, financial wealth and other diverse businesses. Finer financial commodities have been developed, and business fields have expanded, as a result of the unique characteristics of the company regions. Clients receive better quality and more convenient financial services thanks to devoted and specialized management.

(2) Supply and Demand of the market and growth in the future

A. Market supply:

International raw material and energy prices have risen, and inflation has become severe, as a result of the impact of unstable factors like the COVID-19 pandemic and the Ukrainian-Russian War. The growth rate of the global economy can be stifled as a result of the shift in monetary policies of countries around the world to control market liquidity. The instability of the



financial markets has been exacerbated by a number of factors, such as the collapse of cryptocurrency chains and geopolitical worries. Green investment has emerged as a low-cost carbon business opportunity despite the fact that as people become more aware of sustainable development issues, banks have taken on a crucial role in promoting overall development by providing green financing and actually supporting environmentally friendly businesses. As a result of technological advancements, the financial service market layout has been substantively changed. Innovative technologies have been implemented to improve customer experience and ensure the concrete implementation of sustainable and inclusive finance, creating infinite possibilities arising from opportunities and risks that co-exist.

B. Market demand:

Taiwan's international trade has been significantly impacted by the weak global economy, and the high interest rates brought on by quantitative tightening (QT) have made investors more cautious. However, private consumption remains strong, while regional and international travel have increased along with the relaxation of national and international pandemic prevention and control measures. Private consumption will take over as the main engine of economic growth in 2023 as a result of the recovery of sectors related to tourism like food service and lodging. In many industrial supply chains, generative applications have gained popularity as a result of the development of artificial intelligence. Building a smart living finance requires understanding how banks can increase operational effectiveness, cut labor costs and improve customer experience while taking risk management and oversight of the rule of law into consideration.

(3) The competitive edge, factors favorable and unfavorable for development in the long run, and responses

A. Favorable factors

- (A) From a double-low (low interest rates and low interest rate spreads), the banking sector has gradually benefited from the current trend of interest rate hikes.
- (B) When boundary control restrictions are loosened, it helps banks expand their operations.
- (C) Government policies continue to encourage the influx of Taiwanese businessmen's funds.
- (D) The rapid growth of digital finance gives rise to market opportunities.

B. Unfavorable factors

- (A) An increase in global investment risks.
- (B) Implied risks brought on by rising interest rates and a lack of business momentum.
- (C) The economic conflicts caused by the Russo-Ukrainian War are detrimental to the growth of the banking sector.

C. Countermeasures

As the world enters the post-pandemic era, it faces the effects of geopolitics, rising inflationary pressures, monetary and fiscal policy shifts in major economies and a plethora of other unknown risks. Committed to the four principles of "stable operating structure, financial supervision and control, digital experience creation and adding value to sustainability," the bank continues to monitor market dynamics, satisfy new digital living requirements and develop its businesses in a stable manner despite the changing environment.

(II) Intended use and production processes of the main products

\* The Company

1. Intended use of the main products

- (1) Monoethylene glycol (MEG): Mainly used as the raw material of polyester fiber, and it can also be used to manufacture antifreeze, high temperature coolant, ice

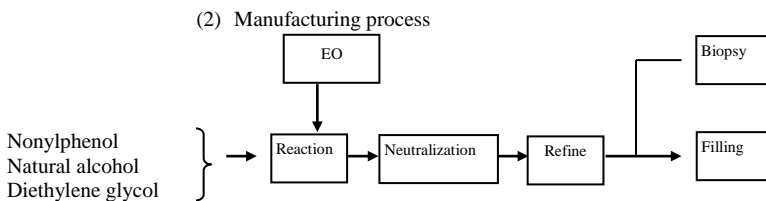
- and snow remover and explosive.
- (2) Diethylene glycol (DEG): It is mainly used as a basic raw material for plastics, and can also be used to manufacture ink solvents, brake oils, solvent oils, gas water removers, fiber softeners and plastic fillers.
  - (3) Triethylene glycol (TEG): Mainly used as a regulator, for air treatment and as a wetting agent.
  - (4) Ethylene oxide (EO): Mainly used as raw materials for surfactants, glycol ethers and others.
  - (5) Nonylphenol (NP): Mainly used as a raw material for surfactant, antioxidant, stabilizer, phenol formaldehyde resin, lubricant additives and others.
  - (6) Polyester yarn: Mainly used to make garment fabric, woven bags (straps), industrial fabric, shoe materials and others.
  - (7) Electricity: Energy supply.
2. Manufacturing process
- (1) Ethylene + Oxygen ---> Ethylene oxide
  - (2) Ethylene oxide + Water ---> Monoethylene glycol
  - (3) Monoethylene glycol + Ethylene oxide ---> Diethylene glycol
  - (4) Diethylene glycol + Ethylene oxide ---> Triethylene glycol
  - (5) Phenol + terpene ---> Nonylphenol
  - (6) Ethylene glycol + PTA ---> Polyester pellet
  - (7) Electricity: A cogeneration system that generates steam and electricity by burning coal.

\*Consolidated companies

1. Pan Asia Chemical Corporation

(1) Intended use of the main products:

Main products	Polyethylene glycol alkylphenol ether, polyethylene glycol alkyl ether, castor oil EO addenda, polyethylene glycol propanamine, polyethylene glycol and fatty acid esters, polyethylene glycol, poly-propylene glycol and polyethylene glycol, trimethylolpropane, EO additive, spinning oil agent, lubricating oil esters, plastic slip agents, cosmetic esters, cleaning agent esters and bath softeners.	
Main applications	Household cleaners Personal toiletries Fiber industry Metal industry Pulp and paper industry Plastic industry Rubber industry Paint industry Cosmetic industry Electronics industry Polymer industry	Detergent, penetrant, emulsifier, wetting agent, softener Detergent, penetrant, emulsifier, wetting agent, softener Detergent, penetrant, dyeing auxiliary, emulsifier, bath softener Cleaning agent, emulsifier, additives for electroplating Degreaser, deinking agent, wetting agent Emulsified polymeric emulsifier, internal and external lubricants for plastic Additives, release agents Dispersant, emulsifier Cleaning agent, emulsion, base material, wetting agent Cleaning agent Modifier, emulsifier, antistatic agent



2. Taichung Commercial Bank: not applicable.

(III) The supply of main raw materials

\* The Company

1. The petrochemical plant in Kaohsiung obtains ethylene from CPC Corporation, a long-term supplier, to produce ethylene glycol.
2. The raw materials for nonylphenol are terpene and phenol. At this point, the supply of terpene comes from import from a variety of sources to diversify risk. As for phenol, the Formosa Chemicals & Fiber is a stable long-term supplier.
3. The main raw material for cogeneration is coal which is imported. The Company maintains long-term stable relationship with suppliers to ensure no interruption to supply.

\* Consolidated companies

1. Pan Asia Chemical Corporation

- (1) Ethylene oxide: Supply contract with CMFC.
- (2) Nonylphenol: the source of supply is CMFC, and the current status of supply is good.
- (3) Natural alcohol: there is no domestic manufacturer so it is imported from various sources.

2. Taichung Commercial Bank: not applicable.

(IV) The list of any companies accounting for 10 percent or more of the Company's total purchase (or sales) amount in the last two years

\* The Company

Main suppliers the most recent two years

Unit: NTD thousand

Item	2021				2022			
	Name	Amount	Percentage of the net purchase of the year (%)	Affiliation with issuer	Name	Amount	Percentage of the net purchase of the year (%)	Affiliation with issuer
1	Nan-Chung Petrochemical Corp.	3,132,235	29%	Investee valued under equity method	Nan-Chung Petrochemical Corp.	1,946,821	21%	Investee valued under equity method
2	A	1,934,539	18%	N/A	A	1,945,985	21%	N/A
3	B	1,563,669	14%	N/A	B	1,239,850	13%	N/A
4	Others	4,281,109	39%		Others	4,282,655	45%	
	Purchase - net	10,911,552	100%		Purchase - net	9,415,310	100%	

Note: List the suppliers accounting for 10 percent or more of the Company's total purchase amount in the last two year and the purchase amount and the percentage of the total purchase. Replace the suppliers' names with codes if, due to contractual obligation, the names cannot be disclosed or the transaction counterparty is an uninterested individual.

The main customers for sales within the last two years

Unit: NTD thousand

Item	2021 (Note)				2022			
	Name	Amount	Percentage of the net sales of the year (%)	Affiliation with issuer	Name	Amount	Percentage of the net sales of the year (%)	Affiliation with issuer
1	Pan Asia Chemical Corporation	790,366	7%	Investee valued under equity method	Pan Asia Chemical Corporation	835,889	10%	Investee valued under equity method
2	Others	9,894,797	93%	N/A	Others	7,495,530	90%	N/A
	Sales - net	10,685,164	100%		Sales - net	8,331,419	100%	

Note: State the name of the customers with over 10% of the total sale amount within the last two years, and their sale amount and ratio. However, since the name of the customers may not be disclosed due to the contract signed or the counterparty of the transaction is an individual and is not a related party, it can be identified with a code number.

Note: there were no customers with net sales amount over ten percent in 2021.

\* Consolidated companies

1. Pan Asia Chemical Corporation

Main suppliers the most recent two years

Unit: NTD thousand

Item	2021				2022			
	Name	Amount	Percentage of the net purchase of the year (%)	Affiliation with issuer	Name	Amount	Percentage of the net purchase of the year (%)	Affiliation with issuer
1	China Man-Made Fiber Corporation	755,002	54	The parent company	China Man-Made Fiber Corporation	786,910	59	The parent company
2	Others	648,536	46		Others	557,522	41	
	Purchase - net	1,403,538	100		Purchase - net	1,344,432	100	

Causes for change and increase/decrease: The parent company's increased spending this year is primarily due to the 2022 price increase of primary raw materials.

Note: List the suppliers accounting for 10 percent or more of the Company's total purchase amount in the last two years and the purchase amount and the percentage of the total purchase. Replace the suppliers' names with codes if, due to contractual obligation, the names cannot be disclosed or the transaction counterparty is an uninterested individual.

The main customers for sales within the last two years

Unit: NTD thousand

Item	2021				2022			
	Name	Amount	Ratio to the annual net sales amount [%]	Affiliation with issuer	Name	Amount	Ratio to the annual net sales amount [%]	Affiliation with issuer
1	A	180,844	10	N/A	B	193,167	11	N/A
2	Others	1,546,733	90		Others	1,635,567	89	
	Sales - net	1,727,577	100		Sales - net	1,828,734	100	

Causes for change and increase/decrease: Due to the limited sales brought on by the pandemic, client A's sales decreased primarily due to a decrease in client demand, whereas client B's sales increased primarily due to an increase in business demand.

Note: State the name of the customers with over 10% of the total sale amount within the last two years, and their sale amount and ratio. However, since the name of the customers may not be disclosed due to the contract signed or the counterparty of the transaction is an individual and is not a related party, it can be identified with a code number.

2. Taichung Commercial Bank: not applicable.

(V) Manufacturing scale of products in the last two years

\* The Company

Volume - Metric tons

Unit: NTD thousand

Production volume and value Main products	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Ethylene glycol	264,000	105,948	2,252,297	264,000	89,687	2,309,000
Ethylene oxide	50,000	20,444	594,568	50,000	17,766	631,411
Nonylphenol	22,500	10,939	392,442	22,500	12,181	684,203
Partially oriented yarn (POY)	80,000	54,829	1,771,255	80,000	32,294	1,344,295
Spin draw yarn (SDY)	50,000	18,302	745,317	50,000	14,192	716,817
Polyester chips	99,000	18,067	453,281	99,000	14,904	493,310
Draw texturized yarn (DTY)	32,400	21,763	1,006,284	32,400	16,051	936,105
Total	597,900	250,292	7,215,444	597,900	197,075	7,115,141

\* Consolidated companies

1. Pan Asia Chemical Corporation

Volume - Metric tons

Unit: NTD thousand

Production volume and value Main Products	2021			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Nonionic surfactants	35,000	32,656	1,247,580	35,000	29,468	1,267,821
Others	6,300	4,962	296,047	6,300	4,365	289,432
Total	41,300	37,618	1,543,627	41,300	33,833	1,557,253

2. Taichung Commercial Bank: not applicable.

## (VI) Sales volume and value of main products the past two years

\* The Company

Volume - Metric tons  
Unit: NTD thousand

Sales Volume/Value Main products	Year	2021				2022			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Ethylene glycol		107,216	2,055,801	222,304	4,249,369	90,380	1,639,210	132,490	2,246,515
Ethylene oxide		20,414	573,535	0	0	17,814	534,718	0	0
Nonylphenol		3,978	161,309	8,937	404,691	3,763	236,696	8,240	573,370
Partially oriented yarn (POY)		30,424	945,144	52	1,595	19,326	697,135	239	10,425
Spin draw yarn (SDY)		16,711	662,454	1,623	57,540	12,759	624,446	1,465	59,586
Polyester chips		898	22,942	17,059	459,448	2,194	47,464	12,663	432,536
Draw texturized yarn (DTY)		21,196	915,858	15	319	15,358	803,911	30	795
Others		85,112	174,520	68	639	122,640	423,790	66	822
Total		285,949	5,511,563	250,058	5,173,601	284,234	5,007,370	155,193	3,324,049

\* Consolidated companies

## 1. Pan Asia Chemical Corporation

Volume - Metric tons  
Unit: NTD thousand

Sales Volume/ Value Main Products	Year	2021				2022			
		Domestic sales		Exports		Domestic sales		Exports	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Surfactants		13,447	589,503	17,593	832,504	12,092	549,044	15,710	965,116
Others		1,702	109,768	3,324	195,802	1,247	83,951	3,030	230,623
Total		15,149	699,271	20,917	1,028,306	13,339	632,995	18,740	1,195,739

2. Taichung Commercial Bank: not applicable.

## III. Employees

\* The Company

## (1) Employees' information

Year		2021	2022	Until February 28, 2023
Employee No.	Staff	179	180	181
	Workers	396	375	376
	Total	575	555	557
Average age		45.91	45.77	45.83
Average seniority		15.54	15.93	17.33
Academic qualification	Doctoral Degree	0%	0%	0%
	Master	2.10%	1.80%	1.80%
	Tertiary institution	61.7%	63.24%	62.66%
	Senior High School	36.0%	34.77%	35.37%
	Below Senior High School	0.2%	0.18%	0.18%

(II) With respect to personnel handling the transparency of financial information, the certification they obtained as specified by the authority:

Certificate and license name	Number of people in finance and accounting	Number of people in internal audit
Passed internal control and internal audit examinations organized by the Taiwan Academy of Banking and Finance.	0	1
Senior Professional and Technical Exams hosted by the Ministry of Examination - Accountant	1	0
Junior Professional and Technical Exams hosted by the Ministry of Examination - Bookkeeper	1	0

\* Consolidated companies

(I) Pan Asia Chemical Corporation

Year		2021	2022	As of February 28, 2023
Employee No.	Staff	48	43	42
	Workers	59	64	64
	Total	107	107	106
Average age		44.707	44.868	44.722
Average seniority		14.587	14.685	14.456
Academic qualification	Doctoral Degree	0.00%	0.00%	0.00%
	Master	8.08%	7.22%	6.25%
	Tertiary institution	71.72%	71.13%	72.92%
	Senior High School	20.20%	21.65%	20.83%
	Below Senior High School	0.00%	0.00%	0.00%

(II) Taichung Commercial Bank:

Year		2021	2022	Until February 28, 2023
Employee No.	More than 50 years old	690	761	759
	More than 40 years old	602	551	543
	More than 30 years old	558	562	565
	More than 20 years old	925	946	921
	Less than 20 years old	3	2	0
	Total	2,778	2,822	2,788
Average age		38.20	38.40	38.50
Average seniority		9.90	10.00	10.00
Education Background	Master	13.30%	14.00%	14.00%
	Bachelor	68.90%	71.00%	71.20%
	College	13.80%	12.80%	12.80%
	Senior High School	3.90%	2.10%	2.00%
	Junior High School	0.10%	0.10%	0.00%
Professional	Securities sales traders	286	302	297

	Year	2021	2022	Until February 28, 2023
designation and licensing, and number of such employees	Investment Insurance Products	1,162	1,132	1,117
	Securities investment trust/investment advice sales traders	1,592	1,648	1,629
	Initial credit extension personnel's professional ability	894	947	941
	Advanced credit extension personnel's professional ability	41	39	37
	Futures sales traders	173	187	178
	Life Insurance Agent	2,127	2,129	2,101
	Bond sales qualified in professional ability test	32	35	34
	Initial foreign exchange personnel's professional ability	992	1,084	1,071
	Wealth management and planning personnel	445	446	438
	Trust Operations Personnel	2,174	2,237	2,189
	Bank's internal control basic test	1,881	2,050	2,022
	Senior Securities sales traders	220	221	215
	Property Insurance Agent	2,216	2,304	2,292
	Notes and bills traders	44	47	45
	Marketable securities, financing and financial instruments sales traders	5	4	4
	Internal auditor	1	1	1
	Stock affairs personnel qualified in professional ability test	33	36	36
	Foreign exchange professional ability	14	14	14
	Financial personnel's professional ability in appraising collaterals for credit extension	8	9	7
	Proficiency test for debt collection personnel	157	155	152
Test for anti-money laundering and counter-terrorism financing professionals	1,027	1,040	1,022	
Qualification test for derivatives sales personnel	1,688	1,759	1,733	

IV. Environmental Protection Expenditure.

\* The Company

(I) Losses caused by environmental pollution in the most recent fiscal year until February 28,



2023: None.

(II) Future countermeasures: None.

(III) ROHS information: No impact on the Company.

\*Consolidated companies

(I) Pan Asia Chemical Corporation

1. Within the latest year and as of February 28, 2023, the loss and impairment undergone by the Company as a result of environmental pollution (including compensation and environmental protection audit results in violation of environmental protection laws and regulations, the punishment date, file number of penalty, provisions of violated regulations, the content of violated regulations, content of penalty). The Company shall, as well, disclose the estimated amount and countermeasures for a potential occurrence in the future. Where such impairment is unable to be estimated, the Company shall explain the facts why it could not be estimated in a rational manner: None.

2. Future countermeasures: None.

3. ROHS information: No impact on the Company.

(II) Taichung Commercial Bank: Not applicable.

V. Employer and employee relationships

\* The Company

(I) The implementation of employee welfare policy, continuing education and training, and retirement system, and labor-management coordination and the protection of the rights of the employees:

1. Continuing education and training of employees: The Company has always spared no effort in the education and training of employees. Some employees engaged in specialized functions are assigned to attend external training sessions, and they are regularly monitored and retrained from time to time. The Company provides the education and training sessions for department or specified units as needed to reinforce the occupational competence of employees at all levels.

Details on the education and training (specialized and general) of employees in 2022:

Gender	Male	Female
Average number of persons throughout the company	511	74
Training category	Training hours (hr)	
Training of specialized occupational competence (preliminary training and re-training for occupational and environmental safety and firefighting certification)	1223	60
Toxic and chemical hazards training (external drills and training)	120	0
Firefighting education and training (annual dumpster firefighting training)	168	36
General knowledge training (education and training sessions for new hires)	36	9
Occupational safety and health regulation training	135	3
Course for accounting personnel	0	117
Continuing education courses for internal auditing personnel	300	24
Total hours of training (hr)	1991	193
Average number of hours (hr/number of people)	3.87	3.36

2. Employee behaviors or code of ethics: The Company has developed a "Work Rules" manual for employees and personnel management rules, so that employees can clearly understand their rights and the standards on behaviors to be observed.

3. Work environment and employees' personal safety protection measures:

(1) Access control security: A strict access control and monitoring system is available at

all time, and a security patrol company is contracted to maintain the security and safety at night and during the weekend.

- (2) Maintenance and inspection of equipment: In accordance with the Regulations for Inspecting and Reporting Public Safety of Buildings, professional firms are contracted to conduct public safety inspection every two or four years. In accordance with the Fire Services Act, firefighting equipment inspection is contracted out to be conducted every year. In accordance with the Occupational Safety and Health Act, the Company regularly conducts maintenance and inspection of air-conditioning, firefighting and various equipment.
- (3) Physiological / psychological health: The Company prohibits smoking at the job site, in line with the government's policies. Non-smoking signs are posted to remind employees not to smoke at work to maintain the quality of working environment. Regular and irregular health examinations for employees are arranged to maintain employees' health.
- (4) Insurance: Purchase labor insurance (including occupational disaster insurance), health insurance, group insurance according to law. In the event of any casualties, the personnel unit will assist in handling issues related to insurance.
- (5) Employee benefits: the Company established an employee welfare committee on December 15, 1976, which is responsible for the welfare of all employees. The measures include welfare assistance, education scholarships, cultural and recreational activities and other welfare subsidies. The budgeting, expenditures and arrangement of welfare benefits every year are discussed and monitored by committee members of the employee welfare committee every three month in their meetings, providing positive stabilizing effect to employees' mental state. Currently, the committee provides 12 months of maternity subsidy, scholarships for employees' children based on their education levels every semester, confinement benefit payment for daily medical and hospitalization expenses and others. Based on the financial conditions of the committee, domestic group tours are held for employees to develop the bonding.
- (6) Employee retirement: The Company has develop retirement, consolation and severance measures in accordance with the Labor Standards Act to offer employees with on-the-job and retirement benefits to appreciate their dedication in providing professional services. In terms of retirement measures for the existing employees who choose the old pension plan and the tenure payment of the old pension plan of the existing employees who choose the newer pension plan, the Company appropriates the proper amount of pension payment in accordance with the Labor Pension Act to the escrow account at Bank of Taiwan. Effective July 1, 2005, the Company has established a defined contribution pension plan under the Labor Pension Act, allocating 6% of monthly salaries and wages of new hires and the existing employee who selected the newer pension plan to the retirement fund personal account at Bureau of Labor Insurance. The application procedures for retirement is stipulated in the Labor Standards Act: Those who have reached the age of 55 and worked for more than 15 years, or those who have worked for more than 25 years, may apply for retirement. Pension benefits are based on the number of ears of service tenure, and two base units are accrued for each year of service. But for the rest of the service years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The Company also has formed a Supervisory Committee of Labor Retirement Reserve and allocated monthly an amount in accordance with the rules above to a retirement fund at the Bank of Taiwan. In terms of consolation measures, if an employee dies of occupational injury or disease, the Company pays funeral subsidy equal to five months of average wage and a lump sum survivors compensation equal to forty months of average wage to his/her survivors. Condolence payment is given to those who die not of occupational injury or disease. Various amounts of condolence payment are given according to the circumstances. In terms of severance packages, the issuance of severance is based on the service tenure. One month of average

salary is given for every one year of service. For those who have not worked more than one year at the Company, the payment is at a prorated amount.

- (II) Any labor disputes or loss sustained as a result of labor disputes in the most recent fiscal year and up to February 28, 2023: None.

\* Consolidated companies

- (I) Pan Asia Chemical Corporation

1. The implementation of employee welfare policy, continuing education and training, and retirement system, and labor-management coordination, and the protection of the rights of the employees:

- (1) The Company established an employee welfare committee on July 17, 1991, which is responsible for the welfare of all employees. The measures include welfare assistance, education scholarships, cultural and recreational activities and other welfare subsidies. The budgeting, expenditures and arrangement of welfare benefits every year are discussed and monitored by committee members of the employee welfare committee every three month in their meetings, providing positive stabilizing effect to employees' mental state.
- (2) To encourage employees to enrich their professional knowledge and skills and improve work quality and efficiency, the Company has developed training management measures to support the Company's sustainable management and development. The education and training program includes internal and external training courses. The planning and implementation of education, training and continuing education programs are carried out in accordance with the different needs of units within the Company. There are internal group training sessions and participation in the external professional courses, and the details regarding the participation in the external professional training courses are described below:

Item	Total number of person	Total hours	Total cost
Training for new recruits	14	112	0
Professional competence training	81	602	144,180
Managerial skills training	52	298	70,900
General knowledge training	180	381	4,000
Total	327	1,393	219,080

The course expenses are supported by the Company, and there are a variety of external free professional courses of which employees are encouraged to attend.

- (3) The Company has develop retirement, consolation and severance measures in accordance with the Labor Standards Act and the Labor Pension Act to offer employees with on-the-job and retirement benefits to appreciate their dedication in providing professional services.

(A) In terms of retirement measures:

- a. For those who are eligible for the old pension plan, they may apply for retirement if they have reached the age of 55 and worked for more than 15 years or have worked for more than 25 years or have reached the age of 60 and worked for more than 10 years. Pension benefits follow the Labor Standards Act and are based on the number of years of service tenure, and two base units are accrued for each year of service. But for the rest of the service years over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. The Company also has formed a Supervisory Committee of Labor Retirement Reserve and allocated an amount to the retirement reserve fund on a monthly basis.
- b. For those who are eligible for the new pension plan, the Company allocated 6% of the salary based on the Scale Tables of Monthly Deposit for Labor Pension to the retirement reserve fund. Once the employees reach the age

of 60, they may apply for withdrawal from the Bureau of Labor Insurance themselves.

(B) In terms of consolation measures:

If an employee dies of occupational injury or disease, the Company pays funeral subsidy equal to five months of average wage and a lump sum survivors compensation equal to forty months of average wage to his/her survivors. Condolence payment is given to those who die not of occupational injury or disease. Various amounts of condolence payment are given according to the circumstances.

(C) In terms of severance measures:

- a. The issuance of severance is based on the service tenure. One month of average salary is given for every one year of service. For those who have not worked more than one year at the Company, the payment is at a prorated amount.
- b. For those who select or are eligible for the new pension plan, the issuance of severance is based on the service tenure. Half month of average salary is given for every one year of service. For those who have not worked more than one year at the Company, the payment is at most limited to six months of average salary.

(4) Working environment and personal safety protection measures: For the purpose of ensuring the protection for working environment and employee safety, the Company has continuously implemented the following measures:

(A) Environmental protection work: The factory has a wastewater treatment equipment to discharge wastewater from the manufacturing processes to the treatment plant of the industrial park through an effluent.

(B) Employee personal safety and protection:

- a. Establish procedures for safety and health self-inspection, machinery inspection and maintenance, education and training, health examination, emergency response and firefighting drills, workplace and work rules, work permit, contractor management, standard operations and others.
- b. Conduct comprehensive safety check and testing once a year for high-risk machinery and equipment.
- c. Set up rules for the use of occupational safety gears and equipment so employees can properly wear their personal protective equipment, ensuring their own safety.
- d. Job site permit, fire permit, permit-required confined space, locking permit form for electrical work, work at heights permit and other types of safety permits to ensure workers' safety.
- e. Establish standard operating safety procedures for workers to abide by.
- f. Conduct on-site work audit for all workers at least once a day. Report immediately if deficiencies with the facilities, work or environment are found, and implement remedies and improvements.
- g. Conduct training sessions for employees' professional skills and certification based on the annual education and training program and schedule.
- h. Assign on-site operators to participate in on-the-job training for 3 to 6 hours in accordance with their job characteristics and conduct regular health examination.

(5) Regulation of employee conduct or formulation of ethical guidelines: The Company has formulated numerous employee management rules and regulations including work rules and Code of Ethical Conduct. All employees are required to sign a confidentiality agreement when reporting for duty. The Company strives to provide employees with a clear understanding of the rights and interests and relevant codes of conduct.

2. Any labor disputes or loss sustained as a result of labor disputes in the most recent fiscal year and up to February 28, 2023: none.

(II) Taichung Commercial Bank:

1. Employees' continuing education:

- (1) The Company organizes training courses for various business operations (such as depository, credit issuance, wealth management and others). Qualified employees are selected to serve as lecturers to conduct internal training and education to help employees in their job planning and career development. In response to the ever-changing trends in the financial markets, employees are encouraged to learn the latest financial knowledge, product information, regulatory systems and markets to provide customer with quality and professional services. Employees are frequently assigned to participate in external training courses. In 2022, a total of 14,672 people were assigned to attend external courses.
- (2) A digital learning management system and several series covering "various professional skills," "leadership control," "spiritual relief," "workplace English" and other courses were launched in 2022 to make learning more convenient for employees and lengthen the learning time. All employees are free to choose appropriate courses for further study from the platform, as well as the required targets for each course, to hone the skills required for various positions. 29,740 trainees participated in the audio-visual courses in 2022.
- (3) Conceived with the corporate philosophy of "We do our best for you," the Bank has upgraded its belief to "Whole-hearted concern for a bright future" and makes service attitude and common courtesy an integral part of routine training. Through the professional code of conduct and legal education, the Bank makes self-discipline and affection an integral part in customer reception so that each competent employee with integrity will be the foundation of the Bank in sustainable development.

2. Employee Code of Conduct and Ethical Corporate Management Best Practice Principles: Announced on the Company's internal port for all employees to inquire.

- (1) All employees shall be law abiding and perform their duties with utmost effort.
- (2) The principles of honesty, integrity, caution, diligence shall be duly observed by all and there shall be no arrogance, greed, luxury, unrestrained, loitering and gambling at the expense of the reputation of the Bank. Be humble and courteous in treating the customers and efficient at work.
- (3) All employees shall keep the information on the business of the Bank, the customers and their transactions, and any other secretive activities in strict confidence, and shall not disclose to any third party. This code shall be applicable to employees who resigned or discharged from the Bank.
- (4) Employees shall not have transaction with current customers of the Bank in lending and borrowing, or shall not act as guarantor or the subject of guarantee.
- (5) Employees shall not act as guarantor under their occupational title.
- (6) Employees shall not undertake any part-time work beyond the duties of the Bank unless otherwise approved by the Bank.
- (7) Employees shall not run business homogenous to the operation of the Bank, and shall not engage in any speculative works privately.
- (8) Except in weekend and recognized holidays, employees shall report to duties in designated span of time, and shall be punctual and shall not leave their duties before the end of the working day. In addition, no employee may be absent from their duties without the approval of the supervisor.

3. Work environment and employees' personal safety protection measures:

Item	Contents
Entrance guard safety	<ol style="list-style-type: none"><li>1. A strict access control and monitoring system is available at all time.</li><li>2. Contract with the security company to maintain the safety of the office premises at nighttime and holidays.</li><li>3. Access to the police authority hotline for caution.</li></ol>
Maintenance and inspection of equipment	<ol style="list-style-type: none"><li>1. According to the Building Public Safety Inspection and Declaration Rules, the Bank will commission the profession service provider to conduct the public safety inspection and report per two or four years.</li><li>2. According to Fire Act, the Bank will outsource the fire inspection per year.</li></ol>

	3. Proceed to the maintenance and inspection of company cars, high and low voltage electrical appliances, elevators, air-conditioners, water fountain machine, fire safety equipment and related equipment in accordance with applicable laws governing occupational safety and health.
Disaster prevention measures and response actions	The Bank has defined the instructions to rescue disasters and reporting procedure for occupational accidents, such as “Disaster Urgent Response Action Manual”, “Guidelines for Dealing with Important Contingencies”, “Instructions to Safety Protection and Organization of Relevant Business Units”, “Labor Safety and Health Automatic Inspection Plan”, and “Instructions to Maintenance of Facility Safety”, expressly defining the job responsibilities to be taken by the Bank’s staff before and after important events, such as force majeure and robbery, and also requiring the various business units to perform the robbery-proof drills and natural calamity.
Physical/mental health	1. The Bank provides the in-service staff with the health inspection service per two years. 2. Working environment sanitation: Smoking is banned in the business premises. Develop grievance filing procedures and the related penalty measures in accordance with the Sexual Harassment Prevention Act and Preventive Plan for Violations During Performance of Tasks. 3. Set up the inter-bank forum as the opinion exchange platform.
Insurance	Be enrolled in the labor insurance and health insurance programs pursuant to laws. In the case of any casualty, it is necessary to designate the dedicated personnel to safeguard evidence, contact the insurance company, work with the accidental liability insurance investigation conducted by the employer, filing of the claims and report to the competent authority.

4. Labor-management dispute: There have been no labor-management disputes in 2022.

## VI. Cyber Security Management

(I) Describe the cyber security risks management structure, cyber security policy, concrete management plan and resources invested in cyber security management.

\* The Company

(1) Cyber security risks management structure and organization structure

At a meeting held on November 7, 2022, the company’s board of directors and audit committee resolved to create a dedicated information security division, appoint an information security officer, a separate information security supervisor and designate dedicated staff to organize, oversee, and carry out information security maintenance procedures for the information security system. The Audit Office is responsible for reviewing and deciding information security and information protection guidelines and policies, refining the effectiveness of information security management measures.

(2) Cyber security policies

To ensure the integrity, confidentiality and availability of the corporation’s information, information security policies have been established regulating information security segregation of duties, personnel management and information security educational training, computer system security management, network security management, system access control management, system development and maintenance of security management, information assets security management, physical and environment security management, business sustainable operations plan management, and information security audit; It is a goal to fulfill monitoring and audit matters to ensure the continuous effectiveness of information security regulations.

(3) Concrete management plan

A. All computers of the entire Company have been installed with anti-virus software and have been updated with virus codes on a regular basis. The Company has further set up a network firewall to prevent hackers, virus attacks and or any sorts of damage.

B. The Company has elaborately built virtualized server environment along with a fault-tolerant environment to maximize availability. For the data backup of application software and database, the Company has adopted an automatic

backup mechanism and a regular version to exercise the disaster recovery plan on an annual basis to minimize the potential risk.

- C. The Company has developed system access control and password mechanisms to avoid potential information security risks.
  - D. The computer mainframe room has been equipped with sound access control system, redundant air conditioning equipment and backup uninterruptible power system protection. The temperature sensing alarm notification system is linked up to the automatic gas firefighting equipment to assure the uninterrupted normal operation of the system all the time.
  - E. The Company puts into implementation thoroughly information security advocacy to strengthen employees' personal awareness and watchfulness of information security to minimize potential human risks.
- (4) Input resources into information security management.
- A. Establish an information security unit and, in accordance with the rules, assign a chief information security officer, a dedicated information security supervisor and two dedicated information security personnel.
  - B. 2021: upgraded and replaced firewalls for information security equipment; 2022: acquired next-generation hyper-converged virtual host hardware; 2023: implemented backup architecture and installed it on the existing host.

\* Consolidated companies

1. Pan Asia Chemical Corporation

(1) Cyber security risks management structure and organization structure

The Company has established the Management Department to coordinate information safety policy, plans, resource allocation and so on matters and for research and discussions. One senior management personnel was appointed to be responsible for the coordination and promotion of information security management matters. The highest management of the IMO will report to the Board of directors and Audit Committee on the outcomes and related issues of information security management for proposing adjustments to information security policies and amendments. The Audit Office is responsible for reviewing and deciding information security and information protection guidelines and policies, refining the effectiveness of information security management measures.

(2) Cyber security policies

To ensure the integrity, confidentiality and availability of the corporation's information, information security policies have been established regulating information security segregation of duties, personnel management and information security educational training, computer system security management, network security management, system access control management, system development and maintenance of security management, information assets security management, physical and environment security management, business sustainable operations plan management, and information security audit; It is a goal to fulfill monitoring and audit matters to ensure the continuous effectiveness of information security regulations.

(3) Concrete management plan

- A. All computers of the entire Company have been installed with anti-virus software and have been updated with virus codes on a regular basis. The Company has further set up a network firewall to prevent hackers, virus attacks and or any sorts of damage.
- B. The Company has elaborately built virtualized server environment along with a fault-tolerant environment to maximize availability. For the data backup of application software and database, the Company has adopted an automatic backup mechanism and a regular version to exercise the disaster recovery plan on an annual basis to minimize the potential risk.
- C. The Company has developed system access control and password mechanisms to avoid potential information security risks.
- D. The computer mainframe room has been equipped with sound access control

- system, redundant air conditioning equipment and backup uninterruptible power system protection. The temperature sensing alarm notification system is linked up to the automatic gas firefighting equipment to assure the uninterrupted normal operation of the system all the time.
- E. The Company puts into implementation thoroughly information security advocacy to strengthen employees' personal awareness and watchfulness of information security to minimize potential human risks.
- (4) Input resources into information security management.
- A. Planning and establishing the information security organization and its supervisors and dedicated personnel shall be reported to the superior by the personnel unit. The setup is expected to be finalized at a board of directors meeting before the end of 2023.
- B. Currently, there are five people (information personnel) involved in the implementation and management of information security. The duties of this position include managing and maintaining information security systems, maintaining information security hardware and educating, training and promoting employees in the importance of information security.
- C. 2021: Upgraded and replaced firewalls for information security equipment; 2022: Acquired next-generation hyper-converged virtual host hardware; 2023: Implemented backup architecture and installed it on the existing host.
2. Taichung Commercial Bank
- (1) Information security risk management structure
- To coordinate risk management across the bank, a risk management committee has been established, with the board of directors serving as the bank's highest decision-making department. The Chief Information Security Officer acts as the convener for the Bank's Information Security Promotion Committee. The managerial officer of the Information Operation and Maintenance Department acts as the deputy convener. Under the Committee's administration is the information security execution team, information security promotion sub-team and emergency response team. There is also a dedicated "Information Security Section" established within the Information Operation and Maintenance Department. The Section's responsibilities are to coordinate and plan information security strategies, policies, and promotion. The purpose is to enhance employees' awareness to information security, collect and improve the Bank's information security management system performance and regulations, technologies, the confidentiality, integrity, availability and conformance effect of products, aligning with the Bank's business goals. The information security management audit meetings will be held twice each year to ensure the implementation of information security meets the requirements of the goals.
- (2) Information security policies
- To employ information security management, the Bank has established the information security operation and so on regulations and procedures. It is in the hope to achieve the following policy goals with joint efforts of the entire company employees:
- A. Confidentiality: Protect sensitive information from unauthorized disclosure or use.
- B. Availability: assure that information and important services are accessible when needed by users.
- C. Integrity: appropriate security and protection measures to prevent improper alterations to information. These measures provide assurance in the accuracy and completeness of data.
- D. Compliance: ensure that the execution by the Bank's various business service is in compliance the requirements of relevant laws and regulations.
- (3) Concrete management plan
- The Bank's finance strategy and development goals are to provide customers with information services that are trustworthy and uninterrupted, prevent internal



information security threats and enhance information security awareness of personnel. The information security control measures are established in pursuit of these service goals. Concrete management methods are elaborated as below:

A. Identity

Active Directory account management is used for the Bank's employees. There are restrictions to the computer's online behavior and outgoing email review which with the use of antivirus software, this can lower the known risks. In addition, before the system is live, certain work procedures such as penetration testing, source code and weakness scanning, repair, and mobile APP are conducted regularly each year. Each year the social engineering drill and educational trainings are conducted regularly to cultivate employees awareness on information security.

B. Protect

The Bank has a few setups for in-depth defense, such as web application firewall, intrusion prevention and detection system, and firewall. The responsible department reviews and approves data protection before it is released, authorized control is managed by privileged accounts to stop unauthorized users from accessing the system. To further implement security management for the computer room entity, physical isolation and access control are carried out. Guidelines have been established to forbid USB access and make exceptions for its use.

C. Detect

To lower the chances of the Bank's customers from becoming victims of frauds via fake service platforms, the Bank has established web fraud detection system, ATM whitelist control and ATM monitoring management system.

D. Respond

To effectively monitor the behavior of various systems and incorporating all internal and external information security threat intelligence investigation, the Bank's SIEM system provides monitoring report and dairy log for preservation and analysis. The system will gradually upgrade and strengthen becoming an automated association analysis alarm mechanism.

E. Recover

To raise the disaster response capability and shorten the recovery time, the structure of the Bank's information system is setup with three centers at two locations. Different drill plans are formulated for various systems. The drills are conducted each year to ensure its effectiveness. The information security events forensic investigation, and digital forensic appointment services are available for emergency responses to information security events. This is to ensure that the Bank builds up information security joint defense system when information security events occurred, lowering the losses.

For every quarter each year, the Bank will appoint a third party for assessment and to issue information security overall implementation status report which will be reported to the Board of directors. The information security maturity assessment will be completed. The implementation of information protection is achievable through the ISO 27001 Information Security Management System (ISMS) which is continuously improved and refined using the PDCA approach, compliance to the BS 10012 (PIMS) system and its relevant regulations.

(4) Invested resources

A. Complete 4 terms of information security awareness educational training for new employees 1 022..

B. Establish 32 copies of information security regulations related essentials and 36 copies of operating procedures.

C. The ISO 27001:2013 information security management system certification has been approved (certificate valid from 2021.09.15 to 2024.09.14). Every

- three years, certifications are reviewed to ensure they remain current.
- D. Promote the importation and verification of the ISO 22301:2019 operating continuity management system.
  - E. Over 500 hours of professional educational trainings for information security professional personnel.
  - F. The following certifications have been obtained: three CISSPs, three CISM, three CISAs, one CRISC, fifteen ISO 27001LAs, and three CEHs.
  - G. Established the information security intelligence column for employees to read. A total of over 104 pieces of information security information, case studies and formal announcements for advocate were shared.
  - H. Protective equipment input: firewalls, intrusion detection systems (IDS/IPS), email protection and review, security information and event management (SIEM) system, web application firewall (WAF), web content protection, fake website and mobile application detection, mobile device management, privilege management, enterprise mobility management (EMM) system, software to detect and eliminate viruses, as well as monitoring and protective hardware for the computer room entity.
  - I. Outsourced the implementation of information security overall assessment and assessments on technology, compliance and so forth.
- (II) If losses incurred due to major information security events, potential impacts, and countermeasures in the previous two years cannot be reasonably estimated as of the date of annual report print for publication, the facts that prevent such reasonable estimation must be explained:

Since 2022, the Company has passed both internal and external cyber security audit and there are no discovery of significant deficiencies. There have been no occurrences of information security events such as penalties as a result of data leakage from information security breaches.

\* Consolidated companies

1. Pan Asia Chemical Corporation

Since 2022, Pan Asia Chemical Corporation has passed both internal and external cyber security audit and there are no discovery of significant deficiencies. There have been no occurrences of information security events such as penalties as a result of data leakage from information security breaches.

2. Taichung Commercial Bank

In September 2011, the bank's online banking and mobile banking were affected by the abnormality of the database system, which caused the related channel services of online banking to be affected. Immediately, the Bank's Chief Information Security Officer convened a "Major Incident Handling Meeting" and notified the competent authorities and relevant stakeholders, and organized a "Customer Rights and Interests Protection Team" to actively collect and continue to take care of customer feedback, all of which were sympathetic and understood by customers.

The information security incident did not cause any loss to the Bank. Only the related channel services of Internet Banking were affected, and other channel services (cabinet, ATM, voice, credit card) could provide services normally. "Announcements" and "Latest News of Departments and Offices on the Enterprise Internal Portal Website" release relevant information, and the business unit and customer service center will guide customers to use other channels; follow-up, the Bank will continue to implement relevant strengthening measures, such as:

- (1) Adjust the structure of the database system according to the original manufacturer's suggestion, and conduct education and training for relevant personnel to enhance the ability of the system to operate and continue to serve.
- (2) Carry out the upgrading plan of the online banking access database system to strengthen the security and stability of the online banking access service.
- (3) Purchasing support services dedicated to database maintenance technology year by year, and improving the stability of the bank's database system operation through the immediate professional technical support of external experts.

VII. Major contracts

\* The Company

Major Agreements	Nature of agreement	Contract start and end dates	Term of Agreement	Restriction clauses
Product Purchase Agreement	Pan Asia Chemical Corporation	2020.7.1~2025.6.30	Ethylene Oxide Sale Agreement	The buyer shall not resell products purchased from seller
Product Purchase Agreement	Pan Asia Chemical Corporation	2020.7.1~2025.6.30	Nonyl Phenol Sale Agreement	The buyer shall not resell products purchased from seller
Product Purchase Agreement	Pan Asia Chemical Corporation	2022.8.1~2024.6.30	Contracts for the sale of pure water, electricity, steam, and nitrogen and wastewater treatment.	The buyer shall not resell products purchased from seller
Technical cooperation	SHELL RESEARCH LTD.	From 2003.12.4	Shell EO/EG Process Use License and Engineering Service Permit	Conferred rights shall not be transferred to third parties
Raw material supply	CPC Corporation, Taiwan	2022.1.1~12022.12.31	Ethylene & Methane Purchase Agreement	Limited to petrochemical industry
Technical cooperation	SHELL RESEARCH LTD.	From May 19, 2011	Shell EO/EG Process Use License and Engineering Service Permit	Conferred rights shall not be transferred to third parties
Product Purchase Agreement	Air Liquide Far Eastern Ltd.	From July 29, 2011	Supply Contract for Oxygen and Nitrogen required for EG3 Plant	The buyer shall not resell products purchased from seller
Product Purchase Agreement	ShinHsiung Natural Gas Co., Ltd.	2020.10.31~2030.10.30	Agreement for Installation of Natural Gas Pipeline and Purchase of Natural Gas	The buyer shall not resell products purchased from seller
Construction	EARTH POWER Co., Ltd.	From August 14, 2018	Sanchung Plant New Construction Project	Non-restriction clauses
Product Purchase Agreement	PARTICO MACHINERY, INC.	From 2021.3.8	3-in-1 Die-Face Cutting Recycling & Pelletizing Machine	Non-restriction clauses
Product Purchase Agreement	Hanpower Energy Technology Co., Ltd.	From November 5, 2021	<b>ORC low-temperature waste heat recovery and power generation equipment have been set up at the second steam power plant.</b>	Non-restriction clauses

\* Consolidated companies

1. Pan Asia Chemical Corporation

Major Agreements	Nature of agreement	Contract start and end dates	Term of Agreement	Restriction clauses
Distributor contract	Dong-Fang Trading Co., Ltd.	1. 2022.1.1~ 2022.12.31 2. Both parties may agree to priority renewal upon the expiration of the contract 3. The contract became effective in 1984	1. Distribute products 2. Quantity of distribution 3. Price of distribution 4. Sales region	Party B shall not deal the same type of, similar or competitive products from other manufacturers.

Major Agreements	Nature of agreement	Contract start and end dates	Term of Agreement	Restriction clauses
Distributor contract	Chin Yee Chemical Industries Co., Ltd.	1. 2022.1.1~2022.12.31 2. Both parties may agree to priority renewal upon the expiration of the contract 3. The contract became effective in 1984	1. Distribute products 2. Quantity of distribution 3. Price of distribution 4. Sales region	Party B shall not deal the same type of, similar or competitive products from other manufacturers.
Distributor contract	Yuan Jen Enterprises Co., Ltd.	1. 2022.1.1~2022.12.31 2. Both parties may agree to priority renewal upon the expiration of the contract 3. The contract became effective in 1984	1. Distribute products 2. Quantity of distribution 3. Price of distribution 4. Sales region	Party B shall not deal the same type of, similar or competitive products from other manufacturers.
Distributor contract	Bun Hong Trading Co., Ltd.	1. 2022.1.1~2022.12.31 2. Both parties may agree to priority renewal upon the expiration of the contract 3. The contract became effective in 1984	1. Distribute products 2. Quantity of distribution 3. Price of distribution 4. Sales region	Party B shall not deal the same type of, similar or competitive products from other manufacturers.
Purchase contract	China Man-Made Fiber Corporation	1. 2020.7.1~2025.6.30 2. Automatic extension for one year if both parties do not negotiate to terminate the contract upon the expiration of the contract period.	Purchase EO materials	In-house use, not for resale
Purchase contract	China Man-Made Fiber Corporation	1. 2020.7.1~2025.6.30 2. Automatic extension for one year if both parties do not negotiate to terminate the contract upon the expiration of the contract period.	Purchase NP materials	In-house use, not for resale
Purchase contract	China Man-Made Fiber Corporation	1. 2022.8.1~2023.6.30 2. Automatic extension for one year if both parties do not negotiate to terminate the contract upon the expiration of the contract period.	Contracts for the purchase of pure water, electricity, steam and nitrogen and wastewater treatment.	In-house use, not for resale

## 2. Taichung Commercial Bank

Major Agreements	Nature of agreement	Contracting Parties	Term of Agreement	Restriction clauses
Labor service procurement contracts	Yu Hsiao-lan Architects Office	2016.1.05- Construction completed	<b>Appointment of supervision and technical design services for the construction of the corporate headquarters new building</b>	N/A
Engineering Purchase Agreement	Da-Cin Construction Co., Ltd. EARTH POWER Co., Ltd.	2019.3.29~2023.6.5	The construction of the new building for the corporate headquarters	N/A
Property procurement contracts.	SYSTEX SOFTWARE & SERVICE CORPORATION	2021.6.23~2024.6.22	Expansion of cloud storage equipment and new remote backup plans.	N/A
Consultation contract	Ares International Corp.	2022.2.1~2023.1.31	SWIFT consultation service	N/A
Lease contract	AT&T Taiwan	2021.8.28~2024.8.28	SWIFT network equipment and lines	N/A
Maintenance contract	Mercuries Data Systems	2021.1.1~2023.12.31	Maintenance fee for ATMs and automatic passbook printers	N/A

Major Agreements	Nature of agreement	Contracting Parties	Term of Agreement	Restriction clauses
Maintenance contract	NEC Taiwan Ltd.	2019.1.1~2023.12.31	Maintenance of interbank interface software	N/A
Maintenance contract	NEC Taiwan Ltd.	2022.1.1~2022.12.31	Host System Remote Backup Services	N/A
Maintenance contract	NEC Taiwan Ltd.	2022.1.1~2022.12.31	Foreign exchange mainframe system update maintenance	N/A
Maintenance contract	SYSTEX SOFTWARE & SERVICE CORPORATION	2021.3.21~2023.1.31	Internal cloud storage and equipment	N/A
Maintenance contract	NEC Taiwan Ltd.	2021.9.15~2022.9.14	Maintenance for NX7700i host system	N/A
Service agreement	G4S Taiwan (Security)	2021.9.1~2023.8.31	Security guards at corporate headquarters	N/A
Service agreement	G4S Taiwan (Security)	2021.9.1~2023.8.31	Security guards at the banking locations	N/A
Service agreement	Leebao Security Co., Ltd.	2022.6.1~2024.5.31	Outsourced fund delivery	N/A
Service agreement	Leebao Security Co., Ltd. Anfeng Enterprise Co., Ltd.	2022.3.4~2023.3.3	ATM cash loading and problem elimination service	N/A
Service agreement	Transnational Group of Companies	2022.7.1~2024.6.30	Outsourced financial instruments and documents courier service	N/A
Service agreement	IBM Taiwan Corporation	2022.5.7~2022.11.6	IT Core Modernization Plan	N/A
Property procurement contracts.	SYSTEX SOFTWARE & SERVICE CORPORATION	2022.2.1~2025.1.31	Preferential Plan for Microsoft Licensing.	N/A

## Six. Financial summary

### I. Condensed balance sheets and statements of comprehensive income (consolidated information from different industries)

#### (I) Brief Balance Sheet

Unit: NTD thousand

Item	Year	Financial information for the last five year				
		2018	2018	2020	2021	2022
Current assets		561,120,444	538,261,854	573,571,299	604,324,432	644,385,133
Property, plant and equipment (Note 1)		22,428,871	23,585,296	23,932,395	24,907,282	27,015,984
Intangible assets		192,246	181,823	246,491	253,813	266,612
Other assets (Note 1)		137,165,381	149,875,263	165,340,881	171,652,728	164,034,232
Total assets		720,906,942	711,904,236	763,091,066	801,138,255	835,701,961
Current liabilities	Before Distribution	641,141,266	631,868,016	678,322,996	704,776,403	731,047,063
	After Distribution (Note 2)	641,293,507	631,868,016	678,485,102	704,776,403	Note 2
Non-current liabilities		21,484,888	19,433,814	18,367,919	24,585,824	29,692,104
Total liabilities	Before Distribution	662,626,154	651,301,830	696,690,915	729,362,227	760,739,167
	After Distribution (Note 2)	662,778,395	651,301,830	696,853,021	729,362,227	Note 2
Equity of the parent company		22,413,508	22,003,763	22,998,010	23,327,084	21,955,773
Capital stock		15,224,105	16,213,672	16,213,672	16,862,097	16,862,097
Capital surplus		1,694,875	1,710,808	1,663,531	1,656,687	1,715,804
Retained earnings	Before Distribution	6,906,131	5,012,171	5,921,888	5,137,520	3,794,347
	After Distribution (Note 2)	6,753,890	5,012,171	5,759,782	5,137,520	Note 2
Other equity		(183,694)	295,021	335,721	807,582	720,327
Treasury stock		(1,227,909)	(1,227,909)	(1,136,802)	(1,136,802)	(1,136,802)
Non-controlling interest		35,867,280	38,598,643	43,402,141	48,448,944	53,007,021
Total equity	Before Distribution	58,280,788	60,602,406	66,400,151	71,776,028	74,962,794
	After Distribution (Note 2)	58,128,547	60,602,406	66,238,045	71,776,028	Note 2

Note 1: For those who have revaluation of assets in the current year, specify the revaluation date and the value of appreciation.

Note 2: The “amount after distribution” in the preceding paragraph refers to the amount resolved in the shareholders’ meeting in the following year.

## (II) Condensed statements of comprehensive income (consolidated information from different industries)

Unit: NT\$ 1000 (except for the earnings per share)

Item \ Year	Financial information for the last five year				
	2018	2018	2020	2021	2022
Income	41,549,187	35,732,022	30,816,399	33,046,524	34,118,148
Expenses	36,404,425	32,615,940	25,895,694	28,375,096	30,011,683
Business units in continuing operation Net profit before taxation	5,144,762	3,116,082	4,920,705	4,671,428	4,106,465
Income tax expenses	(735,127)	(535,258)	(871,997)	(820,647)	(1,309,639)
Net income or loss for current period	4,409,635	2,580,824	4,048,708	3,850,781	2,796,826
Current period other comprehensive income (post-tax profit or loss)	4,211	592,861	345,080	625,647	(1,112,023)
Current period other comprehensive income (Gross)	4,413,846	3,173,685	4,393,788	4,476,428	1,684,803
Net profit attributable to parent company	1,372,035	(729,764)	942,047	5,699	(1,352,253)
Net profit attributable to non-controlling interest	3,037,600	3,310,588	3,106,661	3,845,082	4,149,079
Total comprehensive income attributable to owners of the parent company	1,365,286	(273,437)	1,004,138	500,302	(1,431,407)
Comprehensive income, gross, attributable to non-controlling interest	3,048,560	3,447,122	3,389,650	3,976,126	3,116,210
Earnings per share	1.06	(0.57)	0.70	0.00	(1.01)

\* The Company has prepared individual financial statement; therefore, the below condensed individual balance sheets and Income Statement within five years are provided otherwise.

\* For financial information adopting the International Financial Reporting Standards (IFRS) for less than 5 years, shall prepare separately in Table (2) below with financial information adopting Taiwan's Enterprise Accounting Standard.

Note 1: Any year that has not been audited and attested by CPAs should be noted.

Note 2: TWSE or TPEX listed companies should disclose the financial information of the most recent period that has been audited and verified by CPA as of the publication date of the annual report.

Note 3: Losses from discontinued operations are stated after deducting income tax.

Note 4: For the financial data corrected or recomposed internally upon the notice of the competent authorities, the corrected or recomposed amount should be applied to prepare the financial report with the fact and reason for correction or re-composition noted.

# 1-1 Condensed balance sheet and income statement (individual)

## (I) Brief Balance Sheet

Unit: NTD thousand

Item	Year	Financial information for the last five year				
		2018	2018	2020	2021	2022
Current assets		9,994,209	6,994,181	4,258,104	5,622,500	5,508,933
Property, plant and equipment (Note 1)		11,286,138	10,917,846	9,622,004	9,173,654	8,725,528
Intangible assets		9	0	0	0	0
Other assets (Note 1)		17,604,254	19,670,814	21,826,922	24,119,102	25,276,555
Total assets		38,884,610	37,582,841	35,707,030	38,915,256	39,511,016
Current liabilities	Before Distribution	10,597,605	10,592,837	8,730,398	10,662,262	10,547,987
	After Distribution (Note 2)	10,749,846	10,592,837	8,892,504	10,662,262	Note 2
Non-current liabilities		5,852,347	4,963,337	3,956,551	4,904,336	7,005,392
Other liabilities		21,150	22,904	22,071	21,574	1,864
Total liabilities	Before Distribution	16,471,102	15,579,078	12,709,020	15,588,172	17,555,243
	After Distribution (Note 2)	16,623,343	15,579,078	12,871,126	15,588,172	Note 2
Equity of the parent company		22,413,508	22,003,763	22,998,010	23,327,084	21,955,773
Capital stock		15,224,105	16,213,672	16,213,672	16,862,097	16,862,097
Capital surplus		1,694,875	1,710,808	1,663,531	1,656,687	1,715,804
Retained earnings	Before Distribution	6,906,131	5,012,171	5,921,888	5,137,520	3,794,347
	After Distribution (Note 2)	6,753,890	5,012,171	5,759,782	5,137,520	Note 2
Other equity		(183,694)	295,021	335,721	807,582	720,327
Treasury stock		(1,227,909)	(1,227,909)	(1,136,802)	(1,136,802)	(1,136,802)
Total equity	Before Distribution	22,413,508	22,003,763	22,998,010	23,327,084	21,955,773
	After Distribution (Note 2)	22,261,267	22,003,763	22,835,904	23,327,084	Note 2

Note 1: For those who have revaluation of assets in the current year, specify the revaluation date and the value of appreciation.

Note 2: The “amount after distribution” in the preceding paragraph refers to the amount resolved in the shareholders’ meeting in the following year.



## (II) Brief Income Statement

Unit: NTS 1000 (except for the earnings per share)

Item	Year	Financial information for the last five year				
	2018	2018	2020	2021	2022	
Operating revenue	20,064,863	13,591,338	7,476,601	10,685,164	8,331,419	
Gross profit (loss)	810,696	(1,677,345)	(1,618,381)	(762,730)	(2,225,217)	
Operating gains (losses)	56,391	(2,380,187)	(2,077,532)	(1,296,043)	(2,753,365)	
Non-operating gain and loss in expenses	1,293,085	1,276,084	3,141,391	1,301,742	1,410,266	
Net income before tax (net loss)	1,349,476	(1,104,103)	1,063,859	5,699	(1,343,099)	
Income (loss) before tax of the continuing business units	1,372,035	(729,764)	942,047	5,699	(1,352,253)	
Profit or loss from discontinued operations	0	0	0	0	0	
Net income (loss) for current period	1,372,035	(729,764)	942,047	5,699	(1,352,253)	
Current period other comprehensive profit or loss	(6,749)	456,327	62,091	494,603	(79,154)	
Current period other comprehensive income (Gross)	1,365,286	(273,437)	1,004,138	500,302	(1,431,407)	
Earnings per share	1.06	(0.57)	0.73	0.00	(1.01)	

## (III) Names and opinions of auditors:

Year	CPA	Auditor's opinions
2017	Oscar Shih, Jin-Yen Wang	Unqualified opinion (Emphasis of matter or others)
2018	Oscar Shih, Wen-Ya Hsu	Unqualified opinion (Emphasis of matter or others)
2019	Wen-Ya Hsu, Oscar Shih	Unqualified opinion (Other information)
2020	Wen-Ya Hsu and Su-Huan You	Unqualified opinion (Other information)
2021	Wen-Ya Hsu and Su-Huan You	Unqualified opinion (Other information)
2022	Su-Huan You and Owen-P Wang	Unqualified opinion (Other information)

## II. Financial analysis for the latest 5 years

### (I) Consolidated information from different industries

Analytical items		Year	Financial Analysis for the most recent five years				
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to assets ratio	91.92	91.49	91.30	91.04	91.03	
	Long-term fund to property, plant and equipment ratio	Note	Note	Note	Note	Note	
Solvency (%)	Current ratio	Note	Note	Note	Note	Note	
	Liquid ratio	Note	Note	Note	Note	Note	
	Interest coverage ratio	Note	Note	Note	Note	Note	
Operating ability	Account receivable turnover (times)	Note	Note	Note	Note	Note	
	Days sales in account receivable	Note	Note	Note	Note	Note	
	Inventory turnover (times)	Note	Note	Note	Note	Note	
	Average payables turnover (times)	Note	Note	Note	Note	Note	
	Average inventory turnover days	Note	Note	Note	Note	Note	
	Property, plant, and equipment turnover (times)	1.08	0.78	0.50	0.64	0.52	
	Total assets turnover (times)	0.03	0.03	0.02	0.02	0.02	
Profitability	Return on assets (%)	1.17	0.95	0.98	0.81	0.83	
	Return on equity (%)	7.9	4.34	6.38	5.57	3.81	
	Pre-tax income to paid-in capital (%)	33.79	19.22	30.35	27.70	24.35	
	Net profit rate (%)	18.21	14.39	33.93	24.76	20.87	
	Earnings per share (NTD)	1.06	(0.57)	0.70	0.00	(1.01)	
Cash flows	Cash flow ratio (%)	Note	Note	Note	Note	Note	
	Cash flow adequacy ratio (%)	Note	Note	Note	Note	Note	
	Cash flow reinvestment ratio (%)	Note	Note	Note	Note	Note	
Leverage	Operating leverage	Note	Note	Note	Note	Note	
	Financial leverage	Note	Note	Note	Note	Note	
Reasons for the changes in the financial ratios in the past two years (increased or decreased by more than 20%):							
Decreased ROE and earnings per share compared to the previous period: the decrease in income after tax is primarily due to China Man-Made Fiber Corporation's decreased sales income.							
Note: The consolidated statements of the Company are from the consolidation of different industries, and the ratio is not applicable to the financial industry.							

1. Financial structure
  - (1) Liabilities to total assets = Total liabilities / total assets.
  - (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) / property, plant and equipment.
2. Solvency
  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick ratio = (current assets - inventories - prepaid expense) / current liabilities
  - (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating ability
  - (1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = Net sales / average receivable (including accounts receivable and notes receivable arising from business operation) balance
  - (2) Days sales in account receivable = 365 / Account receivable turnover (times)
  - (3) Inventory turnover (times) = Cost of goods sold / average inventory amount
  - (4) Payable (including accounts payable and notes payable arising from business operation) Turnover = Cost of goods sold / Average payable (including accounts payable and notes payable arising from business operation) balance
  - (5) Average days in sales = 365 / Inventory turnover (times)
  - (6) Property, plant, and equipment turnover (times) = Net sales / Net average property, plant, and equipment
  - (7) Total assets turnover (times) = Net sales / Average total assets
4. Profitability
  - (1) Return on assets = (after tax net profit + interest expenses x (1 - tax rate)) / average asset balance.
  - (2) Return on shareholders' equity = after tax net profit / total average equity.
  - (3) Profit ratio = net income / net sales
  - (4) Earnings per share = (profits or loss attributable to owners of the parent company - preferred stock dividend) / weighted average stock shares issued)
5. Cash flow
  - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
  - (2) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years
  - (3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (gross property, plant, and equipment + long-term investment + other noncurrent assets + working capital)
6. Leverage:
  - (1) Operating leverage = (Net operating revenue - variable operating costs and expenses) / Operating profit
  - (2) Financial leverage = Operating profit / (Operating profit - interest expense)

## (II) Individual information

Analytical items		Year	Financial Analysis for the most recent five years				
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to assets ratio	42.36	41.45	35.59	40.06	44.43	
	Long-term fund to property, plant and equipment ratio	250.63	247.21	280.36	307.98	331.93	
Solvency (%)	Current ratio	94.31	66.03	48.77	52.73	52.23	
	Liquid ratio	65.04	49.23	33.56	35.53	28.51	
	Interest coverage ratio	9.09	(4.92)	7.14	1.04	(5.85)	
Operating ability	Account receivable turnover (times)	8.20	6.00	5.68	7.71	5.38	
	Days sales in account receivable	44.51	60.83	64.26	47.34	67.84	
	Inventory turnover (times)	9.68	8.79	9.08	11.10	8.45	
	Account payable turnover (times)	10.43	10.23	9.94	12.56	11.26	
	Average inventory turnover days	37.72	41.51	40.21	32.89	43.18	
	Property, plant and equipment Turnover ratio (times)	1.77	1.22	0.73	1.14	0.93	
	Total assets turnover (times)	0.53	0.36	0.2	0.29	0.21	
Profitability	Return on assets (%)	4.01	(1.52)	2.95	0.33	(3.05)	
	Return on equity (%)	6.33	(3.29)	4.19	0.02	(5.97)	
	Ratio to issued capital stock (%)	Operating profit	0.37	(14.68)	(12.81)	(7.69)	(16.33)
		Income before taxation	8.86	(6.81)	6.56	0.03	(7.97)
	Net profit rate (%)	6.84	(5.37)	12.6	0.05	(16.23)	
	Earnings per share (NTD)	1.06	(0.57)	0.70	0	(1.01)	
Cash flows	Cash flow ratio (%)	1.55	4.06	(0.37)	(15.18)	(19.12)	
	Cash flow adequacy ratio (%)	40.81	42.20	1.95	(19.17)	(78.10)	
	Cash flow reinvestment ratio (%)	0.08	0.91	(0.11)	(5.78)	(6.51)	
Leverage	Operating leverage	20.12	Note	Note	Note	Note	
	Financial leverage	(0.51)	Note	Note	Note	Note	
Reasons for the changes in the financial ratios in the past two years (increased or decreased by more than 20%):							
<ol style="list-style-type: none"> <li>Decreased quick ratio: due to a decrease in fair value and accounts receivables and an increase in prepayments compared to the previous period, resulting in a decrease in the quick ratio.</li> <li>Decreased in interest coverage ratio and profitability compared to the previous period: due to decreased in sales revenues in previous period.</li> <li>Decreased accounts receivables turnover and inventory turnover compared to the previous period: main due to a greater decrease in current sales income than an increase in accounts receivables and a lower increase in sales costs than an increase in inventory.</li> <li>Increased average cash receipt days and number of sales days: mainly due to a decrease in accounts receivables turnover and inventory turnover.</li> <li>Current cashflow ratio and current fund flow adequacy ratio compared to the previous period: mainly due to increased current prepayments and accounts payables compared to the previous period, resulting in an increase in the net cash outflow from operating activities compared to the previous period.</li> </ol>							
Note: Operating profits were negative.							

The financial analysis formulas are as follows:

1. Financial structure
  - (1) Liabilities to total assets = Total liabilities / total assets.
  - (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) / property, plant and equipment.
2. Solvency
  - (1) Current ratio = current assets / current liabilities.
  - (2) Quick ratio = (current assets - inventories - prepaid expense) / current liabilities
  - (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating ability
  - (1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = Net sales / average receivable (including accounts receivable and notes receivable arising from business operation) balance
  - (2) Days sales in account receivable = 365 / Account receivable turnover (times)
  - (3) Inventory turnover (times) = Cost of goods sold / average inventory amount
  - (4) Payable (including accounts payable and notes payable arising from business operation) Turnover = Cost of goods sold / Average payable (including accounts payable and notes payable arising from business operation) balance
  - (5) Average days in sales = 365 / Inventory turnover (times)
  - (6) Property, plant, and equipment turnover (times) = Net sales / Net average property, plant, and equipment
  - (7) Total assets turnover (times) = Net sales / Average total assets
4. Profitability
  - (1) Return on assets = (after tax net profit + interest expenses x (1 - tax rate)) / average asset balance.
  - (2) ROE = Income after taxation / Average net equity.
  - (3) Profit ratio = net income / net sales
  - (4) Earnings Per Share = (earnings - dividends from preferred shares) / weighed average quantity of outstanding shares.
5. Cash flow
  - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
  - (2) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + inventory increase + cash dividend) within five years
  - (3) Cash re-investment ratio = (net cash flow from operating activity - cash dividend) / (gross property, plant, and equipment + long-term investment + other noncurrent assets + working capital)
6. Leverage:
  - (1) Operating leverage = (Net operating revenue - variable operating costs and expenses) / Operating profit
  - (2) Financial leverage = Operating profit / (Operating profit - interest expense)

### III. Audit Committee' Review Report

#### Audit Committee' Review Report

The board of directors has submitted the Company's 2022 business and financial reports (including the consolidated financial reports) and profit distribution table. Among them, the financial reports (including the consolidated financial reports) have been audited and validated by the certified public accounts, Su-Huan You and Owen-P Wang of Deloitte Taiwan. The reports are to be presented in accordance with Article 14-4 of the Securities and Exchange Act.

To:

The 2023 Annual General Shareholders' Meeting

Audit Committee

Convener: Te-Wei Li

March 8, 2023

## IV. Auditor's report, consolidated financial report and summary of notes for the most recent fiscal year

### Independent Auditor's Audit Report

To CHINA MAN-MADE FIBER CORPORATION:

#### **Auditor's opinions**

We have audited the accompanying consolidated balance sheet of China Man-Made Fiber Co., Ltd. and subsidiary as of December 31, 2022 and 2021, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In our opinion based on our audit results and the audit reports offered by other accountants (please refer to other sections), the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of China Man-Made Fiber and subsidiaries as of December 31, 2022 and 2021, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretation as well as related guidance translated by Accounting Research and Development Foundation endorsed by the Financial Supervisory Commission with the effective dates.

#### **The basis for opinions**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of Chinese Gamer International Corporation in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of China Man-Made Fiber Co., Ltd. and its subsidiaries, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matter**

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated statements of China Man-Made Fiber Co., Ltd. and its subsidiaries in 2022. These matters were addressed in the content 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 those matters.

Key audit procedures of the consolidated financial statements of China Man-Made Fiber Co., Ltd. and subsidiary in 2022 included:

#### Authenticity of specific sales revenue

Notes to key audit matters

China Man-made Fibers Co., Ltd. and its subsidiaries recognize sales income after the client obtains product control and assumes product risks. The accountant analyzed the sales income in 2022, taking into account sales amounts, gross profits, and other factors, to identify specific clients whose sales incomes are highlighted as key authenticity inspection items.

Please refer to Note 4 (17) of the consolidated financial statements for the accounting policies on sales revenue recognition.

Audit response

1. Awareness of the design and implementation of the internal control system related to the recognition of sales revenues for China Man-made Fiber Corporation and its subsidiaries.
2. The efforts to obtain details of the sales revenues account for specific customers of China Man-Made Fiber Corporation and Subsidiaries and select samples to check the shipping-related forms and documents to test the authenticity of the sales facts.
3. Verify the reasonableness of sales income recognition by mailing to specific clients to inquire about their sales transactions and by reviewing payment collection after the balance sheet date.

#### Assessment of the expected credit loss from discounting and advances.

Notes to key audit matters

As indicated in Notes 14 and 32(6) of the consolidated financial statements, for the net discounts and loans of China Man-made Fiber Corporation and its subsidiaries at the end of Year 2022, the anticipated credit loss amortized in Year 2022 amounted to NT\$514,112,826 thousand and NT\$969,901 thousand, respectively, accounting for 62% of the total assets and 58% of comprehensive profit and/or loss, respectively, deemed as quite significant toward the overall consolidated financial statement. In addition, China Man-Made Fiber Corporation and its subsidiaries consider major estimates and judgments of the management level including probability of default and loss given default when determining expected credit losses pursuant to decrees and ordinances of the competent authority. For these reasons, expected credit loss of discounts and loans to the customers are determined as key audit matters.

Regarding the accounting policies related to discounts and loans, the estimated credit loss, information linked up with accounting estimate and uncertainties in hypotheses, please refer to Notes 4 (14), 5, 14 and 32 (6) of the consolidated financial statements for details.

Audit response

1. Understand the internal control system adopted by the Company and its subsidiaries for assessing the expected credit loss from discounting and advances. The appropriated amount was inspected to check if it meets the requirements of related laws and regulations of the competent authority.
2. For the comprehensive evaluation of the expected credit loss adopted by China Man-Made Fiber Corporation, understand and re-calculated key parameters used in the impairment model (probability of default and loss given default) in order to evaluate the reasonableness.

#### **Other information**

The financial statements of investees included in the consolidated financial statements of the Company and its subsidiaries adopting the equity method have not been audited by us. They are audited by other accountants. Therefore, we refer to the audited reports of other accountants in expressing our opinions in the consolidated statement regarding the investments by equity method and subsidiaries, affiliates, joint ventures and other comprehensive gains and losses. The investments adopting the equity method in the other auditors' reports for years ended December 31, 2022 and 2021 are NT\$1,076,723 thousand and NT\$1,128,072 thousand, respectively. The gains and losses from subsidiaries, affiliates and joint ventures and other sources adopting the equity method in the other auditors' reports for 2022 and 2021 are NT\$(51,348) thousand and NT\$24,638 thousand, respectively. Meanwhile, certain information related to the re-investees' business disclosed under Note 48 of the consolidated financial statement is, as well, disclosed based on the audit reports of other certified public accountants.

China Man-made Fiber Corporation has duly prepared and compiled individual financial statements for the years 2022 and 2021 for which, we, the certified public accountant, have issued audit reports with unqualified opinion plus other matters ready for reference.

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

The 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, Regulations Governing the Preparation of Financial Reports by Public Banks, and applicable IFRS, IAS, SIC and IFRIC as recognized by the Financial Supervisory Commission, and for such internal control as the management determines is necessary to enable the preparation of the consolidated financial statements to be free from material misstatement whether or not due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of China Man-Made Fiber Co., Ltd. and its subsidiaries as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate China Man-Made Fiber Co., Ltd. and its subsidiaries or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of China Man-Made Fiber Co., Ltd. and its subsidiaries.

#### **Auditor's 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the accounting principles in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If fraud or errors are considered



materials, 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.

Upon auditing in accordance with the auditing regulations, we exercised professional judgment and professional skepticism. We also perform the following works:

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 risks and obtain evidence that is sufficient and appropriate to provide a basis of 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 internal control effective in China Man-Made Fiber Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on China Man-Made Fiber Co., Ltd. and its subsidiaries and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause China Man-Made Fiber Co., Ltd. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated statements, including related notes, whether the consolidated statements represent the underlying transactions and events in a matter that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information or the entities or business activities with China Man-Made Fiber Co., Ltd. and its subsidiaries to express an opinion on the consolidated financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the China Man-Made Fiber Co., Ltd.; also, is responsible for forming an opinion on the audit of the China Man-Made Fiber Co., Ltd. and its subsidiaries.

We communicate with those in charge of 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 in charge of 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 in charge of governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of China Man-Made Fiber Co., Ltd. and its subsidiaries of 2022 and are therefore the key audit matters. We describe these matters in our auditor's 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 communications.

Deloitte and Touche  
CPA: Su-Huan You

Owen-P Wang, CPA

Securities and Futures Commission Approval No. Tai-Cai-Zheng (6) No. 0920123784 To Financial Supervisory Commission Approval No. Ching-Kuan-Cheng-Shen-Tze No. 1100356048

March 8, 2023

China Man-Made Fiber Corporation and subsidiary  
Consolidated Balance Sheet  
December 31, 2022 and 2021

Unit: NTD thousand

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	<b>Current assets</b>				
1100	Cash and cash equivalents (Note 4, 6 and 37)	\$ 28,216,965	3	\$ 20,670,197	3
1110	Due from Central Bank and lend to Banks (Note 7 and 38)	40,921,600	5	38,193,986	5
1120	Financial assets through profit and/or loss with measuring for the faire values-current (Note 4 and 8)	29,219,088	4	34,039,013	4
1180	Bonds and securities sold under repurchase agreements (Note 4 and 9)	11,643,340	1	11,258,439	1
1201	Notes receivable (Note 4, 10 and 38)	5,922,212	1	5,461,813	1
1202	Accounts receivable (Note 4 and 10)	8,660,643	1	8,763,123	1
1203	Other receivable (Note 4 and 10)	1,627,393	-	2,837,994	-
1260	Current income tax asset (Notes 4 and 33)	6,966	-	10,742	-
1270	Inventory (Note 4 and 11)	1,824,464	-	1,732,447	-
1280	Prepaid (Note 12 and 37)	1,512,572	-	1,003,060	-
1320	Other current assets (Note 13 and 38)	717,064	-	547,245	-
1330	Notes discounted and loans – net (Note 4, 14 and 37)	<u>514,112,826</u>	<u>62</u>	<u>479,806,373</u>	<u>60</u>
11XX	Total current assets	<u>644,385,133</u>	<u>77</u>	<u>604,324,432</u>	<u>75</u>
	<b>Non-Current assets</b>				
1415	Financial assets at fair value through other comprehensive income- non-current (Note 4, 15 and 38)	49,607,665	6	52,523,487	7
1435	Financial assets on the basis of cost after amortization- non-current (Note 4, 16 and 38)	104,757,966	13	109,181,808	14
1470	Investment by equity method (Note 4, 18 and 38)	1,084,375	-	1,139,593	-
1500	Real estates, plant and equipment - net (Notes 4, 19 and 38)	27,015,984	3	24,907,282	3
1595	Right-of-use assets (Note 4 and 20)	1,038,871	-	1,069,882	-
1600	Real estate investments - net (Note 4, 21 and 38)	3,483,974	1	2,570,573	-
1700	Intangible assets – net (Note 4 and 22)	266,612	-	253,813	-
1800	Deferred income tax assets – net (Notes 4 and 33)	1,344,012	-	1,519,692	-
1900	Other assets (Note 23 and 38)	<u>2,717,369</u>	<u>-</u>	<u>3,647,693</u>	<u>1</u>
14XX	Total non-current assets	<u>191,316,828</u>	<u>23</u>	<u>196,813,823</u>	<u>25</u>
1XXX	Total assets	<u>\$ 835,701,961</u>	<u>100</u>	<u>\$ 801,138,255</u>	<u>100</u>
	<b>Liabilities and equity</b>				
	<b>Current liabilities</b>				
2110	Short-term loans (Note 24 and 38)	\$ 19,057,710	2	\$ 19,113,118	3
2120	Short-term bills payable (Note 24)	4,871,403	1	4,290,840	1
2130	Bills and bonds sold under repurchase agreements (Note 4 and 25)	-	-	1,205,559	-
2140	Financial liabilities through profit and/or loss with measuring for the faire values-current (Note 4 and 8)	1,630,985	-	512,399	-
2190	Due to Central Bank and other banks (Note 26)	8,703,740	1	3,953,700	1
2201	Payable notes	8,571	-	59,886	-
2202	Accounts payable (Note 37)	1,251,095	-	1,485,218	-

2204	Other accounts payable (Note 27)	9,774,804	1	10,727,435	1
2310	Current income tax liability (Notes 4 and 33)	578,622	-	448,682	-
2330	Long-term liability due in one year or one business cycle (Note 24 and 38)	1,445,539	-	2,610,828	-
2335	Lease liabilities – current (Note 4 and 20)	198,587	-	188,630	-
2350	Other current liabilities	694,384	-	1,356,279	-
2360	Customer deposits and remittances (Note 28 and 37)	<u>682,831,623</u>	<u>82</u>	<u>658,823,829</u>	<u>82</u>
21XX	Total of current liabilities	<u>731,047,063</u>	<u>87</u>	<u>704,776,403</u>	<u>88</u>
	Non-current liabilities				
2540	Bonds payable (Note 29 and 37)	14,990,000	2	14,990,000	2
2550	Long-term loans (Note 24 and 38)	6,772,764	1	4,912,200	1
2600	Liability reserve (Note 4 and 30)	1,461,472	-	1,641,199	-
2620	Deposits received	637,475	-	659,702	-
2625	Lease liabilities – non-current (Note 4 and 20)	750,813	-	773,292	-
2630	Deferred tax liabilities (Note 4 and 33)	1,020,032	-	1,020,032	-
2660	Other liabilities	<u>4,059,548</u>	<u>1</u>	<u>589,399</u>	<u>-</u>
25XX	Total non-current liability	<u>29,692,104</u>	<u>4</u>	<u>24,585,824</u>	<u>3</u>
2XXX	Total liabilities	<u>760,739,167</u>	<u>91</u>	<u>729,362,227</u>	<u>91</u>
	Equity of the parent company (Note 31)				
3110	Common stock capital	16,862,097	2	16,862,097	2
3210	Capital surplus	1,715,804	-	1,656,687	-
	Retained earnings				
3310	Legal reserve	949,064	-	946,448	-
3320	Special reserve	1,934,645	1	1,934,645	-
3330	Undistributed earnings	910,638	-	2,256,427	1
	Other equity				
3410	Exchange differences from the translation of financial statements of foreign operations	( 96,538 )	-	( 112,220 )	-
3425	Unrealized gain on financial assets at fair value through other comprehensive profit or loss	816,865	-	919,802	-
3500	Treasury stock (Note 4)	( <u>1,136,802</u> )	<u>-</u>	( <u>1,136,802</u> )	<u>-</u>
31XX	Total equity of the parent company	<u>21,955,773</u>	<u>3</u>	<u>23,327,084</u>	<u>3</u>
32XX	Non-controlling interest (Note 31)	<u>53,007,021</u>	<u>6</u>	<u>48,448,944</u>	<u>6</u>
3XXX	Total equity	<u>74,962,794</u>	<u>9</u>	<u>71,776,028</u>	<u>9</u>
4XXX	Total Liabilities and Equity	<u>\$ 835,701,961</u>	<u>100</u>	<u>\$ 801,138,255</u>	<u>100</u>

The notes attached shall constitute an integral part of this consolidated financial statement.  
(Refer to Auditor's Report presented by Deloitte & Touche dated March 8, 2023)

Chairman Kuei-Shiang Wang

Manager: Chieh-Yi Wang

Accounting Supervisor: Tzu Wei Huang

China Man-Made Fiber Corporation and subsidiary  
Consolidated Income Statement  
January 1 to December 31, 2022 and 2021

Code		Unit: NTD Thousand, except for earnings (losses) per share in NTD			
		2022		2021	
		Amount	%	Amount	%
	Revenue (Note 4)				
4010	Interest revenues (Note 32 and 37)	\$ 15,593,383	46	\$ 12,256,134	37
4050	Income from handling fees (Note 32)	3,596,797	10	3,638,217	11
4060	Shareholding in the affiliated companies and joint ventures under the equity method (Note 18)	-	-	24,959	-
4090	Gain (loss) on financial assets and liabilities at fair value through profit and loss (Note 32)	882,737	3	819,390	3
4105	Realized gain on financial assets at fair value through other comprehensive profit or loss	-	-	4,635	-
4160	Net sales revenue (Note 37)	13,402,140	39	15,551,039	47
4255	Expected credit reversal benefit (Note 10, 15, 16 and 32)	7,924	-	-	-
4260	Exchange gain	-	-	110,940	-
4270	Other income (Note 32)	635,167	2	641,210	2
4XXX	Total revenue	<u>34,118,148</u>	<u>100</u>	<u>33,046,524</u>	<u>100</u>
	Expenses				
5010	Interest expenses (Note 32 and 37)	5,021,216	15	3,117,854	10
5060	Service charges (Note 32)	279,988	1	263,506	1
5080	Loss of affiliated companies and joint ventures under the equity method (Note 18)	57,914	-	-	-
5090	Bad debt expense, commitment and guaranty reserve (Note 10, 14, 30 and 32)	\$ 1,252,450	4	\$ 1,368,511	4
5125	Already realized losses of financial losses measured at fair value through other comprehensive profit and/or loss.	5,126	-	-	-
5190	Cost of goods sold (Note 11 and 37)	14,491,218	42	15,259,299	46
5230	Operating expenses (Note 30 and 32)	8,731,954	26	8,296,690	25
5280	Impairment (Note 19, 22 and 32)	28,272	-	44,244	-
5285	Expected credit impairment loss (Note 32)	-	-	4,064	-
5290	Exchange loss	128,505	-	-	-
5320	Other expenses (Note 32)	15,040	-	20,928	-
5XXX	Total expenses	<u>30,011,683</u>	<u>88</u>	<u>28,375,096</u>	<u>86</u>
6100	Net profit before taxation	4,106,465	12	4,671,428	14
6200	Income tax expenses (Note 4 and 33)	<u>1,309,639</u>	<u>4</u>	<u>820,647</u>	<u>2</u>
6500	Net income	<u>2,796,826</u>	<u>8</u>	<u>3,850,781</u>	<u>12</u>
	Other comprehensive profit or loss				
	The items that are not re-classified as profit or loss				
6611	Determined Benefit Plan Rerevaluation (Note 4 and 30)	86,243	-	5,979	-
6617	Evaluation of the capital gain from equity instrument at fair value through comprehensive income statement as other comprehensive income	99,192	1	854,046	3
6625	The proportion of other comprehensive incomes from associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss	\$ 2,507	-	( \$ 1,142 )	-
6649	Income tax related to titles without reclassification (Notes 4 and 33)	( <u>17,016</u> )	-	( <u>1,524</u> )	-
6610		<u>170,926</u>	<u>1</u>	<u>857,359</u>	<u>3</u>
	Items that may be re-classified subsequently under profit or loss				
6651	Exchange differences from the translation of financial statements of foreign operations	106,524	-	17,273	-
6659	Capital gain/loss of debts instrument at fair value through comprehensive income statement as other comprehensive income	( 1,389,473 )	( 4 )	( 248,985 )	( 1 )
6689	Income tax related to items possibly be reclassified (Notes 4 and 33)	-	-	-	-
6650		( <u>1,282,949</u> )	( <u>4</u> )	( <u>231,712</u> )	( <u>1</u> )
6600	Other comprehensive income (post-tax profit or loss)	( <u>1,112,023</u> )	( <u>3</u> )	<u>625,647</u>	<u>2</u>
6700	Total amount of comprehensive income of the current year	<u>\$ 1,684,803</u>	<u>5</u>	<u>\$ 4,476,428</u>	<u>14</u>
	Profit attributable to:				
6810	Owners of parent	( \$ 1,352,253 )	( 4 )	\$ 5,699	-
6820	Non-controlling interest	4,149,079	12	3,845,082	12
6800		<u>\$ 2,796,826</u>	<u>8</u>	<u>\$ 3,850,781</u>	<u>12</u>
	The total comprehensive income belongs to				
6910	Owners of parent	( \$ 1,431,407 )	( 4 )	\$ 500,302	2
6920	Non-controlling interest	3,116,210	9	3,976,126	12
6900		<u>\$ 1,684,803</u>	<u>5</u>	<u>\$ 4,476,428</u>	<u>14</u>
	Earnings (losses) per share (Note 34)				
7000	Basic earnings per share (losses)	( \$ <u>1.01</u> )		\$ -	
7100	Diluted earnings per share (losses)	( \$ <u>1.01</u> )		\$ -	

The notes attached shall constitute an integral part of this consolidated financial statement.  
(Refer to Auditor's Report presented by Deloitte & Touche dated March 8, 2023)

Chairman Kuei-Shiang Wang

Manager: Chieh-Yi Wang

Accounting Supervisor: Tzu Wei Huang

China Man-Made Fiber Corporation and subsidiary  
Consolidated Statements of Changes in Shareholders' Equity  
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code		Equity of the company					Other equity			Total	Non-controlling interest	Total equity
		Capital stock		Retained earnings			Exchange differences from the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	Treasury stock			
		Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings						
A1	Balance as of January 1, 2021	\$ 16,213,672	\$ 1,663,531	\$ 855,476	\$ 1,940,822	\$ 3,125,590	( \$ 116,241 )	\$ 451,962	( \$ 1,136,802 )	\$ 22,998,010	\$ 43,402,141	\$ 66,400,151
	The 2020 appropriation and distribution of earnings											
B1	Legal reserve appropriated	-	-	90,972	-	( 90,972 )	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	( 162,106 )	-	-	-	( 162,106 )	-	( 162,106 )
B9	Stock dividends	648,425	-	-	-	( 648,425 )	-	-	-	-	-	-
B17	Reversal of special reserve	-	-	-	( 6,177 )	6,177	-	-	-	-	-	-
C7	Changes of the associates and joint ventures recognized under the Equity Method	-	-	-	-	606	-	( 463 )	-	143	-	143
D1	110 Profit	-	-	-	-	5,699	-	-	-	5,699	3,845,082	3,850,781
D3	Other comprehensive profit and loss after tax in 2021	-	-	-	-	( 3,187 )	4,021	493,769	-	494,603	131,044	625,647
D5	Total comprehensive profit and loss in 2021	-	-	-	-	2,512	4,021	493,769	-	500,302	3,976,126	4,476,428
M1	Dividends distributed to the subsidiaries adjusted to the additional paid-in capital	-	15,826	-	-	-	-	-	-	15,826	17,274	33,100
M7	Changes in the ownership equity on a subsidiary	-	( 22,670 )	-	-	( 2,421 )	-	-	-	( 25,091 )	25,091	-
O1	Increase/ decrease in Non-controlling interest (Note 31)	-	-	-	-	-	-	-	-	-	1,028,312	1,028,312
Q1	Equity instrument at fair value through other comprehensive income statement	-	-	-	-	25,466	-	( 25,466 )	-	-	-	-
Z1	Balance as of December 31, 2021	16,862,097	1,656,687	946,448	1,934,645	2,256,427	( 112,220 )	919,802	( 1,136,802 )	23,327,084	48,448,944	71,776,028
	The 2021 appropriation and distribution of earnings											
B1	Legal reserve appropriated	-	-	2,616	-	( 2,616 )	-	-	-	-	-	-
C7	Changes of the associates and joint ventures recognized under the Equity Method	-	-	-	-	( 305 )	-	3,532	-	3,227	-	3,227
D1	Net income (loss) in 2022	-	-	-	-	( 1,352,253 )	-	-	-	( 1,352,253 )	4,149,079	2,796,826
D3	Other comprehensive profit and loss after tax in 2022	-	-	-	-	20,649	15,682	( 115,485 )	-	( 79,154 )	( 1,032,869 )	( 1,112,023 )

D5	Total comprehensive profit and loss in 2022	-	-	-	-	( 1,331,604 )	15,682	( 115,485 )	-	( 1,431,407 )	3,116,210	1,684,803
M7	Changes in the ownership equity on a subsidiary	-	59,117	-	-	( 2,248 )	-	-	-	56,869	( 56,869 )	-
O1	Increase/ decrease in Non-controlling interest (Note 31)	-	-	-	-	-	-	-	-	-	1,498,736	1,498,736
Q1	Equity instrument at fair value through other comprehensive income statement	-	-	-	-	( 9,016 )	-	9,016	-	-	-	-
Z1	Balance as of December 31, 2022	\$ 16,862,097	\$ 1,715,804	\$ 949,064	\$ 1,934,645	\$ 910,638	( \$ 96,538 )	\$ 816,865	( \$ 1,136,802 )	\$ 21,955,773	\$ 53,007,021	\$ 74,962,794

The notes attached shall constitute an integral part of this consolidated financial statement.  
(Refer to Auditor's Report presented by Deloitte & Touche dated March 8, 2023)

Chairman Kuei-Shiang Wang

Manager: Chieh-Yi Wang

Accounting Supervisor: Tzu Wei Huang

China Man-Made Fiber Corporation and subsidiary  
Consolidated Statements of Cash Flow  
January 1 to December 31, 2022 and 2021

Code		2022	Unit: NTD thousand 2021
	Cash flow from operating activities		
A00010	Income before tax from continuing operations	\$ 4,106,465	\$ 4,671,428
	Profits and loss		
A20100	Depreciation expenses	1,091,990	1,181,999
A20200	Amortization expenses	72,486	65,581
A20300	Expected credit impairment loss	1,244,526	1,372,575
A20400	Gain (loss) on financial assets and liabilities at fair value through profit and loss	( 882,737 )	( 819,390 )
A20900	Interest expenses	5,021,216	3,117,854
A21200	Interest revenue	( 15,593,383 )	( 12,256,134 )
A21300	Dividend income	( 335,068 )	( 208,149 )
A22300	Loss (gain) of affiliated companies and joint ventures under the equity method	57,914	( 24,959 )
A22500	Gain on disposal and scrapping of property, plant and equipment	( 761 )	( 13,629 )
A22700	Capital gain from disposition of investment property	( 70,820 )	-
A23100	Capital loss (gain) of instrument investments measured at fair value through other comprehensive income	5,126	( 4,635 )
A23200	Loss (gain) from disposition of subsidiaries	788	( 937 )
A23700	Loss in impairment of non-financial assets	28,272	44,244
A24100	Unrealized foreign currency exchange loss (gain)	( 1,521,835 )	439,109
A29900	Termination of lease profits	( 3,153 )	( 5,797 )
	Net change in operating assets and liabilities		
A91110	Due from Central Bank and lend to Banks	( 2,378,335 )	( 1,445,572 )
A91120	Financial assets at fair value through profit and loss	7,923,247	( 946,746 )
A91190	Accounts receivable	1,176,595	( 2,042,272 )
A91250	Inventory	( 92,017 )	( 583,633 )
A91260	Prepayments	( 509,512 )	( 143,528 )
A91280	Other current assets	( 26,897 )	51,448
A91290	Discounts and loans	( 35,356,530 )	( 24,293,453 )
A91320	Other financial assets	150,956	( 534,192 )
A92110	Bills and bonds sold under repurchase agreements	( \$ 1,205,559 )	( \$ 1,094,518 )
A92120	Financial liabilities at fair value through profit and loss	( 1,101,999 )	( 1,121,323 )
A92150	Due to Central Bank and other banks	4,750,040	( 3,083,638 )
A92160	Payables	( 1,560,688 )	3,283,428
A92280	Other current liabilities	( 596,741 )	538,160
A92290	Customer deposits and remittances	24,007,794	22,635,138
A92330	Other financial liabilities	3,404,995	477,248
A92310	Employee benefit liabilities reserve	( 123,452 )	( 126,016 )
A33000	Cash outflow from operating activities	( 8,317,077 )	( 10,870,309 )
A33100	Interest received	15,091,792	12,381,038
A33200	Dividends received	335,068	208,149
A33300	Interest payment	( 4,684,807 )	( 3,155,429 )
A33500	Income tax payment	( 1,003,686 )	( 604,708 )
AAAA	Net cash inflow (outflow) from operating activities	<u>1,421,290</u>	<u>( 2,041,259 )</u>
	Cash flow from investing activities		
B00010	Acquisition of financial assets at fair value through other comprehensive profit or loss	( 2,852,064 )	( 11,764,197 )
B00020	Disposal of financial assets at fair value through other comprehensive profit or loss	4,659,467	3,779,522
B00040	Financial assets acquired on the basis of cost after amortization	( 783,723,829 )	( 907,585,588 )
B00060	Held-to-maturity financial assets based on cost after amortization	789,824,504	910,515,784

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B02300	Net cash inflow (outflow) from disposition of subsidiaries	( 6,148 )	1,058
B02700	Acquisition of property, plant and equipment	( 3,033,814 )	( 2,024,667 )
B02800	Disposal of property, plant and equipment	4,545	115,755
B03700	Decrease (increase) in Refundable deposits	( 255,618 )	21,616
B04500	Acquisition of Intangible assets	( 86,158 )	( 69,760 )
B05400	Acquisition of investment property	( 987,383 )	( 425,618 )
B05500	Disposition of investment property	140,161	-
B06800	Decrease (increase) in other assets	720,330	( 548,508 )
B09900	Decrease (increase) in restricted assets	( 142,922 )	1,526
BBBB	Net cash inflow (outflow) from investing activities	<u>4,261,071</u>	<u>( 7,983,077 )</u>
Cash flow from financing activities			
C00100	Increase of short-term loans	-	4,443,778
C00200	Decrease in short-term loans	( 55,408 )	-
C00500	Increase in short-term notes payable	580,563	704,087
C01400	Issuance of financial bonds	\$ -	\$ 5,000,000
C01600	Proceeds from long-term loan	6,048,540	3,335,000
C01700	Re-payments of long-term borrowings	( 5,353,265 )	( 3,354,634 )
C03000	Increase in deposits received	-	74,353
C03100	Decrease in guarantee deposits	( 22,227 )	-
C04020	Payment of principal element of lease liabilities	( 168,929 )	( 249,054 )
C04500	Cash dividend released	-	( 129,006 )
C05800	Change in non-controlling interest	<u>1,498,736</u>	<u>1,028,312</u>
CCCC	Net cash inflow from financing activities	<u>2,528,010</u>	<u>10,852,836</u>
DDDD	Impact of changes in exchange rate on cash and cash equivalents	<u>70,577</u>	<u>18,464</u>
EEEE	Current cash and cash equivalents increase	8,280,948	846,964
E00100	Balance of cash and cash equivalents, beginning of period	<u>50,072,311</u>	<u>49,225,347</u>
E00200	Balance of cash and cash equivalent, end of period	<u>\$ 58,353,259</u>	<u>\$ 50,072,311</u>

Ending cash and cash equivalents adjustment

<u>Code</u>		<u>December 31, 2022</u>	<u>December 31, 2021</u>
E00210	Cash and cash equivalents on the balance sheet	\$ 28,216,965	\$ 20,670,197
E00220	The "Due from Central Bank and Banks" in compliance with the definition of cash and cash equivalents under IAS 7	18,492,954	18,143,675
E00230	The "bonds and securities sold under repurchase agreements" that meet the definitions of cash and cash equivalents under IAS 7	<u>11,643,340</u>	<u>11,258,439</u>
E00200	Balance of cash and cash equivalent, end of period	<u>\$ 58,353,259</u>	<u>\$ 50,072,311</u>

The notes attached shall constitute an integral part of this consolidated financial statement.  
(Refer to Auditor's Report presented by Deloitte & Touche dated March 8, 2023)

Chairman Kuei-Shiang Wang

Manager: Chieh-Yi Wang

Accounting Supervisor: Tzu Wei Huang



# Notes to consolidated financial statement

January 1 to December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars, Unless Otherwise Noted)

## 1. Company Profile

- (1) China Man-made Fiber Corporation (hereinafter referred to as the Company or CMFC) was founded on May 11, 1955 in accordance with the Company Act and other related regulations. The Company was approved to be traded on the TWSE on December 2, 1963. Over the years after several rounds of increase and decrease in cash capital, the paid-in capital as of December 31, 2022 is NT\$16,862,097 thousand.
- (2) CMFC's main businesses are:
  1. Manufacture, processing and trading of artificial fiber, glass paper, polyamine fiber, polyester fiber, chemical products and raw materials thereof;
  2. Development, manufacture and trading of the machines referred to in the preceding paragraph;
  3. Manufacture and trading of ethylene glycol, ethylene oxide, nonylphenol, ethylene, LGP and petrochemical industry-related products;
  4. Lease and sale of national housing and commercial buildings constructed by commissioned contractors;
  5. Distribution, sorting, handling and storage of various products;
  6. Management of supermarkets, trading of fresh foods, vegetables, fish, dried merchandise and various seasonings;
  7. Production and sale of steam and industrial power generated by cogeneration (no power may be sold to energy users);
  8. Agency and distribution of cogeneration and pollution-prevention equipment, and contract of installation work;
  9. Manufacture and trading of oxygen, liquid oxygen, nitrogen, argon, liquid argon, CO<sub>2</sub> and compressed air;
  10. Gas station.
- (3) The consolidated financial statements are presented in the Company's functional currency – New Taiwan Dollar.

## 2. Financial reporting date and procedures

The Board of Directors approved the consolidated financial statements for publication on March 8, 2023.

## 3. Application of new and revised standards and interpretation

- (1) The Company has applied the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations (hereinafter referred to collectively as "IFRSs") endorsed and published by the Financial Supervisory Commission (hereinafter referred to as "the FSC" in the following context) for the first time.

The applicable amended IFRSs recognized and promulgated by the Financial Supervisory Commission shall not result in significant changes to the company's (henceforth the consolidated company) and its subsidiaries' accounting policy.

- (2) Applicable FSC-approved IFRSs as of 2023

<u>The new / amended / revised standards or interpretation</u>	<u>Effective Date per IASB</u>
IAS 1 amended "Disclosure of accounting policies."	January 1, 2023 (Note 1)
IAS 8 amended "Definition of accounting estimations."	January 1, 2023 (Note 2)
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023 (Note 3)

Note 1: This amendment will be applicable for annual reporting periods beginning after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during the annual reporting period beginning after January 1, 2023.

Note 3: Except for temporary differences recognized under deferred income taxes between leases and ex-service obligations as of January 1, 2022, this amendment applies to transactions occurred after January 1, 2022.

1. IAS 1 amended “Disclosure of accounting policies.”

The amendment stipulates that the consolidated company decide major accounting policy information to be disclosed in accordance with major definitions. If the accounting policy information can be reasonably expected to affect the main users of financial statements for general purpose who use the said financial statements as the basis for making decisions. Amendment and Clarification:

- Policy accounting information not related to major transactions or other matters or situations, the said information is considered not major. If that is the case, the consolidated company needs not disclose such information.
- The consolidated company may determine related accounting policy information as major due to the nature of transactions or other matters or situations. The same shall apply even if the amount is insignificant.
- All accounting policy information not related to major transactions, other matters, or situations is considered major.

In addition, the amendment also cites examples to explain if the accounting policy information is related to major transactions or others matters or situations and that the following situations occur, the said information may be considered major:

- (1) The consolidated company has changed its accounting policy during the reporting period, and the change will lead to major changes in information in the financial statement.
- (2) The consolidated company shall select a suitable accounting policy among the options allowed in the standards.
- (3) Due to a lack of regulations in the specific standards, the consolidated company shall establish accounting policies in accordance with IAS8 “Accounting Policy, Accounting Estimated Changes and Errors.”
- (4) The consolidated company discloses its need for relevant accounting policies to make major judgements and assumptions; or
- (5) Involves complex accounting disposal regulations and financial statement users’ dependence on information on the said information to understand major transactions, or other matters or situations.

2. IAS 8 amended “Definition of accounting estimations.”

The said amendment expressly specifies that the accounting estimate refers to the monetary amount affected by measurement uncertainty amidst the financial statements. Where the Considered Company is subject to the accounting policies, it might possibly be required to measure financial statement items with monetary amounts that cannot be directly observed and must be estimated instead. Accordingly, it is necessary to use measurement techniques and input values to establish accounting estimates to accomplish such purpose. Where the impact of changes in measurement technology or input values on accounting estimates is not a correction toward a preceding error, these changes are attributed to changes in accounting estimates.

Further to the above effects, the assessment of consolidated company on other IFRSs as of the day this consolidated financial statement was approved for release did not cause significant influence on the consolidated financial position and consolidated financial performance.

- (3) The IFRSs released by the IASB but not yet approved and announcement effective by the Financial Supervisory Commission

<u>The new / amended / revised standards or interpretation</u>	<u>IASB publication effective date (Note 1)</u>
Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates.”	Undefined
Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as	January 1, 2024

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
Current or Non-current” Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless otherwise specified, the aforementioned newly corrected/amended standards or interpretations come to effect during the annual reporting period starting after respective dates.

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

As of the release date of the consolidated financial report, the consolidated company continues to evaluate the impact on the financial position and performance from the other standards and interpretations, and the relevant impacts will be disclosed when the evaluation is completed.

#### 4. Summary of important accounting policies

##### (1) Statement of Compliance

This consolidated financial report is prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Regulations Governing the Preparation of Financial Reports by Public Banks, the Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs recognized by and declared effective by the FSC.

##### (2) Basis of Preparation

Except for the financial instruments on the basis of fair value and the recognition of net defined benefit liabilities on the basis of the present value of net defined benefit obligation net of the fair value of planned assets, this consolidated financial statement was compiled on the basis of historical cost.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

##### (3) Current and non-current assets and liabilities

Current assets including:

1. Assets held mainly for trading purpose;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including those that are limited to exchange or repay liabilities exceeding 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading purposes;
2. The liabilities to be liquidated upon due within 12 months after the balance sheet date (those with long-term refinancing or payment term rearrangement completed from the balance sheet date to the financial reports approved and published date are also classified as current liabilities), and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date. Where the liabilities might be paid off at the discretion of the other party through the tools of the issuance equity, the classification would remain unaffected.

However, CMFC is engaged in construction projects through Taichung Commercial Bank and Taichung Bank Leasing, and the business cycle is longer than one year. Therefore, the assets and liabilities related to the business adopt the business cycle as the standard to be classified as current or non-current.

##### (4) Basis of consolidation

The principles for preparing the consolidated financial report are consistent with those of the consolidated financial report for 2021. Please refer to Note 17, Schedule 8 and 9 for the details, shareholdings ratio, and business operation of the subsidiaries.

The non-controlling interests of the subsidiaries are expressed separately from the interests of the owners of the Company.

The comprehensive income was proportioned to the non-controlling interest.

The total comprehensive incomes of the subsidiaries were non-controlling interest attributed to the Company's owners and the non-controlling interest, to become the balance of loss even as the non-controlling interest.

Changes in the ownership equity on a subsidiary

When the changes of interest of the subsidiaries' ownership by the Consolidated Company do not lead to the loss of control, it is disposed of as interest transactions. The book value of the Consolidated Company and non-controlling interest has been adjusted to reflect the changes of the relative interest of subsidiaries. The differential between the adjustment amount of non-controlling interest and the fair value of consideration received is directly recognized as interest and belongs to the owner of the Company.

When the consolidated company loses its control of the subsidiary, the profit or loss from the disposal is the difference between the following two items: (1) The fair value of the consideration received and the total remaining investment at fair value of the former subsidiary at the date of control loss and (2) The assets (including goodwill) and liabilities and the total carrying amount of the non-controlling interest at the date of control loss of the former subsidiary. With respect to all amounts related to the subsidiary recognized by the consolidated company in other comprehensive profit loss, the accounting treatment is the same basis on which the consolidated company directly disposes of assets or liabilities.

The fair value of the remaining investment to a former subsidiary at the date of control loss is the amount of investment in an associate company and joint venture on initial recognition.

Please refer to Note 17 for the details, shareholdings ratio, and business operation of the subsidiaries.

#### (5) Foreign currencies

When preparing the financial statements of each business entity of the consolidated company, the transactions in currencies other than the functional currency (the currency of the primary economic environment in which the entity operates) of the respective business entity (foreign currency) should be translated into the functional currency in accordance with the exchange rate on the transaction day.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. Non-monetary items carried at fair value should be reported at the rate that existed when the fair values were determined. The foreign non-currency items measured at historic cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

Exchange differences arising when monetary items are settled or when monetary items are translated at different rates are reported in profit or loss in the period, with the following exceptions.

With respect to the monetary items receivable or payable for foreign operations, the settlement is currently not planned for the foreseeable future (thus forming part of the reporting entity's net investment in a foreign operation). The exchange differences originally are recognized as other comprehensive income, and the disposal of net investment is re-classified from equity to income.

The exchange difference arising from the non-monetary assets or liabilities (such as, equity instruments) in foreign currency measured at fair value that are translated in accordance with the spot exchange rate at the balance sheet date is booked as a profit or loss. However, the exchange difference arising from the changes in fair value recognized as other comprehensive profit or loss should be booked in the "Other comprehensive profit or loss."

When preparing the consolidated financial statements, the assets and liabilities of the consolidated company's foreign operations should be translated into New Taiwan dollars in accordance with the exchange rate on the balance sheet date. Except for the translations at the exchange rate on the transaction date during a period which has sharp fluctuations, the other income and loss are translated at the the average exchange rate for the current period. The resulting exchange differences are recognized as other comprehensive income and are attributed to the owner of the Company and non-controlling interest.

(6) Bonds Purchased under Resell/Notes Issued under Repurchase Agreements

For underwritten bonds and securities that are sold under RP and RS agreements, recognize interest expense and interest income on the accrual basis between the purchase and sale dates and agreed RP and RS date; also, recognize RP (Debt) and bonds and securities sold under resell agreements between the sale and purchase dates.

(7) Inventories

Inventories include raw materials, supplies, work-in-progress, products contracted to be processed, finished goods and products. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. Inventory cost is determined by the weighted-average method.

The construction inventories were stated at the cost invested actually. The cost for available-for-sale housing and land was amortized based on weighted-average building coverage method, and stated at the lower of cost or net realizable value at the end of period.

(8) Investments in the affiliated company

The term "associate" as set forth herein denotes an enterprise, which has significant effect upon the Consolidated Company, but is not a subsidiary or a joint venture.

The Consolidated Company' adopts equity method for investment in associates. Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive profit or loss by the consolidated company. Additionally, the change in the interests the Consolidated Company' holds in the associates was recognized pro rata to the shareholding percentages.

The consolidated company may choose to use the treasury stock method to determine the investment's gains or losses of the related enterprise if the consolidated company and the invested company are related.

When associates issue new shares, if the Consolidated Company fails to subscribe stock share proportionally to their shareholding, resulting in changes in shareholding ratio and thus causing changes in net equity investment, the increase or decrease amount should be adjusted to the additional paid-in capital – recognizing changes in net equity of associates under the equity method and investment under equity method. If the Consolidated Company' did not subscribe to the new shares pro rata to the shareholding percentages and led to a decrease of the shareholding percentages subscribed to or obtained from the associate, nevertheless, the amount of other comprehensive income so recognized was reclassified pro rata to the decrease ratio in the associate. The accounting management was on the grounds same as the grounds the associate must comply with if it directly disposed assets or liabilities. If the aforementioned adjustment must be debited into capital reserve where the balance of capital reserve yielded by the investment in equity method, the difference was debited as retained earnings.

In the event that the Consolidated Company's shares of loss in the associates equal to or exceed its equity in the associates (including the book value of investment in the associates in equity method and other long-term interest of the Consolidated Company' in the investment composition of the associates), the Consolidated Company' discontinued recognition of the further losses. The Consolidated Company' recognized extra losses and liabilities only in the event of occurrence of legal obligations, presumed obligations or within the scope that the Consolidated Company' had made payment on behalf of the associate.

When assessing impairment, the consolidated company has the overall book value (including goodwill) of the investment deemed as a single asset when comparing the recoverable amount and the book amount in order to conduct impairment testing. The recognized impairment loss is an integral part of the book amount of the investment. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

Besides, all relevant amounts relevant to the associates recognized in other comprehensive income were managed on the accounting grounds same as the grounds which it should comply with if the associates directly disposed the relevant assets or liabilities.

The profit or loss resulting from the countercurrent, downstream and side-stream transactions between the consolidated company and the affiliated company is recognized in the consolidated financial statement within the range that is irrelevant to the consolidated company's interest in the affiliated company.

(9) Property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation and accumulated impairment afterwards.

Those real estate, plant buildings, equipment & facilities under construction were recognized at the amount of the costs after deducting the loss in the accumulated impairment. Cost includes professional service fees and loan costs that qualify for capitalization. When such assets are completed and reach expected use status, such assets will be classified to proper items under real property, plant and equipment and the provision of depreciation shall begin.

Except for self-owned land, the property, plant, and equipment are depreciated by significant parts over their useful lives on a straight-line basis. The Consolidated Company shall at least inspect the estimated service life, residual value and depreciation method by the day of the end of each fiscal year and postpone the effect of applying estimated accounting changes.

In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(10) Investment property

Investment property is the real property held for purpose of earning of rental income or appreciation or both. Investment property includes lands held at present without determination of future use.

Investment property is measured on the basis of initial cost (including transaction cost) and subsequent measurement shall be based on the subtraction of accumulated depreciations and accumulated impairment from cost.

The Consolidated Company has depreciation appropriated in accordance with the straight-line method

In removing investment property, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(11) Goodwill

Goodwill from business combination is recorded at acquisition cost and subsequently measured at cost less accumulated impairment.

For impairment test purposes, goodwill is allocated to each cash-generating unit that benefits from the synergy of a business combination.

In testing assets for impairment, the Company compares the carrying amounts of operating segments (CGUs with allocated goodwill) to their recoverable amounts on a yearly basis (or when impairment indicators exist). CGUs with allocated goodwill arisen from company combination in the current year should be tested for impairment before the end of the year. When the recoverable amount of CGUs is below the carrying amount, an impairment loss should be recognized to reduce first the carrying amount of goodwill of the CGU, and then the carrying amounts of other assets of the CGU proportionately. Any impairment loss should be directly recognized as loss in the current period. Subsequent reversal of impairment loss is not allowed.

On disposal of the relevant CGU, the amount attributable to goodwill is included in the determination of the gain or loss on disposal.

(12) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets shall be subject to amortization under the straight-line method during its life span, and the estimation of life span, residual value and depreciation method shall be subject to review at least once a year and extend the effect of changes in applicable accounting policy. Intangible asset with indefinite useful lives is measured at cost net of accumulated impairment losses.

2. de-recognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

- (13) The impairment of real estate, plants and equipment, right-of-use assets, and intangible assets (except goodwill)

The consolidated company shall evaluate on each asset balance sheet date whether there are any signs showing possible impairment of real estate, plants and equipment, right-of-use assets, and intangible assets (except goodwill). If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the consolidated company is to estimate the recoverable amount of the respective cash-generating unit. The common asset is amortized to each cash-generating unit in accordance with a consistent and reasonable sharing basis.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

When the impairment loss was reversed subsequently, the book amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased book amount may not exceed the book amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

- (14) Financial instruments

When the consolidated company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the consolidated balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

#### 1. Financial Assets

The customary transaction of financial assets is recognized and de-recognized in accordance with the trade date accounting. A customary transaction refers to the purchase or sale of financial assets and the delivery period is within the period prescribed by the regulations or customary market practice.

##### (1) Classification of measurement

The financial assets held by the consolidated company are financial assets at fair value through income statements, financial assets on the basis of cost after amortization, investment of debt instruments at fair value through other comprehensive income statements, and equity instruments at fair value through other comprehensive income.

##### A. Financial assets at fair value through profit and loss

Financial assets measured at fair value through profits or losses are financial assets that are mandatorily measured at fair value through profits or losses. Financial instruments designated at fair value through income statements included the investment of equity instruments not designated at fair value through other comprehensive income and those not conforming to the standard of debt instruments on the basis of cost after amortization or at fair value through other comprehensive income.

Through the measurement of profit and loss according to the fair value, the financial assets are measured according to the fair value. The remeasured dividends and interests generated from profit or loss shall be recognized as other income and interest income. The profit or loss remeasured is recognized as other profit and loss. Please refer to Note 41 for the determination of fair value.

##### B. Financial assets on the basis of cost after amortization

If the financial assets of the consolidated company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

- a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents and accounts receivable on the basis of cost after amortization) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Interest income will be the product of effective interest rate and total book value of financial assets except under the following two conditions:

- a. The interest income of financial assets procured or initiated under credit impairment will be the product of the effective interest rate after credit adjustment and the cost of financial assets after amortization.
- b. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

The term "credit-impaired financial assets" refers to financial assets whose active market has disappeared due to significant financial difficulty or breach of contract of the issuer or borrower, possible declaration of bankruptcy or other financial reorganization of the borrower, or any other financial difficulty.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

- C. Debt instrument investments measured at fair value through other comprehensive income

if the investment of debt instruments by the consolidated company met both the two conditions below, classify as financial instruments at fair value through comprehensive income:

- a. Financial assets held under the particular mode of operation and the purpose of holding being for collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Other investment of debt instruments at fair value through comprehensive income should be measured at fair value. Changes in the book value shall be recognized as income under the calculation of interest income under the effective interest rate method, and exchange gain and loss and impairment or reversal benefits shall be recognized as income. Other changes shall be recognized as other comprehensive income and reclassified as income at the disposition of investment.

- D. Equity instrument investments measured at fair value through other comprehensive income

The consolidated company may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the acquirer under corporate merger and acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividend of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the



consolidated company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

(2) Impairment of financial assets

The consolidated company shall, on each balance sheet day, evaluate the financial assets on the basis of cost after amortization on the basis of anticipated credit loss (including accounts receivable), the investment of debt instruments at fair value through other comprehensive income, and loss from receivable rents and impairment of contract assets.

Discounts and loans, accounts receivable and receivable rents shall be recognized for provisions for loss on the basis of anticipated credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

For internal credit risk management purpose, the Considered Company, without considering the collateral, determines the following circumstances indicating that a default has occurred on the financial instrument:

- A. There is internal or external information indicating that the debtor is no longer able to pay off a debt.
- B. Payments are overdue for more than 90 days, unless there are reasonable and supporting information showing that the delayed default benchmark is more appropriate.

Further to the aforementioned evaluation, refer to the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” for information on loan assets and consider the financial position of the borrowers and any overdue accounts in principal or interest payments. In addition, evaluate the collaterals pledged for the security of the debts and the possibility of recovery of loan assets. As per the aforementioned requirements, non-performing assets shall be classified as loss, doubtful, substandard, special mentioned and normal by the status of the collaterals and the duration of delinquency. Appropriation of 100%, 50%, 10%, 2% and 1 % of the balances of the aforementioned loans as provision for loss shall be necessary. The aforementioned provision for loss shall be recognized in accordance with Letter Jin-Guan-Yin-Fa-Zi. No. 10010006830, which accounted for approximately 1% of the total loans. The appropriation for provision of property for loss shall be made at a ratio not falling below 1.5% as stated in Letter Jin-Guan-Yin-Guo-Zi. No. 10300329440, and appropriated at the higher amount of the aforementioned evaluation result and the ratio.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account. However, the provision for loss of investment of debt instruments at fair value through comprehensive income shall be recognized as other comprehensive income without the reduction of its book value.

(3) The de-recognition of financial assets

The consolidated company has financial assets de-recognized only when the contractual rights from the cash flows of a financial asset becomes invalid or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

When financial assets measured at amortized cost are derecognized, the carrying amounts and collected considerations plus the difference between the sums of any cumulative gains or losses already recognized as other comprehensive income will be recognized as profit or loss. When particular debt instruments measured at fair value through comprehensive income is entirely removed, the total sum of any other

accumulated gains or loss of the difference between book value and consideration recognized as other comprehensive income shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely removed, the accumulated gains of loss shall be directly transferred to retained earnings without being classified as income.

## 2. Equity instruments

The debt and equity instruments issued by the consolidated company are classified as financial liabilities or equity pursuant to the contractual agreements and the definition of financial liabilities and equity instruments.

Equity instruments issued by the consolidated company are recognized for an amount after deducting the direct issuing cost from the proceeds collected.

The Company's equity retrieved is debited or credited to the equity. The Company's equity purchased, sold, issued, or cancelled is not recognized in the profit or loss.

## 3. Financial Liabilities

### (1) Subsequent measurement

All financial assets shall be measured under the effective interest rate method on the cost after amortization except under the following circumstances:

#### A. Financial liabilities at fair value through profit and loss

Financial liabilities measured at fair value through profit or loss includes held-for-sale.

Financial liabilities measured at fair value through profit or loss (FVTPL) are evaluated at fair value. Generated interest is recognized as financial costs. Other profits or losses generated by remeasurement are recognized as other gains and losses. Please refer to Note 41 for the determination of fair value.

#### B. Financial guarantee contract

The consolidated company issued financial guarantee contracts not at fair value through income statement with initial recognition to reflect provision for loss for anticipated credit impairment and the amount after amortization, whichever is higher.

### (2) De-recognition of financial liabilities

When de-recognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

## 4. Derivatives

Derivatives signed by the consolidated company include forward foreign exchange contracts, foreign exchange swap contracts, foreign exchange option contracts, interest rate structured commodities, non-deliverable forward foreign exchange contracts, as well as asset exchange contracts. These derivative are intended to manage the consolidated company's interest rate and foreign exchange risks.

Upon signing the contracts, derivatives are recognized at fair value initially and then subsequently measured at fair value on the balance sheet date. The profit or loss resulting from the subsequent measurement is directly booked under the profit or loss. Then, the timing of recognizing the designated and effective hedging derivatives depends on the nature of the hedging relationship. When the fair value of the derivatives is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

Derivatives embedded in the master contract of the assets within the scope of IFRS 9 shall be classified on the basis of the overall contracts of the financial assets. If the derivatives are not embedded in the master contract of the assets within the scope of IFRS 9 (such as embedded in financial liabilities master contracts), and the embedded derivatives meet the definition of derivatives and the risks and characteristics of which are not closely associated with the risks and characteristics of the master contract and the omnibus contracts are not measured at fair value through income statement, such derivatives shall be construed as a unitary derivative.

## 5. Modifications to financial instruments

For changes in contractual cash flow basis that determine financial assets or financial liabilities as a direct result of changes in interest rate benchmarks, the consolidated company shall adopt a practical and expedient approach if the new basis is equivalent to the economic

basis prior to the changes. At the time of calculating the change of basis, it shall be deemed an effective interest rate change. If changes are made to the contractual cash flow basis in accordance with the requirements of changes to interest rate benchmarks, and changes are also made to financial assets or financial liabilities, the practical and expedient approaches to changes to interest rate benchmarks shall apply to the consolidated company. Inapplicable practical and expedient approaches to any additional changes included in amending financial instruments shall also apply to the consolidated company.

(15) Provision for liabilities

The recognized liability reserve amount is with the risk and uncertainty of the obligation considered, and it is the optimum estimate of the expenditure required to settle the obligations on the balance sheet date. Provision for liabilities shall be measured based on the discount value of the estimated cash flow for the settlement of obligation.

(16) Treasury stock

Treasury stock was stated at cost and shown as a deduction in shareholders' equity when the Company repurchased the stock, while it was stated at fair value if it was donation accepted by the Company.

The gains resulting from disposal of the treasury stock, if any, were higher than the book value, the difference thereof was stated under "capital surplus - treasury stock". If gains were lower than the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, should be debited to retained earnings.

When the Company retired treasury stock, the treasury stock was written off, and against the "capital surplus – stock premium" and "capital stock" on a pro rata basis. When the book value of the treasury stock exceeded the total of the "capital stock" and "capital surplus-capital stock premium", the difference was charged to capital surplus generated from the same class of treasury stock transactions and to retained earnings for any remaining amount. When the book value was lower than the total, the difference was credited to capital surplus arising from the same class of treasury stock transactions.

(17) Recognition of revenue

The consolidated company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

Contracts of which the time interval between the transfer of goods or services and the consideration is less than one year shall not have its major financial components, such as transaction price, adjusted.

1. Sales of products

The revenue from product sales is recognized as revenue and accounts receivable by the consolidated company at the time when the customer have set the prices and the right-of-use and are responsible for the resales and bear the risks of obsolete products.

When the material is supplied for processing, the ownership of the processed product is not transferred; therefore, the income is not recognized when the material is supplied.

2. Interest revenue

The interest income generated from financial assets is recognized when the economic benefit is likely to flow to the consolidated company and the amount of income can be reliably measured. Dividend revenues are recognized by the outstanding capital by the passage of time and the applicable effective interest rate on an accrual basis.

For a single or a group of similar financial asset that is reduced due to impairment losses, the subsequently recognized interest income is calculated in accordance with the interest rate that is used for the discounting of future cash flow when measuring the impairment loss.

3. Labor service provided

Labor service income is recognized at the time the service is provided.

Revenues yielded by the labor services rendered in accordance with the contract were recognized based on the progress degrees set forth under the contract.

4. Service fees and commission income

After identifying the performance obligations in the client's contract, the consolidated company shall allocate the transaction price to respective performance obligations. When the respective contract obligations are met, the income (handling fee and commission income

incurred when offering loans or services) is generated. Contracts of which the time interval between the services and the consideration is less than one year shall not have its major financial components, such as transaction price, adjusted.

5. Dividend income

Dividend income from investments is recognized when the shareholders' right to receive payment is established; however, it is under the preconditions that the economic benefits associated with the transaction system are likely to flow into the consolidated company and the amount of revenues can be measured reliably.

(18) Leasing

The Consolidated Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

1. The consolidated company is the lessor

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

Lease payments associated with finance leases include fixed payments, in-substance fixed lease payments, and variable lease payments determined by indices or rates, guaranteed residual value, exercise price of purchase options exercised with reasonable assurance, lease termination penalties reflected in the lease period, deducted payable lease incentives. Net investment in a lease is measured based on the sum of the present values of receivable lease payments and unguaranteed residual value plus initial direct costs and shall be expressed as finance lease receivables. Financial revenue is amortized into each accounting period to reflect the consolidated company's fixed rate of return available for each respective period from the outstanding net lease investment.

Lease payments for operating leases upon deduction of lease incentives are recognized as income on a straight-line basis in relevant lease periods. Initial direct costs generated in the acquisition of operating leases are added to the underlying asset carrying amount and recognized as expenses on a straight-line basis in lease periods.

2. The consolidated company is the lessee

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any received, any incurred by the lessee, and an estimate of costs to be incurred by the restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any . Right-of-use assets are separately presented on the Consolidated Balance Sheet.

The right-of-use assets were depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier.

Lease liabilities are measured initially based on the present value of lease payments (incl. fixed payments, in-substance fixed lease payments, and variable lease payments determined by indices or rates). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortized cost using effective interest method and the interest expenses are amortized over the lease term. If changes in indices or rates utilized to determine lease payments lead to changes in future lease payments, the merged company should remeasure lease liabilities and adjust right-of-use assets correspondingly. However, if right-of-use asset carrying amounts have already dropped to zero, remaining remeasurement amounts are recognized as profit or loss. Lease liabilities are separately presented on the Consolidated Balance Sheet.

(19) Borrowing cost

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(20) Governmental subsidies

The government subsidies shall only be recognized, provided that it can be reasonably convicted the Considered Company will comply with the supplementary terms for government subsidies and that the subsidies can be received.

If the government subsidies are used for compensating expenses or losses that have already incurred, or if the purpose is to provide the Considered Company with immediate financial support and if there are no related costs in the future, they shall be recognized as profit or loss during the collection period.

(21) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

The retirement benefit for the retirement plan is determined by the amount of the pension that should be paid during the period in which the employee provides the service, and is recognized as expenses for that period.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. The net interest arising from the cost of services (including current service costs and net defined benefit liabilities) is recognized as an employee benefits expense when incurred. The value of second measurement (including the profits and loss under actuary and the return on assets of the plan net or interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net determined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

3. Employees preferential deposit benefit

The companies of the consolidated financial statements provide preferred deposit for the employees, including the offering of fixed amount preferred deposit at special rate for the employees currently in employment and for the payment to the retired employees and current employees at their retirement. The difference between the interest rate for the aforementioned preferred deposits and market rate shall fall within the scope of employee welfare.

According to the “Regulations Governing the Preparation of Financial Reports by Public Banks”, the interest from the preferred deposit for employees prearranged after retirement in excess of the interest under regular market rate shall be subject to actuarial calculation at the time of the retirement of the employees pursuant to IAS 19, “Employee Benefits” as recognized by FSC. However, the parameters for the assumptions in the actuarial calculation may be regulated by the competent authority, comply accordingly, if applicable.

4. Other long-term employee benefits

The accounting of long-term employee benefit and benefit after retirement is the same but related value under reevaluation shall be recognized as income.

(22) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

The consolidated company shall determine the current income (loss) based on the regulations set by the respective tax income declaration jurisdictions. The payable (recoverable) income tax shall be calculated accordingly.

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

## 2. Deferred tax

Deferred tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized when there is a likelihood to have taxable income available for income tax credit resulting from the expenses of deductible temporary differences and tax loss carryforwards.

The taxable temporary differences related to the investment in the equities of the subsidiaries, affiliates, and joint ventures are recognized as deferred income tax liabilities, except for those that the Consolidated Company can control the timing of reversing the temporary difference and the temporary difference is unlikely reversible in the foreseeable future. The deferred income tax asset arising from deductible temporary differences associated with such investment and equity is recognized as deferred income tax assets within the range of earnings that are with sufficient taxable income to realize temporary differences and are expected to be reversed in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax effect resulting from the book amount of the assets and liabilities expected to be recovered or liquidated at the balance sheet date.

## 3. Current & deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity. If the current income tax or deferred income tax is resulting from a business consolidation, the income tax effect is included in the accounting process for consolidated company.

## 5. Major sources leading to major accounting judgments and uncertainties in estimate

When adopting accounting policy, the management of the Considered Company shall make related judgments, estimations, and assumptions for information that cannot be easily retrieved from other sources based on historical experiences and other relevant factors. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If the amendment affects only the current estimates, it is recognized in the current period. If the amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods.

### Estimates and assumptions with regard to the main source of uncertainty

#### (1) Estimated impairment of financial assets

Estimated impairment of loans, discounts, bills purchased, receivables, debt instrument investments, and financial guarantee contracts is based on assumptions by the merged company with regard to default rate and loss ratio. Taking into account the consolidated company's past experience, current market situation and future prediction, the consolidated company shall prepare a pro forma report and select appropriate inputs for impairment. For adopted key assumptions and entered values please refer to Note 41 and 42. If the actual future cash flows are less than expected, a material impairment loss may have resulted.

(2) Impairment of real property, plant and equipment

The evaluation of real-estate, plant, and equipment impairment is based on the recoverable amount of the said equipment (i.e. the fair value of the said assets deducted by sales costs and higher value of use). The market price or changes in future cash flow or lease liabilities will affect the recoverable amount of the said assets, which may result in the company's need to recognize impairment costs or reverse recognized impairment losses.

6. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 7,589,895	\$ 4,370,075
Bank deposits	2,452,568	2,701,103
Notes and checks for clearing	4,276,016	4,589,463
Due to Central Bank and other banks	13,898,486	9,009,556
	<u>\$ 28,216,965</u>	<u>\$ 20,670,197</u>

(1) With regard to the aforementioned cash and cash equivalent balances, it has been determined based on past experience and foresight that no loss allowances are appropriated for expected credit losses over 12 months as of December 31, 2022 and 2021.

(2) For cash and cash equivalent balances on the Consolidated Statement of Cash Flows and relevant items on the consolidated balance sheet as of December 31, 2022 and 2021, please refer to the Consolidated Statement of Cash Flows.

(3) The amounts of certificate of deposit at other banks from the consolidated company used as the operation bond of Taichung Commercial Bank Securities Brokerage as of December 31, 2022 and 2021 are both NT\$200,000 thousand, and they are transferred to the refundable deposit, as described in Note 23.

7. Due from Central Bank and lend to Banks

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Reserve for deposits		
Reserve for deposits – checking account	\$ 12,018,774	\$ 11,580,438
Reserve for deposits – demand account	22,270,486	19,903,431
Financial Information Service Co., Ltd. – liquidated account	4,515,145	5,015,409
Reserve for deposits in foreign currency	95,201	74,739
Call loans to banks	1,951,994	1,559,969
Reserve for trust funds compensation	70,000	60,000
	<u>\$ 40,921,600</u>	<u>\$ 38,193,986</u>

(1) With regard to the aforementioned Due from the Central Bank & Call Loans to Banks, it has been determined based on past experience and foresight that no loss allowances are appropriated for expected credit losses over 12 months as of December 31, 2022 and 2021.

(2) The deposit reserve is the average balance of various deposits that are required to be deposited as reserve on a monthly basis, and it is deposited to the reserve account at the Central Bank in accordance with the required deposit reserve ratio. The demand account reserve can be used only for the monthly adjustment of the deposit reserve. The consolidated company paid the Central Bank's project financing deposit through the deposit reserve account B in the amount of NT\$5,000,000,000 on December 31, 2021. See Note 38.

(3) The Reserve for trust funds compensation by Government bonds on the basis of cost after amortization on December 31, 2022 and 2021 are stated at the par value of NT\$ 70,000 thousand and NT\$ 60,000 thousand, respectively. Please refer to Note 38 for details.

8. Financial instrument at fair value through profit and loss

	December 31, 2022	December 31, 2021
<u>Financial assets at fair value</u>		
<u>through profit and loss</u>		
Commercial papers	\$ 18,158,908	\$ 26,680,732
Listed stocks – domestic and emerging stock	682,949	919,508
Non listed (OTC) domestic stock	87,095	81,611
PEM Group Insurance policy assets	875,684	806,522
Beneficiary certificate	500,313	1,121,186
Domestic corporate bonds	587,037	422,471
Assets swap agreement	6,609,438	3,555,430
Foreign exchange contracts	617,521	44,915
Forward contract	105,601	96,335
FX options contracts	544,909	266,875
Interest rate derivatives	449,633	43,428
	<u>\$ 29,219,088</u>	<u>\$ 34,039,013</u>

Financial liabilities at fair value  
through profit and loss

Foreign exchange contracts	\$ 564,281	\$ 166,970
Forward contract	67,728	32,840
FX options contracts	549,343	269,161
Interest rate derivatives	449,633	43,428
	<u>\$ 1,630,985</u>	<u>\$ 512,399</u>

- (1) The consolidated company financial derivative contract related to a foreign exchange rate is a non-trading operation performed for the purpose of providing customers with a hedging tool for the foreign exchange position generated from import/export and foreign exchange and hedging the risk from business and meeting the need for foreign exchange funds.
- (2) As of December 31, 2022 and 2021, the amounts (notional amounts) in the agreement of derivative financial instruments that have not matured are as follows:

	December 31, 2022		December 31, 2021	
	Contract amount	Interest Rate Collars	Contract amount	Interest Rate Collars
Assets swap agreement	\$ 6,577,200	0.80%~5.00%	\$ 3,549,800	0.80%~4.25%
Foreign exchange contracts	44,882,911	-	11,403,926	-
Forward contract	4,304,938	-	9,905,735	-
FX options contracts	43,191,197	-	34,792,260	-
Interest rate derivatives contract	3,989,488	1.50%~10.20%	584,493	4.50%~7.00%

9. Bonds and securities sold under repurchase agreements

As of December 31, 2022 and 2021, the consolidated company's repurchase of coupons and bonds amounted NT\$11,643,340 thousand and NT\$11,258,439 thousand, with the interest rate range of 1.28% and 0.32%, and the re-sell amounts after the contract were NT\$11,646,960 thousand and NT\$11,259,518 thousand, respectively.

10. Notes receivable, accounts receivable and other receivables

	December 31, 2022	December 31, 2021
<u>Notes receivable</u>		
Notes receivable - Taichung		
Commercial Bank	\$ 6,212,834	\$ 5,627,820
Notes receivable	94,754	180,881
Less: Unrealized interest income	( 266,734 )	( 240,503 )
Less: Loss allowance - Taichung		
Commercial Bank	( 118,642 )	( 106,385 )
	<u>\$ 5,922,212</u>	<u>\$ 5,461,813</u>



Please refer to Note 38 for the status on notes receivable as short-term loan guarantee.

	December 31, 2022	December 31, 2021
<u>Accounts receivable</u>		
Accounts receivable	\$ 1,720,852	\$ 2,625,843
Accounts receivable - Taichung		
Commercial Bank	791,791	738,121
Rent receivables	4,651,334	3,893,833
Interest receivables- Taichung		
Commercial Bank	1,677,420	1,089,421
Receivable transfers	504,214	918,556
Receivable factoring	148,925	271,434
Less: Unrealized interest income	( 567,622 )	( 515,651 )
Less: Allowance for losses	( 129,541 )	( 148,418 )
Less: Loss allowance - Taichung		
Commercial Bank	( 136,730 )	( 110,016 )
	<u>\$ 8,660,643</u>	<u>\$ 8,763,123</u>
	December 31, 2022	December 31, 2021
<u>Other receivables</u>		
Receivable spot exchange		
settlement payment	\$ 4,094	\$ 1,559
Acceptances receivable	544,239	975,287
Receivable proceeds for delivery of		
securities	808,484	1,545,956
Others	<u>387,474</u>	<u>461,044</u>
	1,744,291	2,983,846
Less: Allowance for losses	( 1,932 )	( 1,932 )
Less: Loss allowance - Taichung		
Commercial Bank	( 114,966 )	( 143,920 )
	<u>\$ 1,627,393</u>	<u>\$ 2,837,994</u>

(1) Accounts receivable

The consolidated company's average credit period for product sales was 30–90 days. Interests for accounts receivables were not calculated. If the credit term of 30 days is exceeded, the interest rate of 3% per annum will be calculated for the remaining balance of some customers whose payment has not been rendered. The consolidated company only conducts transactions with the parties which have passed the internal credit check, and if necessary, shipment may be stopped and guarantee notes may be needed to mitigate the potential risk of financial losses caused by default. The consolidated company will use other publicly available financial information and historical transaction records to rate major customers. The consolidated company continuously monitors the credit risk exposure and the credit rating of the counterparty, and the total transaction amount is distributed to various customers with qualifying credit ratings. Every year, the management reviews and approves, based on their level of authorization, the credit limit of counterparties to manage the credit risk exposure.

In order to mitigate credit risk, the management of the consolidated company assigns dedicated personnel responsible for the decision on credit line, credit approval and other monitoring procedures to ensure that the overdue receivables are recovered and appropriate actions are taken. In addition, the consolidated company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the consolidated company's credit risk is significantly reduced.

Except for Taichung Commercial Bank and its subsidiary, the consolidated company adopts the simplified approach of the IFRS 9 to recognize the loss allowance of receivables based on the expected credit loss of the duration. The full-lifetime expected credit losses are calculated using Provision Matrix, which considers the historical default records and current financial status, industry economic conditions, as well as GDP forecast and industry outlook. Due to the historical

experience of credit losses of the consolidated companies, there is no significant difference in the loss patterns of different customer groups. Therefore, the provision matrix does not further distinguish the customer base, and only sets the expected credit loss rate based on the overdue days of receivables.

If there is evidence that the counterparty is facing serious financial difficulties and the consolidated company cannot reasonably expect the recoverable amount back, the consolidated company will directly write off the relevant accounts receivable, but will continue its recourses, and the amount recovered will be recognized in profit or loss.

The consolidated company (excluding Taichung Commercial Bank and its subsidiary) measures the notes receivable and the loss allowance of accounts in accordance with the provision matrix:

December 31, 2022

	Not overdue	Overdue 1 to 30 days	Overdue 31 to 60 days	Overdue 61 to 120 days	Overdue over 120 days	Total
Expected credit loss rate	0%~7%	13%~50%	50%~100%	75%~100%	100%	
Total Book Value	\$ 1,345,536	\$ 393,170	\$ 64,320	\$ 1,794	\$ 10,786	\$ 1,815,606
Allowance for loss (expected credit loss of the given duration)	( 17,793 )	( 67,456 )	( 32,160 )	( 1,346 )	( 10,786 )	( 129,541 )
Cost after amortization	\$ 1,327,743	\$ 325,714	\$ 32,160	\$ 448	\$ -	\$ 1,686,065

December 31, 2021

	Not overdue	Overdue 1 to 30 days	Overdue 31 to 60 days	Overdue 61 to 120 days	Overdue over 120 days	Total
Expected credit loss rate	0%~7%	13%~50%	50%~100%	75%~100%	100%	
Total Book Value	\$ 2,160,377	\$ 583,347	\$ 52,381	\$ -	\$ 10,619	\$ 2,806,724
Allowance for loss (expected credit loss of the given duration)	( 35,773 )	( 75,835 )	( 26,191 )	-	( 10,619 )	( 148,418 )
Cost after amortization	\$ 2,124,604	\$ 507,512	\$ 26,190	\$ -	\$ -	\$ 2,658,306

Changed information on receivables allowance loss (including bad debt expense withdrawal and deposit allowance loss) is as follows:

	2022	2021
Balance - beginning	\$ 614,275	\$ 479,514
Add: Recover the bad debts that have been written off	27,476	23,587
Added: provisioned bad debt expense withdrawal and deposit impairment loss.	273,804	273,220
Less: actual write-off	( 277,737 )	( 160,528 )
Reduced: Inversed expected credit impairment loss	( 18,956 )	( 1,896 )
Foreign currency translation differences	2,066	378
Balance - ending	\$ 620,928	\$ 614,275

The loss allowance of the above-mentioned receivables include notes receivable, accounts receivable, other receivables and the loss allowance from non-loans transferred to collection.

(2) Changes in carrying amount of accounts receivable of Taichung Commercial Bank and its subsidiary:

2022

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Total
Balance - beginning	\$ 74,748,439	\$ 334,490	\$ 801,948	\$ 75,884,877
Converted as anticipated credit loss within the perpetuity of the financial assets	( 283,946 )	284,024	( 78 )	-
Converted as financial assets with credit impairment	( 20,718 )	( 214,881 )	23	-
Converted as anticipated credit loss in 12 months	58,288	( 7,751 )	( 50,537 )	-
Initiated or procured receivables	17,166,456	28,143	72,415	17,267,014
Write-off bad debts	-	( 7,607 )	( 270,057 )	( 277,664 )
de-recognition	( 9,287,883 )	( 39,513 )	( 31,590 )	( 9,358,986 )
Foreign exchange settlement and other changes	370,150	19,770	20,807	410,727
Balance - ending	\$ 82,750,786	\$ 396,675	\$ 778,507	\$ 83,925,968

2021

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Total
Balance - beginning	\$73,430,829	\$ 371,436	\$ 313,418	\$74,115,683
Converted as anticipated credit loss within the perpetuity of the financial assets	( 139,893 )	140,190	( 297 )	-
Converted as financial assets with credit impairment	( 612,409 )	( 35,290 )	647,699	-
Converted as anticipated credit loss in 12 months	35,338	( 35,127 )	( 211 )	-
Initiated or procured receivables	12,436,131	5,566	29,029	12,470,726
Write-off bad debts	-	( 33,311 )	( 127,217 )	( 160,528 )
de-recognition	( 10,000,439 )	( 83,894 )	( 79,665 )	( 10,163,998 )
Foreign exchange settlement and other changes	( 401,118 )	4,920	19,192	( 377,006 )
Balance - ending	\$74,748,439	\$ 334,490	\$ 801,948	\$75,884,877

The receivables of the Taichung Commercial Bank Co., Ltd. and its subsidiaries include: due from banks, due from CBC and lend to banks, bills and bonds purchased under resale agreements, bills receivable, credit card payments receivable, accounts receivable, bank acceptance bills, interest receivable, lease payments receivable, accounts receivable factoring, securities settlement receivable, other receivables, other financial assets-total (including non-loan listing collection), refundable deposits, etc.

- (3) Statement of Changes in Loss Allowance for Accounts Receivable of Taichung Bank and its subsidiaries:

2022

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance - beginning	\$108,467	\$ 7,900	\$239,926	\$356,293	\$104,485	\$460,778
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	( 3,099 )	3,144	( 45 )	-	-	-
Converted as financial assets with credit impairment	( 114 )	( 3,310 )	3,424	-	-	-
Converted as anticipated credit loss in 12 months	23,532	( 1,239 )	( 22,293 )	-	-	-
Financial assets removed in current period	( 88,588 )	( 1,827 )	( 31,057 )	( 121,472 )	-	( 121,472 )
Procured or initiated new financial assets	108,823	2,116	10,442	121,381	-	121,381
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	212,795	212,795
Write-off bad debts	-	( 7,607 )	( 77,977 )	( 85,584 )	( 192,080 )	( 277,664 )
Recovered amount after write-off bad debts	-	-	-	-	27,476	27,476
Foreign exchange settlement and other changes	( 21,531 )	10,427	74,116	63,012	-	63,012
Balance - ending	\$127,490	\$ 9,604	\$196,536	\$333,630	\$152,676	\$486,306

2021

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance - beginning	\$ 91,312	\$ 9,199	\$174,311	\$274,822	\$ 49,220	\$324,042
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	( 2,161 )	2,250	( 89 )	-	-	-
Converted as financial assets with credit impairment	( 63,716 )	( 854 )	64,570	-	-	-
Converted as anticipated credit loss in 12 months	2,354	( 2,236 )	( 118 )	-	-	-
Financial assets removed in current period	( 48,882 )	( 2,532 )	( 35,435 )	( 86,849 )	-	( 86,849 )
Procured or initiated new financial assets	154,653	778	21,809	177,240	-	177,240
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	92,367	92,367
Write-off bad debts	( 8,086 )	( 35,211 )	( 64,708 )	( 108,005 )	( 52,523 )	( 160,528 )
Recovered amount after write-off bad debts	-	435	7,731	8,166	15,421	23,587
Foreign exchange settlement and other changes	( 17,007 )	36,071	71,855	90,919	-	90,919
Balance - ending	\$108,467	\$ 7,900	\$239,926	\$356,293	\$104,485	\$460,778

Allowance loss for above-mentioned receivables includes allowance for bad debts for delinquent loans other than loans transferred from loans. Please refer to Note 23 for details.

## 11. Inventory

	December 31, 2022	December 31, 2021
Merchandise	\$ 413,416	\$ 546,822
Finished goods	829,667	663,963
Work in process	51,479	114,859
Raw materials	426,580	310,675
Supplies	103,322	96,128
	<u>\$ 1,824,464</u>	<u>\$ 1,732,447</u>

- The inventories of finished goods included the finished goods, by-products, supplies in transit by the consolidated company, primarily the finished goods produced by Kaohsiung petrifaction plant, ethylene glycol, and the finished goods of the polyester plant, polyester silk, et al.
- The consolidated company's cost of goods sold related to inventory in 2022 and 2021 was NT\$14,491,218 thousand and NT\$15,259,299 thousand, respectively. Cost of goods sold include inventory losses of NT\$91,049 thousand and NT\$13,705 thousand, respectively, and the loss from work stoppage were NT\$1,069,203 thousand and NT\$773,740 thousand, respectively.
- By December 31, 2022 and 2021, allowance to reduce inventory to market amounted to NT\$ 402,115 thousand and NT\$ 324,664 thousand, respectively.

## 12. Prepayments

	December 31, 2022	December 31, 2021
Pre-paid expenses	\$ 600,516	\$ 678,430
Pre-paid material purchases	657,082	124,431
Tax credit	254,974	200,199
	<u>\$ 1,512,572</u>	<u>\$ 1,003,060</u>

Prepayments are typically used to purchase catalyst and coal.

13. Other current assets

	December 31, 2022	December 31, 2021
Restricted assets – bank deposits	\$ 685,191	\$ 542,269
Others	<u>31,873</u>	<u>4,976</u>
	<u>\$ 717,064</u>	<u>\$ 547,245</u>

Restricted current assets- bank deposits are earmarked for Customs Office clearance procedures and pledged collateral for short-term loans – please refer to Note 38.

14. Discounting and advances - Net

	December 31, 2022	December 31, 2021
Bills negotiated and discounts	\$ 163,189	\$ 704,340
Overdraft	-	1,559
Secured overdraft	7,220	11,066
Accounts receivable financing	63,668	78,137
Securities receivable financing	1,234,183	1,365,546
Short-term loan	45,405,871	42,802,949
Short-term secured loans	100,085,561	98,958,147
Mid-term loans	77,330,088	60,207,188
Mid-term secured loans	123,575,879	119,015,102
Long-term loans	11,048,117	9,202,678
Long-term secured loans	161,228,409	153,535,754
Delinquent Accounts	<u>601,847</u>	<u>574,674</u>
	520,744,032	486,457,140
Add: Adjustment of premium/discount	23,690	30,683
Less: Allowance for losses	( <u>6,654,896</u> )	( <u>6,681,450</u> )
	<u>\$ 514,112,826</u>	<u>\$ 479,806,373</u>

- As of December 31, 2022 and 2021, the balance of loans and other credits with frozen interest rates at Taichung Commercial Bank were NT\$ 601,847 thousand and NT\$574,674 thousand, respectively. The interest receivables not recorded were NT\$14,619 thousand and NT\$13,887 thousand, respectively.
- In 2022 and 2021, Taichung Commercial Bank did not have the cases of translation of creditor's rights without prosecution.
- The changes in the total book value of discounting and advances of Taichung Commercial Bank and its subsidiary are shown as follows:

2022

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Total
Balance - beginning	\$465,545,307	\$12,243,822	\$ 8,698,694	\$486,487,823
Converted as anticipated credit loss within the perpetuity of the financial assets	( 4,683,712 )	4,711,081	( 27,369 )	-
Converted as financial assets with credit impairment	( 767,134 )	( 618,324 )	1,385,458	-
Converted as anticipated credit loss in 12 months	2,514,847	( 2,470,294 )	( 44,553 )	-
Initiated or procured discount and loans	262,169,573	3,926,130	98,131	266,193,834
Write-off bad debts	-	-	( 2,303,517 )	( 2,303,517 )
de-recognition	( 203,790,387 )	( 3,074,377 )	( 538,339 )	( 207,403,103 )
Foreign exchange settlement and other changes	( <u>21,452,739</u> )	( <u>673,989</u> )	( <u>80,587</u> )	( <u>22,207,315</u> )
Balance - ending	<u>\$499,535,755</u>	<u>\$14,044,049</u>	<u>\$ 7,187,918</u>	<u>\$520,767,722</u>

2021

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Total
Balance - beginning	\$439,608,628	\$14,857,468	\$ 8,410,617	\$462,876,713
Converted as anticipated credit loss within the perpetuity of the financial assets	( 4,982,303 )	5,027,179	( 44,876 )	-
Converted as financial assets with credit impairment	( 1,689,406 )	( 1,752,054 )	3,441,460	-
Converted as anticipated credit loss in 12 months	2,691,249	( 2,667,827 )	( 23,422 )	-
Initiated or procured discount and loans	245,927,708	1,426,322	207,855	247,561,885
Write-off bad debts	-	-	( 1,392,778 )	( 1,392,778 )
de-recognition	( 194,237,690 )	( 3,886,855 )	( 1,471,421 )	( 199,595,966 )
Foreign exchange settlement and other changes	( 21,772,879 )	( 760,411 )	( 428,741 )	( 22,962,031 )
Balance - ending	<u>\$465,545,307</u>	<u>\$12,243,822</u>	<u>\$ 8,698,694</u>	<u>\$486,487,823</u>

- (4) Changes in allowance loss of 2018 discounting and advances of Taichung Commercial Bank and its subsidiary:

2022

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance - beginning	\$ 1,465,291	\$ 608,655	\$ 1,857,339	\$ 3,931,285	\$ 2,750,165	\$ 6,681,450
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	( 7,906 )	10,493	( 2,587 )	-	-	-
Converted as financial assets with credit impairment	( 4,945 )	( 32,486 )	37,431	-	-	-
Converted as anticipated credit loss in 12 months	87,883	( 82,908 )	( 4,975 )	-	-	-
Financial assets removed in current period	( 777,648 )	( 117,874 )	( 72,084 )	( 967,606 )	-	( 967,606 )
Procured or initiated new financial assets	1,285,136	428,742	42,936	1,756,814	-	1,756,814
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	( 268,609 )	( 268,609 )
Write-off bad debts	-	-	( 421,822 )	( 421,822 )	( 1,881,695 )	( 2,303,517 )
Recovered amount after write-off bad debts	-	-	-	-	1,208,787	1,208,787
Foreign exchange settlement and other changes	8,155	341,534	197,888	547,577	-	547,577
Balance - ending	<u>\$2,055,966</u>	<u>\$1,156,156</u>	<u>\$1,634,126</u>	<u>\$4,846,248</u>	<u>\$1,808,648</u>	<u>\$6,654,896</u>

2021

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance - beginning	\$1,725,305	\$925,826	\$1,856,155	\$4,507,286	\$1,828,105	\$6,335,391
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	( 8,771 )	12,448	( 3,677 )	-	-	-
Converted as financial assets with credit impairment	( 6,230 )	( 189,407 )	195,637	-	-	-
Converted as anticipated credit loss in 12 months	110,495	( 108,205 )	( 2,290 )	-	-	-
Financial assets removed in current period	( 971,123 )	( 160,890 )	( 281,228 )	( 1,413,241 )	-	( 1,413,241 )
Procured or initiated new financial assets	959,821	55,188	51,057	1,066,066	-	1,066,066
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	1,289,596	1,289,596
Write-off bad debts	-	-	( 314,807 )	( 314,807 )	( 1,077,971 )	( 1,392,778 )
Recovered amount after write-off bad debts	-	-	-	-	710,435	710,435
Foreign exchange settlement and other changes	( 344,206 )	73,695	356,492	85,981	-	85,981
Balance - ending	\$1,465,291	\$608,655	\$1,857,339	\$3,931,285	\$2,750,165	\$6,681,450

15. Financial assets at fair value through other comprehensive profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Equity instrument investments measured at fair value through other comprehensive income		
Equity investment	\$ 9,531,682	\$ 8,230,972
Debt instrument	<u>40,075,983</u>	<u>44,292,515</u>
	<u>\$ 49,607,665</u>	<u>\$ 52,523,487</u>
(1) Equity instrument investments measured at fair value through other comprehensive income		
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Domestic publicly listed, OTC and Emerging Stock Board companies	\$ 7,708,799	\$ 6,556,272
Non listed (OTC) domestic stock	1,486,822	1,358,409
Overseas listed, OTC and non-listed companies	<u>336,061</u>	<u>316,291</u>
	<u>\$ 9,531,682</u>	<u>\$ 8,230,972</u>

1. The consolidated company invested in the aforementioned common shares and preference shares of companies in line with its long-term investment strategic objective with the anticipation of return from long-term investment. The management of the consolidated company holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan, therefore they chose to designate these investments as financial assets at fair value through other comprehensive income.
  2. For circumstances of equity instruments posting for mortgaging guarantee under other general loss or gain measured by fair value, please refer to Note 38.
- (2) Debt instrument investments measured at fair value through other comprehensive income

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Corporate bond	\$ 29,822,548	\$ 34,101,503
Government bonds	5,228,275	4,865,736
Overseas bond	3,362,115	3,121,222
Financial bonds	<u>1,663,045</u>	<u>2,204,054</u>
	<u>\$ 40,075,983</u>	<u>\$ 44,292,515</u>

Foreign bonds are valued in foreign currencies as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
USD	\$ 55,300	\$ 39,000
RMB	380,000	445,000
AUD	6,000	6,000

1. The consolidated company assessed the expected credit loss of debt instruments measured at fair value through other comprehensive income in 2022 and 2021 and recognized assets impairment gain (loss) at NT\$ 2,868 thousand and NT\$(9,198) thousand.
2. With respect to the credit risk management of debt instruments measured at fair value through comprehensive income and the assessment of impairment, please refer to Note 42.

16. Investment of debt instruments on the basis of cost after amortization

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Overseas bond	\$ 28,442,213	\$ 24,252,423
Government bonds	11,070,175	11,580,851
Negotiable certificate of deposits issued by Central Bank	49,350,000	63,790,000
Corporate bond	16,314,020	10,505,597
Bank debentures	100,000	-
Treasury bills	<u>148,280</u>	<u>-</u>
	105,424,688	110,128,871
Less: Allowance for losses	( 46,222 )	( 30,663 )
Less: Deduction of provision for trust compensation reserve and refundable security deposits.	( <u>620,500</u> )	( <u>916,400</u> )
	<u>\$ 104,757,966</u>	<u>\$ 109,181,808</u>

- (1) Overseas bonds denominated in foreign currencies:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
USD	\$ 725,297	\$ 683,197
RMB	920,000	740,000
AUD	68,500	67,000
ZAR	480,000	450,000

- (2) As of December 31, 2021, the amortized cost of the consolidated company's government bonds and foreign bonds subject to repurchase criteria is NT\$1,200,000 thousand. Refer to Note 43 for the carrying amount.



- (3) The consolidated company recognized asset impairment (loss) reversal benefits in the amounts of NT\$(13,900) thousand and NT\$3,238 thousand in 2022 and 2021 after evaluating the liability tool expected credit loss cost measurement after amortization.
- (4) With respect to the credit risk management of financial assets carried at cost after amortization and the assessment of impairment, please refer to Note 42.

## 17. Subsidiaries

### (1) Subsidiaries included in the consolidated financial statements

The business entities of the consolidated financial statements are as follows:

Investor	Name of Subsidiary	Nature of the operations	Percentage of shareholdings (Note)	
			December 31, 2022	December 31, 2021
CHINA MAN- MADE FIBER CORPORATION	Deh Hsing Investment Co., Ltd.	General investment business	100%	100%
	Chou Chin Industrial Co., Ltd.	Manufacturing and trading	50%	50%
	Pan Asia Chemical Corporation	Petrochemical business	44%	44%
	Taichung Securities Investment Trust Co., Ltd.	Securities investment trust business	50%	50%
	Taichung Commercial Bank	Banking business	28%	28%
	Ruei Chia Investment Company	General investment business	-	-
	Melasse	Cosmetics and cleaning appliances manufacturing	-	-
Deh Hsing Investment Co., Ltd.	Hsiang Fong Development Company	General investment business	-	100%
IOLITE COMPANY LIM ITED	IOLITE COMPANY LIMITED	General investment business	100%	100%
	Hammock (Hong Kong) Company Limited	General investment business	100%	100%
Hammock (Hong Kong) Company Limited	Precious Wealth International Limited	General investment business	100%	100%
	Hebei Hanoshi Contact Lens Co., Ltd.	Manufacturing and trading	-	100%
Hsiang Fong Development Company	Tou-Ming Industry Co., Ltd.	Real estate development and leasing industry	-	99%
Tou-Ming Industry Co., Ltd.	Jin Bang Ge Industrial Company Limited.	Real estate development and leasing industry	-	99%
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Food manufacturing, and distribution and warehousing of beverages	96%	96%
	Chou Chang Corporation	Distribution and warehousing of beverages	64%	64%
Yuju Universal Corporation	Peng Fong Industrial Co., Ltd.	Restaurant industry	-	-
	Bomy Enterprise	General investment business	62%	62%
	Yuju Universal Corporation	General investment business	90%	90%
Bomy Enterprise Bomy Shanghai	Noble House Glory	Short-term accommodation service	100%	100%
	Bomy Shanghai	Manufacturing and trading	99%	99%
Bomy Shanghai	Shanghai Bomy Consultancy Management Co., Ltd.	Consultation service	100%	100%

Investor	Name of Subsidiary	Nature of the operations	Percentage of shareholdings (Note)	
			December 31, 2022	December 31, 2021
Taichung Commercial Bank	Shanghai Bangyi International Trading Co., Ltd.	International trade	100%	100%
	Hebei Hanoshi Contact Lens Co., Ltd.	Manufacturing and trading	100%	-
	Taichung Bank Insurance Agency Co., Ltd.	Taichung Commercial Bank Co., Ltd.	100%	100%
	Taichung Commercial Bank Lease Enterprise	Leasing	100%	100%
	Taichung Commercial Bank Consolidated Securities Co., Ltd.	Securities Brokerage	100%	100%
Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd.	General investment business	100%	100%
TCCBL Co., Ltd.	Taichung Bank Leasing (Suzhou)	Financing Leasing and investments	100%	100%
Taichung Commercial Bank Consolidated Securities Co., Ltd.	Taichung Bank Venture Capital Co., Ltd.	Venture Investment	100%	100%

Note The consolidated shareholding ratio.

- The consolidated company has substantial control over Taichung Commercial Bank, so the Bank and its subsidiaries are included in the consolidated financial statements.
- The board of directors resolved for the liquidation of Eureka Investment Company Limited on March 10, 2021 and the company was officially dissolved on March 23, 2021.
- In April 2021, October 2021, and May 2022, the consolidated company invested in Xiangfeng Development Co., Ltd.'s cash capital increase by purchasing 4,000 thousand, 25,000 thousand and 15,000 thousand shares, respectively, at costs of NT\$40,000 thousand, NT\$250,000 thousand and NT\$150,000 thousand. Additionally, in June 2022, it was resolved to decrease the capital and return the payment of shares, decrease the investment by 18,000 thousand shares and decrease the investment cost by NT\$180,000 thousand. Additionally, on December 26, 2022, through a resolution of the board of directors, China Man-Made Fiber Corporation and Xiangfeng Development Company completed a parent-subsidiary merger proposal upon resolution by the board of directors. After the merger, China Man-made Fiber Corporation is the remainder enterprise and Xiangfeng Development Company is the elimination enterprise.
- The consolidated company participated in the cash capital increase of Touming Industries Co., Ltd. in April 2021, with 4,600,000 shares of new investment and the investment cost of NT\$46,000 thousand. In addition, at a shareholders meeting held on June 21, 2022, the sale of all of the company's shares in order to reduce the capital by 26,000 thousand was resolved. Therefore, as of June 2022, it was no longer included in preparation entity of the consolidated statement. Refer to Note 35.
- In the context of the subscription by the merged company to common stock issued for cash by Jin Bang Ge Industrial Company Limited. in May 2021, a total of 41,000 thousand new shares were acquired at a cost of NT\$ 41,000 thousand. In addition, due to adjustments to the organizational structure, China Man-made Fiber Corporation, as resolved by the board of directors on June 13, 2022, underwent a parent-subsidiary merger with Jin-Bang-Ge Industry Co., Ltd. After the merger, China Man-made Fiber Corporation was the remaining enterprise, and Jin-Bang-Ge Industry Co., Ltd. was the eliminated enterprise. Refer to Note 36.
- The consolidated companies increased investments on Shanghai Bangyi International Trading Co., Ltd. in August 2021 for NTD 4,305 thousands (CNY 1,000 thousands).
- The consolidated companies sold Pan-Feng Industry in August 2021 for 100% of its shares, and the sale transaction has been completed. Since September 2021, it is not included in the Company's consolidated statements and preparation of individual information. Please refer to Note 35.
- The consolidated company invested 25,000 thousand shares at a cost of NT\$250,000 thousand in the September 2021 cash capital increase of Technic Investment (International) Limited. Additionally, in May 2022, July 2022, and August 2022, it was resolved to reduce the capital and return the payment for shares by decreasing 25,000 thousand shares, 26,000 thousand shares, and 50,000 thousand shares, respectively and by reducing NT\$250,000 thousand, NT\$260,000 thousand and NT\$500,000 thousand in investment costs.

9. The consolidated company participated in the 2022 and 2021 capital increase of Taichung Commercial Bank Co., Ltd., with 51,823 thousand shares and 41,920 thousand shares of new investment and the investment cost of NT\$608,917 thousand and NT\$467,408 thousand, respectively. Due to non-subscription in accordance with the shareholding ratio, the shareholding ratio changed. The reduction of Additional Paid-In Capital was adjusted-the equity method is adopted to recognize changes in the net worth of the associated company's equity in the amount of NT\$22,470 thousand and NT\$22,670 thousand, respectively, and reserved earnings in the amount of NT\$2,248 thousand and NT\$2,421 thousand.
10. On December 6, 2021, a resolution was passed at a shareholders meeting regarding the liquidation of Mélasse Co., Ltd. the dissolution was finalized on December 14, 2021.
11. Shanghai Bomy Foodstuffs Co., Ltd. and Hammock (Hong Kong Company Limited) signed an agreement on the requisition of the equity of Hammock Contact Lens Co., Ltd. Hebei Hammock Contact Lens Co., Ltd. as a result of the consolidated company's restructuring of its group organizational structure. Hammock (Hong Kong Company Limited transferred all the equity of Hebei Hammock Contact Lens Co., Ltd. to Shanghai Bomy Foodstuffs Co., Ltd. It was agreed that the management right would be transferred upon completion of the shareholders' and statutory representatives' change of industrial and commercial registration and receipt of the full payment. The transfer transaction was completed in January 2022. Refer to Note 36 and Attachment 4.
12. IOLITE COMPANY Ltd. resolved to reduce capital and return the payment of shares in the amount of NT\$442,897 thousand (approximately US\$16,005 thousand) in January of 2022. March 15, 2022 is the base date for capital reduction.
13. The shareholders resolved to conduct liquidation of Hammock (Hong Kong) Co., Ltd. in January 2022. On January 28, 2022, the payment of shares in the amount of NT\$439,106 thousand (approximately US\$15,868 thousand) was returned. The process of liquidation is ongoing at this time.

(2) Information of the significant but non-controlling equity in subsidiaries

Non-controlling equity shareholding and voting right ratio

Name of Subsidiary	Main places of business operations	Non-controlling equity shareholding and voting right ratio	
		December 31, 2022	December 31, 2021
Taichung Commercial Bank Co.	Taichung City	72%	72%

Name of Subsidiary	Non-controlling interest			
	Profit and loss distributed to the non-controlling equity		December 31, 2022	December 31, 2021
	2022	2021		
Taichung Commercial Bank Co.	\$ 4,037,547	\$ 3,609,196	\$ 49,976,867	\$ 45,589,653
Others	<u>111,532</u>	<u>235,886</u>	<u>3,030,154</u>	<u>2,859,291</u>
Total	<u>\$ 4,149,079</u>	<u>\$ 3,845,082</u>	<u>\$ 53,007,021</u>	<u>\$ 48,448,944</u>

The following summary of financial information of subsidiaries with significant non-controlling interests is prepared based on the amount before the inter-company cancelled transaction:

Taichung Commercial Bank and its subsidiaries

	December 31, 2022	December 31, 2021
Assets	\$ 807,962,828	\$ 772,678,393
Liabilities	( 738,733,202 )	( 709,218,408 )
Equity	<u>\$ 69,229,626</u>	<u>\$ 63,459,985</u>
Equity attributable to:		
Owners of the Company	\$ 19,252,759	\$ 17,870,332
Non-controlling interests of Taichung Commercial Bank	<u>49,976,867</u>	<u>45,589,653</u>
	<u>\$ 69,229,626</u>	<u>\$ 63,459,985</u>

	<u>2022</u>	<u>2021</u>
Net revenue	\$ 15,017,164	\$ 13,721,874
Net income	\$ 5,344,205	\$ 4,796,274
Other comprehensive income	( 1,414,184 )	87,965
Total comprehensive income	<u>\$ 3,930,021</u>	<u>\$ 4,884,239</u>

Profit attributable to:		
Owners of the Company	\$ 1,306,658	\$ 1,187,078
Non-controlling interests of Taichung Commercial Bank	<u>4,037,547</u>	<u>3,609,196</u>
	<u>\$ 5,344,205</u>	<u>\$ 4,796,274</u>

	<u>2022</u>	<u>2021</u>
The total comprehensive income belongs to:		
Owners of the Company	\$ 960,890	\$ 1,208,849
Non-controlling interests of Taichung Commercial Bank	<u>2,969,131</u>	<u>3,675,390</u>
	<u>\$ 3,930,021</u>	<u>\$ 4,884,239</u>

Cash flows		
Operating activities	\$ 3,555,522	( \$ 1,118,532 )
Investing activities	4,236,770	( 6,317,406 )
finance activities	690,420	8,517,784
Impact of changes in exchange rate on cash and cash equivalents	<u>47,212</u>	<u>36,023</u>
Net cash inflow	<u>\$ 8,529,924</u>	<u>\$ 1,117,869</u>

18. Investment under the equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investments in the affiliated company	<u>\$ 1,084,375</u>	<u>\$ 1,139,593</u>

Investments in the affiliated company

(1) The balance of the consolidated company's investments in associate companies:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
A major affiliated company Nan Chung Petrochemical Corp.	\$ 1,076,723	\$ 1,128,072
Individual non-dominant associates		
Wei-Kang International	1,675	4,756
Storm Model Management	5,345	6,132
BONWELL	<u>632</u>	<u>633</u>
	<u>\$ 1,084,375</u>	<u>\$ 1,139,593</u>

(2) A major affiliated company

Company name	Nature of the operations	Main places of business operations	Shareholding and voting right ratio	
			December 31, 2022	December 31, 2021
Nan Chung Petrochemical Corp.	Petrochemical business	Yunlin County	50%	50%

Summary financial information of Nan-Chung Petrochemical:

	December 31, 2022	December 31, 2021
Total assets	\$ 3,098,812	\$ 3,157,477
Total Liabilities	( 945,366 )	( 901,334 )
Equity	2,153,446	2,256,143
The consolidated company's shareholding ratio	50%	50%
Book value of investment	\$ 1,076,723	\$ 1,128,072
	2022	2021
Operating income - current	\$ 4,055,325	\$ 6,326,062
Net income (loss) for current period	( \$ 107,710 )	\$ 51,560
Current period other comprehensive profit or loss	\$ 5,014	( \$ 2,285 )

(3) Summarized information of individually immaterial associates.

	2022	2021
Share of the Consolidated Company		
Net loss of current period	( \$ 4,059 )	( \$ 821 )
Current period other comprehensive income	-	-
Total comprehensive loss	( \$ 4,059 )	( \$ 821 )

With respect to investments adopting the equity method and the consolidated company's share of profit or loss and the other comprehensive income, Wei-Kang International, Storm Model Management and Bonwell did not have audited financial reports, while the rest did offer audited financial reports. The management of the consolidated company believed that the un-audited companies should not have significant impact to the overall financial report.

- (4) In May of 2022, Stormy Model Management Co., Ltd. engaged in capital increase. Since the consolidated company did not take part in the subscription, the shareholding ratio was changed, and the company's additional paid-in capital of 177 thousand was adjusted and listed.
- (5) Please see Note 38 for the status on investments adopting the equity method provided as pledge collaterals.

19. Property, plant and equipment

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The book amount of each category		
Proprietary land	\$ 11,299,099	\$ 11,299,268
House and Building	2,079,022	2,108,010
Machine and Equipment	5,365,737	5,810,935
Transportation Equipment	41,726	43,569
Machinery and equipment	165,360	161,360
Other equipment	253,409	295,309
Construction in process and prepayment for machinery purchase	<u>7,811,631</u>	<u>5,188,831</u>
	<u>\$ 27,015,984</u>	<u>\$ 24,907,282</u>

	<u>2022</u>							
	<u>Land</u>	<u>House and Building</u>	<u>Machine and Equipment</u>	<u>Transportation and communication equipment</u>	<u>Machinery and equipment</u>	<u>Miscellaneous equipment</u>	<u>Uncompleted construction and equipment pending inspection</u>	<u>Total</u>
<u>Cost</u>								
Balance - beginning	\$11,383,981	\$ 5,107,368	\$14,044,613	\$ 163,735	\$ 499,287	\$ 1,535,018	\$ 5,188,831	\$37,922,833
Increase in current period	-	83,857	123,571	14,604	23,191	50,849	2,737,742	3,033,814
Decrease in current period	-	-	( 188,464)	( 7,527)	( 4,707)	( 37,609)	-	( 238,307)
Reclassification	-	7,320	77,727	-	2,988	6,350	( 121,578)	( 27,193)
Foreign exchange impact amount	( 169)	( 1,010)	109	( 173)	-	777	6,636	6,170
Balance - ending	<u>11,383,812</u>	<u>5,197,535</u>	<u>14,057,556</u>	<u>170,639</u>	<u>520,759</u>	<u>1,555,385</u>	<u>7,811,631</u>	<u>40,697,317</u>
<u>Accumulated depreciation</u>								
Balance - beginning	-	2,599,719	7,590,958	118,910	331,496	1,210,275	-	11,851,358
Increase in current period	-	118,092	646,040	15,392	22,033	95,796	-	897,353
Decrease in current period	-	-	( 187,516)	( 6,713)	( 4,561)	( 30,833)	-	( 229,623)
Reclassification	-	-	-	-	-	-	-	-
Foreign exchange impact amount	-	920	79	68	-	1,478	-	2,545
Balance - ending	-	<u>2,718,731</u>	<u>8,049,561</u>	<u>127,657</u>	<u>348,968</u>	<u>1,276,716</u>	-	<u>12,521,633</u>
<u>Accumulated impairment</u>								
Balance - beginning	84,713	399,639	642,720	1,256	6,431	29,434	-	1,164,193
Increase in current period	-	-	-	-	-	-	-	-
Decrease in current period	-	-	( 707)	-	-	( 4,193)	-	( 4,900)
Reclassification	-	-	-	-	-	-	-	-
Foreign exchange impact amount	-	143	245	-	-	19	-	407
Balance - ending	<u>84,713</u>	<u>399,782</u>	<u>642,258</u>	<u>1,256</u>	<u>6,431</u>	<u>25,260</u>	-	<u>1,159,700</u>
Net - ending	<u>\$11,299,099</u>	<u>\$2,079,022</u>	<u>\$5,365,737</u>	<u>\$ 41,726</u>	<u>\$ 165,360</u>	<u>\$ 253,409</u>	<u>\$7,811,631</u>	<u>\$27,015,984</u>

	Land	House and Building	Machine and Equipment	Transportation and communication equipment	Machinery and equipment	Miscellaneous equipment	Uncompleted construction and equipment pending inspection	Total
Cost								
Balance - beginning	\$11,426,391	\$ 5,088,784	\$14,206,968	\$157,317	\$477,135	\$ 1,537,394	\$ 3,630,534	\$36,524,523
Increase in current period	227	17,762	204,386	11,428	21,710	70,041	1,699,113	2,024,667
Decrease in current period	( 4,468)	( 61,401)	( 486,384)	( 12,024)	( 2,556)	( 65,662)	-	( 632,495)
Reclassification	( 37,423)	68,795	123,096	7,057	2,998	( 6,254)	( 139,694)	18,575
Foreign exchange impact amount	( 746)	( 6,572)	( 3,453)	( 43)	-	( 501)	( 1,122)	( 12,437)
Balance - ending	<u>11,383,981</u>	<u>5,107,368</u>	<u>14,044,613</u>	<u>163,735</u>	<u>499,287</u>	<u>1,535,018</u>	<u>5,188,831</u>	<u>37,922,833</u>
Accumulated depreciation								
Balance - beginning	-	2,529,711	7,349,357	112,716	317,643	1,162,333	-	11,471,760
Increase in current period	-	114,256	652,776	15,098	16,381	111,250	-	909,761
Decrease in current period	-	( 47,187)	( 408,294)	( 11,187)	( 2,528)	( 60,902)	-	( 530,098)
Reclassification	-	3,832	-	2,277	-	( 2,277)	-	3,832
Foreign exchange impact amount	-	( 893)	( 2,881)	6	-	( 129)	-	( 3,897)
Balance - ending	-	<u>2,599,719</u>	<u>7,590,958</u>	<u>118,910</u>	<u>331,496</u>	<u>1,210,275</u>	-	<u>11,851,358</u>
Accumulated impairment								
Balance - beginning	84,713	399,537	599,377	866	6,431	29,444	-	1,120,368
Increase in current period	-	175	43,679	390	-	-	-	44,244
Decrease in current period	-	-	( 210)	-	-	-	-	( 210)
Reclassification	-	-	-	-	-	-	-	-
Foreign exchange impact amount	-	( 73)	( 126)	-	-	( 10)	-	( 209)
Balance - ending	<u>84,713</u>	<u>399,639</u>	<u>642,720</u>	<u>1,256</u>	<u>6,431</u>	<u>29,434</u>	-	<u>1,164,193</u>
Net - ending	<u>\$11,299,268</u>	<u>\$2,108,010</u>	<u>\$5,810,935</u>	<u>\$43,569</u>	<u>\$161,360</u>	<u>\$ 295,309</u>	<u>\$5,188,831</u>	<u>\$24,907,282</u>

- (1) As mentioned in Note 40, the consolidated company adjusted the 2022 and 2021 capacity based on market conditions. The consolidated company anticipates reduced future economic benefits from plants and equipment. As a result, the recoverable amount will fall below the book value. The 2021 recognized impairment loss amounted to NT\$44,244 thousand. The impairment loss has been included under other income and expenses in the consolidated income statement.

The company determines the recoverable amount of plants and equipment in the chemical industry sector after deducting the fair value from cost of disposal. Relevant fair values are determined through comprehensive evaluation using the cost method and market approach. The main assumptions include replacement cost under cost method, market approach functionality, economic loss, and other necessary adjustments, which fall under Level 3 fair value measurement.

- (2) Property and equipment of the consolidated company are appreciated in accordance with the straight line method over the useful years as follows:

House and Building	
Buildings	20 to 60 years
Renovation engineering	8 to 30 years
Machine and Equipment	2 to 47 years
Transportation and communication equipment	3 to 10 years
Miscellaneous equipment	2 to 30 years
Machinery and equipment	5 years

- (3) Uncompleted projects and pre-payments for business facilities by the merged company as of December 31, 2022 and 2021 are mainly related to the office building of the merged company which is currently under construction.
- (4) In 2022 and 2021, the consolidated company's capitalization costs for real estate, factories, and equipment totaled NT\$6,226 thousand and NT\$5,448 thousand, respectively. The annual interest rates on capitalization were 1.27%~1.95% and 1.27%~1.52%, respectively.
- (5) Buildings leased out by the merged company as operating leases for a period of 1-6 years The lessee has no preferential purchase option with regard to the asset when the lease period ends. Total receivable lease payments for operating leases are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
First year	\$ 814	\$ 910
Second year	491	419
Third year	369	-
Fourth year	369	-
Fifth year	310	-
sixth year	<u>22</u>	<u>-</u>
	<u>\$ 2,375</u>	<u>\$ 1,329</u>

- (6) Please see Note 38 for the status on property, plant and equipment provided as pledge collaterals.

20. Lease contract

- (1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of the right-of-use asset		
Land and house	\$ 959,348	\$ 1,003,596
Transportation Equipment	49,841	29,620
Machine and Equipment	<u>29,682</u>	<u>36,666</u>
	<u>\$ 1,038,871</u>	<u>\$ 1,069,882</u>

	<u>2022</u>	<u>2021</u>
Addition of right-of-use assets	\$ 217,472	\$ 271,562

Depreciation expense of the right-of-use asset		
Land and house	\$ 156,411	\$ 149,985
Transportation Equipment	26,601	110,105
Machine and Equipment	<u>6,984</u>	<u>9,332</u>
	<u>\$ 189,996</u>	<u>\$ 269,422</u>

The consolidated company terminated leases on certain land, buildings and transportation assets in 2022 and 2021. The above-mentioned right-of-use assets were delisted NT\$59,921 thousand and



NT\$189,098 thousand, respectively. Benefits of NT\$3,152 thousand and NT \$5,797 thousand were recognized as benefits from lease termination.

There was no significant sub-leasing or impairment of the consolidated company's right-of-use assets in 2022 or 2021, with the exception of the termination in advance and addition and recognition of depreciation expenses mentioned above.

(2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of the lease liabilities		
Current	\$ <u>198,587</u>	\$ <u>188,630</u>
Non-current	\$ <u>750,813</u>	\$ <u>773,292</u>

The range of discount rates for lease liabilities is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land and house	1.01%~5.95%	1.01%~5.95%
Transportation		
Equipment	1.01%~5.96%	1.01%~5.96%
Machine and Equipment	1.82%	1.82%

(3) Main lease activities and provisions

The merged company has leased several machines and transportation equipment for production and operations for a period of 1–8 years. The lease agreement does not stipulate renewal of the lease or purchase options at the time of expiry of the lease.

A number of bank branches, ATM locations, and transportation equipment have been leased by the merged firm. The lease term is between one and fifteen years and the monthly rentals are paid according to market rental rates. The merged company has no preferential purchase option with regard to the leased land and buildings at the time of expiry of the lease.

(4) Other lease-related information

For more details on operating lease agreements for self-owned buildings and investment property of the merged company, please refer to Note 19 and 21.

	<u>2022</u>	<u>2021</u>
Short-term lease expense	\$ <u>20,473</u>	\$ <u>41,560</u>
Low-value asset lease expense	\$ <u>11,651</u>	\$ <u>10,650</u>
Total cash of leases outflow	( \$ <u>232,686</u> )	( \$ <u>340,554</u> )

The merged company chooses to apply recognition exemption as applicable to office and transportation equipment leased for short periods and computer and office equipment that meets low-value asset criteria. Right-of-use assets and lease liabilities for said equipment is not recognized.

21. Investment property

	<u>2022</u>			
	<u>Land</u>	<u>Buildings</u>	<u>Investment property in construction</u>	<u>Total</u>
<u>Cost</u>				
Balance - beginning	\$ 1,899,069	\$ 713,095	\$ -	\$ 2,612,164
Increase in current period	756,388	192,375	38,620	987,383
Decrease in current period	( <u>69,341</u> )	<u>-</u>	<u>-</u>	( <u>69,341</u> )
Balance - ending	<u>2,586,116</u>	<u>905,470</u>	<u>38,620</u>	<u>3,530,206</u>
<u>Accumulated depreciation</u>				
Balance - beginning	-	22,497	-	22,497
Increase in current period	<u>-</u>	<u>4,641</u>	<u>-</u>	<u>4,641</u>

	2022			
	Land	Buildings	Investment property in construction	Total
Balance - ending	-	27,138	-	27,138
<u>Accumulated</u>				
<u>impairment</u>				
Balance - beginning	18,094	1,000	-	19,094
Balance - ending	18,094	1,000	-	19,094
Net - ending	<u>\$ 2,568,022</u>	<u>\$ 877,332</u>	<u>\$ 38,620</u>	<u>\$ 3,483,974</u>
	2021			
	Land	Buildings	Investment property in construction	Total
<u>Cost</u>				
Balance - beginning	\$ 1,684,049	\$ 524,270	\$ -	\$ 2,208,319
Increase in current period	230,821	194,797	-	425,618
Reclassification	( 15,801 )	( 5,972 )	-	( 21,773 )
Balance - ending	1,899,069	713,095	-	2,612,164
<u>Accumulated</u>				
<u>depreciation</u>				
Balance - beginning	-	23,513	-	23,513
Increase in current period	-	2,816	-	2,816
Reclassification	-	( 3,832 )	-	( 3,832 )
Balance - ending	-	22,497	-	22,497
<u>Accumulated</u>				
<u>impairment</u>				
Balance - beginning	18,094	1,000	-	19,094
Balance - ending	18,094	1,000	-	19,094
Net - ending	<u>\$ 1,880,975</u>	<u>\$ 689,598</u>	<u>\$ -</u>	<u>\$ 2,570,573</u>

Investment property is leased out for a period of 5–17 years. Upon closure of the leasehold duration, the lessee was not entitled to preferential leasehold power over the real estate.

As of December 31, 2022 and 2021, total receivable lease payments for operating leases of investment property are as follows:

	December 31, 2022	December 31, 2021
First year	\$ 26,497	\$ 84
Second year	30,533	-
Third year	30,154	-
Fourth year	30,241	-
Fifth year	20,345	-
More than 5 year	85,234	-
	<u>\$ 223,004</u>	<u>\$ 84</u>

The merged company has adopted general risk management policies to reduce residual asset risks of leased out investment property at the time of lease expiry.

Investment property of the appreciated in accordance with the straight line method over the useful years as follows:

House and Building	
Buildings	30 to 60 years
Renovation engineering	2 to 29 years

- (1) The investment real-estate property situated in Sanmin District, Kaohsiung City was purchased by the consolidated company on July 11, 2022. The independent valuer determined that the fair value

is NT\$560,439 thousand; management determined that the fair value of the investment real-estate approximates the carrying amount.

- (2) The consolidated company concluded the sale of a number of parcels of land in the Sanchong District, New Taipei City in September 2021. In January 2022, the transaction was completed. The sale amounted to NT\$140,192 thousand and the net benefit from the sale was NT\$70,820 thousand after deducting \$31 thousand in related costs.
- (3) The assessed fair value of the investment property as of December 31, 2022 and 2021 was NT\$ 4,430,942 thousand and NT\$ 3,228,898 thousand, respectively NT\$ 1,633,332 thousand and NT\$ 755,074 thousand were not valued by independent appraisers; the remaining value was classified by an independent appraisal company as Level 3 inputs on December 31, 2022 and 2021, respectively; valuations were carried out with reference to market evidence of similar real property transaction prices). Key assumptions and valuated fair values are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Asset earning power	10%~20%	15%~22%
The overall capital interest rate during development	1.81%	1.17%

- (4) All investment in real estate owned by the Consolidated Company' was in its own interests. Please see Note 38 for the status on investment property provided as pledge collaterals.

## 22. Intangible assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Goodwill	\$ 369,837	\$ 426,381
Business right	28,000	28,000
Royalties for waterway facilities	218	242
Computer software	238,394	197,299
Shell Royalty	<u>159,052</u>	<u>159,052</u>
	795,501	810,974
Less: accumulated impairment	( <u>528,889</u> )	( <u>557,161</u> )
	<u>\$ 266,612</u>	<u>\$ 253,813</u>

- (1) Goodwill is the equity of the acquired subsidiaries by the merged company. If the net difference between the cost of acquisition and the net value of acquisition is positive, it is by definition goodwill. As of December 31, 2021, a total of NT\$341,565 thousand in impairment losses have been provisioned. A provision of NT\$28,272 thousand has been made for the current period, and as of December 31, 2022, all impairment losses have been provisioned for.
- (2) The intangible assets of the consolidated company is the assigned right of operation from Feng Sing Securities. The right of operation is intangible assets that the life span cannot be determined and no amortization is made. As of December 31, 2022, no impairment of such right of operation has been declared in the evaluation.

	<u>2022</u>		
	<u>Royalties</u>	<u>Computer software</u>	<u>Total</u>
<u>Cost</u>			
Balance - beginning	\$ 159,294	\$ 197,299	\$ 356,593
Increase in current period	-	86,158	86,158
Amortization in the current period	-	( 72,486 )	( 72,486 )
Reclassification	-	27,193	27,193
Net exchange differences	( <u>24</u> )	<u>230</u>	<u>206</u>
Balance - ending	<u>159,270</u>	<u>238,394</u>	<u>397,664</u>
<u>Accumulated impairment</u>			
Balance - beginning	<u>159,052</u>	-	<u>159,052</u>
Balance - ending	<u>159,052</u>	-	<u>159,052</u>
Net - ending	<u>\$ 218</u>	<u>\$ 238,394</u>	<u>\$ 238,612</u>

	2021		
	Royalties	Computer software	Total
<u>Cost</u>			
Balance - beginning	\$ 159,329	\$ 189,942	\$ 349,271
Increase in current period	-	69,760	69,760
Amortization in the current period	-	( 65,581 )	( 65,581 )
Reclassification	-	3,198	3,198
Net exchange differences	( <u>35</u> )	( <u>20</u> )	( <u>55</u> )
Balance - ending	<u>159,294</u>	<u>197,299</u>	<u>356,593</u>
<u>Accumulated impairment</u>			
Balance - beginning	<u>159,052</u>	-	<u>159,052</u>
Balance - ending	<u>159,052</u>	-	<u>159,052</u>
Net - ending	<u>\$ 242</u>	<u>\$ 197,299</u>	<u>\$ 197,541</u>

The Shell Royalty, was incurred because the Company entered into the patent license agreement for Shell EO/EG Method with Shell Research Limited to acquire the relevant patented technology to build the ethylene glycol plant. The patent license period was valid from the date of agreement and expired after five years. Notwithstanding, in consideration of the environment protection issue about the construction site, the progress of the ethylene glycol plant project was behind the schedule badly. Though Shell Research Limited agreed to continue licensing the patent, the Company still stated the royalty as impairment in whole upon evaluation.

23. Other assets

	December 31, 2022	December 31, 2021
Refundable deposit	\$ 2,314,699	\$ 2,354,991
Non-delinquent loans restated from loans-net	271,035	437,502
Collected payment of shares underwritten and pending payments to be delivered	95,912	733,990
Others	<u>35,723</u>	<u>121,210</u>
	<u>\$ 2,717,369</u>	<u>\$ 3,647,693</u>

(1) The time deposits and government bonds held to maturity deposited by the consolidated company as the security bond at court and for business guarantee on December 31, 2022 and 2021 were NT\$ 750,500 thousand and NT\$ 1,056,400 thousand, respectively, which are stated as refundable deposits. Please refer to Note 38 for details.

(2) Non-loans transferred to collection - Breakdown of net:

	December 31, 2022	December 31, 2021
Non-delinquent loans restated from loans	\$ 387,003	\$ 537,959
Less: Loss allowance - Taichung Commercial Bank (Note 10)	( <u>115,968</u> )	( <u>100,457</u> )
	<u>\$ 271,035</u>	<u>\$ 437,502</u>

(3) Details of delinquent accounts, net are summarized as follows:

	December 31, 2022	December 31, 2021
Delinquent Accounts	\$ 3,149	\$ 3,147
Less: loss reserve – collection (Note 10)	( <u>3,149</u> )	( <u>3,147</u> )
	<u>\$ -</u>	<u>\$ -</u>

24. Borrowing

(1) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured loans</u>		
- Secured loan	\$ 12,648,102	\$ 13,024,156
<u>Unsecured loans</u>		
- Credit loan	4,280,000	3,305,000
- Material procurement loan	<u>2,129,608</u>	<u>2,783,962</u>
	<u>6,409,608</u>	<u>6,088,962</u>
	<u>\$ 19,057,710</u>	<u>\$ 19,113,118</u>

1. The interest rates of bank borrowings as of December 31, 2022 and 2021 were 1.54% to 6.77% and 0.10% to 5.66%, respectively.
2. For the foresaid loan collateral information, please refer to Note 38

(2) Short-term notes payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Short-term notes payable	\$ 4,880,000	\$ 4,295,000
Less: Discount of short-term notes and bills payable	( <u>8,597</u> )	( <u>4,160</u> )
	<u>\$ 4,871,403</u>	<u>\$ 4,290,840</u>

(3) Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured loans</u>		
- Bank loans	\$ 8,218,303	\$ 7,523,028
Less: Amount due in one year	( <u>1,445,539</u> )	( <u>2,610,828</u> )
Long-term borrowings	<u>\$ 6,772,764</u>	<u>\$ 4,912,200</u>

1. China Man-made Fiber Corporation's syndicated long-term loan from the Taiwan Cooperative Bank on December 31, 2021 amounted to NT\$1,721,500 thousand. The interest rate for the loan was between 1.80% and 1.85%, and the loan was paid in full in June 2022. China Man-made Fiber Corporation's land and buildings in Kaohsiung were pledged as collateral for the loan.
2. As of December 31, 2022 and 2021, CMFC had medium and long-term borrowings from Taiwan Business Bank at NT\$181,200 thousand and NT\$198,400 thousand, respectively, with the borrowing rate currently at 1.74%. CMFC has repaid the borrowings periodically based on the loan agreement and a total of \$181,200 thousand will be due in the next year. The land and buildings are used as the collateral for the borrowing.
3. As of December 31, 2022 and 2021, CMFC had long-term borrowings from Land Bank of Taiwan at NT\$175,000 thousand, with the borrowing interest rate currently at 1.70%, paid by monthly. The contract is renewed every three months. The land and buildings of headquarters in Taipei are used as the collateral for the borrowing.
4. China Man-Made Fiber Corporation's long-term loan from Union Bank of Taiwan on December 31, 2021 and December 31, 2022 amounted to NT\$700,000 thousand and NT\$450,000 thousand, respectively. The interest rate for the loan was between 1.89% and 1.93%. Term-based payments were made every year according to the contract. Due the following year was a total of NT\$162,500 thousand. 97,000 thousand shares of Taichung Bank were pledged as collateral for the loan.
5. The long-term borrowing of China Man-Made Fiber Corporation from the Bank of Panhsin as of December 31, 2022 and 2021 amounted to NT\$728,828 thousand and NT\$728,828 thousand. The borrowing rate of interest is currently 1.70%–1.52%. The borrowing is to be repaid on schedule every year. NT\$498,828 thousand will mature within one year. China Man-

Made Fiber Corporation's land and building premises in Xiaogang District, Kaohsiung City are provided as borrowing collateral.

6. The long-term borrowing of China Man-Made Fiber Corporation from the Sunny Bank as of December 31, 2022 and 2021 amounted to NT\$600,000 thousand. The borrowing rate of interest is currently 1.82%, paid by monthly. The contract is renewed every year. 95,000,000 shares of the Taichung Commercial Bank Co., Ltd. shall be provided as borrowing collateral.
7. Man-Made Fiber Corporation's long-term loan on December 31, 2022 and December 31, 2021 from JihSun International Commercial Bank Co., Ltd. amounted to NT\$1,025,000 thousand. The interest rate for the loan was 1.76%, and payments were made monthly. The contract was renewed every year. 130,000 thousand shares of Taichung Bank and 15,000 thousand shares of Taiwan Tea Corporation were pledged as collateral for the loan.
8. The borrowing of China Man-Made Fiber Corporation from the Shanghai Commercial Bank as of December 31, 2022 and 2021 amounted to NT\$677,500 thousand and NT\$392,500 thousand. The borrowing rates of interest currently stand at 1.88%–1.93%, with repayment by period per the loan contract in each year. NT\$115,000 thousand will mature within one year. China Man-Made Fiber Corporation's 55,550 thousand shares from the Taichung Commercial Bank Co., Ltd. and the land and building premises in Xiaogang District, Kaohsiung City are provided as borrowing collateral.
9. China Man-Made Fiber Corporation's long term loan from the Bank of Kaohsiung on December 31, 2022, and December 31, 2021 amounted to NT\$600,000 thousand and NT\$100,000 thousand. The interest rate for the loan was between 1.59% and 1.88%, payments were made monthly and the contract was renewed every three months to one year. 67,800 thousand shares of Taichung Bank were pledged as collateral for the loan.
10. China Man-made Fiber Corporation's long-term loan from Shin Kong Commercial Bank on December 31, 2022 amounted to \$1,575,000 thousand. The interest rate for the loan was between 1.73% and 1.77%, interest was paid monthly and term-based payments were made beginning December 2022. Due the following year was a total of NT\$50,000 thousand. made. The land and buildings in Dashe, Kaohsiung were pledged as collateral for the loan.
11. China Man-made Fiber Corporation's long-term loan from Taiwan Cooperative Bank on December 31, 2022 amounted to NT\$650,000 thousand. The interest rate for the loan was between 1.70% and 1.85%. Interest was paid monthly and the contract was renewed annually. Due the following year was a total of NT\$40,000 thousand. The land and buildings in Dashe, Kaohsiung were pledged as collateral for the loan.
12. As of December 31, 2022 and 2021, PACC had long-term borrowings from Taiwan Cooperative Bank at NT\$244,000 thousand and NT\$412,000 thousand, respectively, with the borrowing rate currently at 1.85%. PACC will repay the borrowings periodically based on the loan agreement. The land and buildings of PACC's Kaohsiung plant are used as the collateral for the borrowing.
13. As of December 31, 2022 and 2021, Pan Asia's long-term loans with Union Bank of Taiwan amounted to NT\$ 75,000 thousand, with a borrowing rate of interest of 1.92%. Loan payments are made in a timely manner as prescribed in the loan agreements. In the upcoming year, a loan of NT\$ 50,000 thousand will reach maturity. Said loans serve as collateral for China Man-Made Fiber Corporation stocks held by Pan Asia Chemical Corporation.
14. As of December 31, 2022 and 2021, PACC had long-term borrowings from Bank of Panhsin at NT\$50,000 thousand and NT\$70,000 thousand, respectively, with the borrowing rate currently at 1.88%. PACC has repaid the borrowings periodically based on the loan agreement.
15. The long-term borrowing of Pan Asia Chemical Corporation from the JihSun Bank as of December 31, 2022 and 2021 amounted to NT\$110,000 thousand and NT\$140,000 thousand respectively. The borrowing rate of interest is currently 1.89%, paid by monthly. The contract is renewed every year and a total of NT\$110,000 thousand will be due in the next year. Shares of the China Man-Made Fiber Corporation shall be provided as borrowing collateral.
16. Pan Asia Chemical Corporation's long-term loan from the Taiwanese Business Bank Co., Ltd. on December 31, 2021 amounted to NT\$ 475,000 thousand. The interest rate for the loan was 1.25%, which was repaid in full by March 2022.
17. Chou Chin Industrial Co., Ltd.'s long-term loans from Union Bank of Taiwan amounted to NT\$120,000 thousand and NT\$130,000 thousand on December 31, 2021 and December 31,

2022, respectively. The interest rate for the loan was 2.18% and term-based payments were made in accordance with the contract. Due the following year was a total of \$10,000 thousand. The shares of Hua Nan Financial Holdings Co., Ltd. and the bonds issued by Taichung Bank were pledged as collateral for the loan.

18. Chou Chin Industrial Co., Ltd.'s long-term loan from JihSun International Commercial Bank Co., Ltd. amounted to NT\$100,000 thousand on December 31, 2022, and NT\$108,000 thousand on December 31, 2021. The loan interest rate was 1.96% and term-based payments were made in accordance with the contract. Due the following year was a total of NT\$92,000 thousand. The shares of Hua Nan Financial Holdings Co., Ltd. were pledged as collateral for the loan.
  19. As of December 31, 2022 and 2021, Chou Chin Industrial Co., Ltd.'s long-term loans with First Commercial Bank amounted to NT\$ 201,000 thousand and NT\$ 150,000 thousand respectively, with a borrowing rate of interest of 2.18%~2.26%. Loan payments are made in a timely manner as prescribed in the agreements. In the upcoming year, a loan amount of NT\$ 14,236 thousand will reach maturity. Said loans serve as collateral for the land and buildings.
  20. As of December 31, 2022, Chou Chin Industrial Co., Ltd.'s long-term loans with Taiwan Business Bank amounted to NT\$ 66,000 thousand, with a borrowing rate of interest of 2.18%. Loan payments are made in a timely manner as prescribed in the agreements. In the upcoming year, a loan amount of NT\$ 5,000 thousand will reach maturity. Said loans serve as collateral for the machine & equipment.
  21. As of December 31, 2022 and 2021, Chou Chang Co., Ltd.'s long-term loans with Sunny Bank amounted to NT\$ 153,000 thousand, with a borrowing rate of interest of 2.29%, with repayment by period per the loan contact in each year. Said loans serve as collateral for financial bonds of Taichung Bank.
  22. The long-term borrowing of the Chou Chang Co., Ltd. from the Far Eastern Int'l bank (Business Department) on December 31, 2022 and December 31, 2021 amounted to NT\$116,775 thousand and NT\$118,800 thousand. The borrowing rates of interest are currently 2.45%, with repayment by period per the loan contact in each year. NT\$116,775 thousand will mature within one year. The financial debentures of the Taichung Commercial Bank Co., Ltd. are provided as borrowing collateral.
  23. Please refer to Note 38 for the collateral of the long-term borrowings:
25. Bills and bonds sold under repurchase agreements

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Government bonds	\$ -	\$ 1,205,559

Post-period re-purchase amount and interest rate are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Government bonds	\$ -	\$ 1,205,924
Government bonds	-	0.19%~0.21%

26. Due to Central Bank and other banks

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Call loans to banks	\$ 8,650,000	\$ 3,900,000
Due to Chunghwa Post Co., Ltd.	53,687	53,687
Deposits of other banks	<u>53</u>	<u>13</u>
	<u>\$ 8,703,740</u>	<u>\$ 3,953,700</u>

27. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes and checks in clearing	\$ 4,276,016	\$ 4,589,463
Payable expenses	2,716,529	2,575,893
Receivable accounts for settlement	791,988	1,614,594
Acceptances payable	544,899	975,865
Payable interest	622,229	290,820
Account payable for underwriting	14,994	34,642
Payable spot exchange settlement payment	5,227	1,210
Others	<u>802,922</u>	<u>644,948</u>
	<u>\$ 9,774,804</u>	<u>\$ 10,727,435</u>

28. Deposits and remittances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Check deposits	\$ 11,528,669	\$ 11,427,263
Demand deposits	195,545,032	192,556,156
Current saving deposits	162,103,208	160,450,666
Time deposits	135,408,103	140,435,316
Time saving deposits	178,202,610	153,899,040
Remittances	<u>44,001</u>	<u>55,388</u>
	<u>\$ 682,831,623</u>	<u>\$ 658,823,829</u>

29. Bonds payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Subordinate financial bonds	\$ 16,500,000	\$ 16,500,000
Less: Part owned by the consolidated company	( <u>1,510,000</u> )	( <u>1,510,000</u> )
	<u>\$ 14,990,000</u>	<u>\$ 14,990,000</u>

- (1) The company has been approved by Financial Supervisory Commission under Letter Jin-Guan-Yin-Piao-Zi No. 10400200460 dated August 26, 2015 for the issuance of no maturity non-cumulative subordinated financial debentures 1st term for 2015 on December 28 2015. The terms and conditions for issuance are shown below:
1. Amount approved for issuance: NT\$1,500,000 thousand.
  2. Amount issued: NT\$1,500,000 thousand.
  3. Face value: NT\$10,000 thousand, issued at face value.
  4. Maturity: no maturity date.
  5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
  6. Repayment Methods: executed in accordance with the regulations of issuance.
  7. Interest payment: once annually from the issuing date.
- (2) The Taichung Bank has been approved by Financial Supervisory Commission under Letter Jin-Kuan-Yin-Piao-Zi No. 10500210950 dated September 2, 2016 for the issuance of no maturity non-cumulative subordinated financial debentures 1st term and 2nd term and 3rd term for 2017 and 1st term for 2016 on March 28, May 18, August 28, 2017 and December 28, 2016. The terms and conditions for issuance are shown below:
1. Amount approved for issuance: NT\$3,500,000 thousand.
  2. Issued:
    - (1) 1st term 2016: 1,500,000 thousand.
    - (2) 1st term 2017: 1,000,000 thousand.



- (3) 2nd term 2017: 500,000 thousand.
- (4) 3rd term 2017: 500,000 thousand.
- 3. (3) Denomination:
  - (1) 1st term 2016: NTD 10,000 thousand, issued at par value.
  - (2) 106 年第一期：新台幣 10,000 仟元，依面額發行。
  - (3) 2nd term 2017: NTD 10,000 thousand, issued at par value.
  - (4) 2rd term 2017: NTD 10,000 thousand, issued at par value.
- 4. Maturity: no maturity date.
- 5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
- 6. Repayment Methods: executed in accordance with the regulations of issuance.
- 7. Interest payment: once annually from the issuing date.
- (3) The company has been approved by Financial Supervisory Commission under Letter Jin-Guan-Yin-Piao-Zi No. 10600229120 dated September 22, 2017 for the issuance of no maturity non-cumulative subordinated financial debentures 1st term for 2018 and 4th, 5th term for 2017 on April 25, 2018 and December 5, December 27, 2017. The terms and conditions for issuance are shown below:
  - 1. Approved: NTD5,000,000 thousand.
  - 2. Issued:
    - (1) 4th term 2017: 1,350,000 thousand.
    - (2) 5th term 2017: 2,650,000 thousand.
    - (3) 1st term 2018: 1,000,000 thousand.
  - 3. Denomination:
    - (1) 4th term 2017: NTD 10,000 thousand, issued at par value.
    - (2) 5th term 2017: NTD 10,000 thousand, issued at par value.
    - (3) 1st term 2018: NTD 10,000 thousand, issued at par value.
  - 4. Maturity: no maturity date.
  - 5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
  - 6. Repayment Methods: executed in accordance with the regulations of issuance.
  - 7. Interest payment: once annually from the issuing date.
- (4) The company has been approved by Financial Supervisory Commission under Letter Jin-Guan-Yin-Piao-Zi No. 10702156550 dated August 23, 2018 for the issuance of no maturity non-cumulative subordinated financial debentures 2nd term for 2018 on December 18, 2018. The terms and conditions for issuance are shown below:
  - 1. Amount approved for issuance: NT\$1,500,000 thousand.
  - 2. Amount issued: NT\$1,500,000 thousand.
  - 3. Face value: NT\$10,000 thousand, issued at face value.
  - 4. Maturity: no maturity date.
  - 5. Bond interest rate is the displayed floating rates for one-year term deposits of Chunghua Post Co., Ltd. plus 3.08%.
  - 6. Repayment Methods: executed in accordance with the regulations of issuance.
  - 7. Interest payment: once annually from the issuing date.
- (5) As approved by FSC's Letter under Jin-Guan-Yin-Piao-Zi No. 1100226929 dated October 12, 2021, the Taichung Bank issued 1st term subordinate financial bonds December 27, 2021 upon the following terms and conditions:
  - 1. (1) Approved: NTD5,000,000 thousand.
  - 2. Amount issued: NT\$5,000,000 thousand.
  - 3. Face value: NT\$10,000 thousand, issued at face value.
  - 4. Duration: 7 years, matured on December 27, 2028.
  - 5. Coupon rate: Fixed annual interest rate 1.2%.
  - 6. (6) Repayment Methods: repayment in lump sum upon maturity.
  - 7. Interest payment: once annually from the issuing date.

### 30. Provision for liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Employee benefit liabilities reserve	\$ 996,291	\$ 1,181,236
Reserve for guarantee liability	275,963	297,963
Provision for commitment of financing	93,388	65,147
Pending litigation reserves	78,006	83,998
Other reserves	17,824	12,855
	<u>\$ 1,461,472</u>	<u>\$ 1,641,199</u>

(1) Employee benefit liabilities reserve is detailed as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Defined benefit liabilities	\$ 801,581	\$ 996,970
Employees preferential deposit plan	154,244	147,633
Other long-term employee benefit liabilities	40,466	36,633
	<u>\$ 996,291</u>	<u>\$ 1,181,236</u>

#### 1. Defined contribution pension plan

The pension system of the “Labor Pension Act” that is applicable to the Company and its subsidiaries of the consolidated company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance.

In 2022 and 2021, the consolidated company allocated NT\$161,955 thousand and NT\$146,759 thousand, respectively, for recognition in the Consolidated Profit and Loss Statement in accordance with the proportion specified in the confirmed allocation plan.

#### 2. Defined benefit plan

The consolidated company’s pension system under the “Labor Standards Act” of the R.O.C. is a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The consolidated company has contributed to the employee pension fund monthly based on the total salaries to Labor Pension Reserve Supervisory Committee for deposit at the special account in the Bank of Taiwan bearing the title of the committee. If the balance of the special account before the end of the fiscal year is insufficient to settle the payment for employees qualified for retirement in the next fiscal year, the company shall make up the difference in lump sum by the end of March of the next fiscal year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The company contained in the consolidated financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of determined benefit plan recognized in the consolidated balance sheet is shown below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of the defined benefit obligations	\$ 2,023,646	\$ 2,161,805
The fair value of plan assets	( <u>1,222,065</u> )	( <u>1,164,835</u> )
Appropriation shortage	<u>801,581</u>	<u>996,970</u>
Net determined benefit liability	<u>\$ 801,581</u>	<u>\$ 996,970</u>

Change in net determined benefit liability is shown below

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
January 1, 2021	\$ 2,249,380	( \$ 1,113,538 )	\$ 1,135,842
Service cost			
Current service cost	10,787	-	10,787
Interest expenses (revenues)	10,425	( 5,289 )	5,136
Recognized in the profit or loss	21,212	( 5,289 )	15,923
Reevaluation			
Planned ROE (except the amount of net interest)	-	( 14,548 )	( 14,548 )
Actuarial loss – change in the assumption of the census	15,436	-	15,436
Actuarial gain – change in financial assumptions	( 33,409 )	-	( 33,409 )
Actuarial loss – adjustment through experience	4,418	-	4,418
Recognized in the other comprehensive profit of loss	( 13,555 )	( 14,548 )	( 28,103 )
Employer appropriation	-	( 103,485 )	( 103,485 )
Planned asset payment	( 63,489 )	72,025	8,536
Company account payment	( 31,743 )	-	( 31,743 )
December 31, 2021	2,161,805	( 1,164,835 )	996,970
Service cost			
Current service cost	8,807	-	8,807
Interest expenses (revenues)	13,656	( 7,438 )	6,218
Recognized in the profit or loss	22,463	( 7,438 )	15,025
Reevaluation			
Planned ROE (except the amount of net interest)	-	( 88,006 )	( 88,006 )
Actuarial gain – change in financial assumptions	( 155,645 )	-	( 155,645 )
Actuarial loss – adjustment through experience	134,900	-	134,900
Recognized in the other comprehensive profit of loss	( 20,745 )	( 88,006 )	( 108,751 )
Employer appropriation	-	( 87,250 )	( 87,250 )
Planned asset payment	( 88,946 )	125,464	36,518
Company account payment	( 50,931 )	-	( 50,931 )
December 31, 2022	\$ 2,023,646	( \$ 1,222,065 )	\$ 801,581

The recognized loss of determined benefit plans by function is summarized below:

	2022	2021
Operating expenses	\$ 11,811	\$ 13,264
Operating cost	3,214	2,659
	\$ 15,025	\$ 15,923

The pension fund system of the company contained in the consolidated financial statements is exposed to the following risks due to the “Labor Standards Act”:

- (1) Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the consolidated company shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.
- (2) Interest risk: the decline of the interest rate for government/corporate bonds will cause an increase in the present value of determined benefit obligation. However, the ROI of the debt of the planned assets will also increase accordingly. The effect of the two on net determined benefit liability is mutually offsetting.

- (3) Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As such, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the company contained in the consolidated financial statements is based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	<u>2022</u>	<u>2021</u>
Discount rate	1.29%~1.50%	0.47%~0.75%
The expected rate of increase in salaries	1.50%~2.75%	1.50%~2.75%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.25%	( \$ <u>43,448</u> )	( \$ <u>50,839</u> )
Decrease by 0.25%	<u>\$ 44,794</u>	<u>\$ 52,528</u>
The expected rate of increase in salaries		
Increase by 0.25%	<u>\$ 42,058</u>	<u>\$ 51,012</u>
Decrease by 0.25%	( \$ <u>40,991</u> )	( \$ <u>49,716</u> )

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prepaid amount for 1 year	\$ <u>88,121</u>	\$ <u>40,400</u>
Average maturity of determined benefit obligation	8 to 13 years	8 to 14 years

### 3. Employees preferential deposit plan

With effect on December 21, 2014, Taichung Bank in the financial statements adjusted the interest rate for the deposit of the banking staff. According to Order Jin-Guan-Yin-Fa-Zi No. 10110000850 and the Regulations Governing the Preparation of Financial Reports by Public Banks, the employee preferred deposit plan liabilities shall be subject to the actuarial calculation of a qualified actuary professional.

Contingent liabilities included in the consolidated balance sheet due to employees' preferential deposit plan at Taichung Commercial Bank are shown as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of preferred deposit plan	\$ 154,244	\$ 147,633
The fair value of plan assets	<u>-</u>	<u>-</u>
Appropriation shortage	<u>154,244</u>	<u>147,633</u>
Employees preferential deposit plan liability	\$ <u>154,244</u>	\$ <u>147,633</u>

Change in employee preferred deposit plan liability is shown below:

	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
January 1, 2021	\$ 139,406	\$ -	\$ 139,406
Service cost			
Service costs from previous period	11,077	-	11,077
Interest expenses	<u>4,995</u>	<u>-</u>	<u>4,995</u>
Recognized in the profit or loss	<u>16,072</u>	<u>-</u>	<u>16,072</u>
Reevaluation			
Actuarial loss – adjustment through experience	<u>22,124</u>	<u>-</u>	<u>22,124</u>
Recognized in the other comprehensive profit of loss	<u>22,124</u>	<u>-</u>	<u>22,124</u>
Company account payment	( <u>29,969</u> )	-	( <u>29,969</u> )
December 31, 2021	<u>147,633</u>	<u>-</u>	<u>147,633</u>
Service cost			
Service costs from previous period	11,114	-	11,114
Interest expenses	<u>5,306</u>	<u>-</u>	<u>5,306</u>
Recognized in the profit or loss	<u>16,420</u>	<u>-</u>	<u>16,420</u>
Reevaluation			
Actuarial loss – adjustment through experience	<u>22,508</u>	<u>-</u>	<u>22,508</u>
Recognized in the other comprehensive profit of loss	<u>22,508</u>	<u>-</u>	<u>22,508</u>
Company account payment	( <u>32,317</u> )	-	( <u>32,317</u> )
December 31, 2022	<u>\$ 154,244</u>	<u>\$ -</u>	<u>\$ 154,244</u>

The amount of employee preferred deposit plan recognized as profit and loss by function is summarized below:

	<u>2022</u>	<u>2021</u>
Operating expenses	\$ <u>16,420</u>	\$ <u>16,072</u>

The employee preferred deposit obligation of the Taichung Commercial Bank is based on the actuarial calculation of professional actuary and the major assumption as of the evaluation day is shown below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	4.00%	4.00%
Return on deposited fund	2.00%	2.00%
Excessive interest rate	2.00%	2.00%
The withdrawal rate of preferred deposits	3.50%	3.50%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of employee preferred deposit obligation will be:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by 0.25%	( \$ <u>3,720</u> )	( \$ <u>3,573</u> )
Decrease by 0.25%	<u>\$ 3,882</u>	<u>\$ 3,729</u>
The withdrawal rate of preferred deposits		
Increase by 0.25%	<u>\$ 4,013</u>	<u>\$ 3,855</u>
Decrease by 0.25%	( <u>\$ 4,179</u> )	( <u>\$ 4,015</u> )

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of employee preferred deposit obligation.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Amount projected for appropriation in 1 year	\$ _____ -	\$ _____ -
The average maturity of employee preferred deposit obligation	10.2 years	10.3 years

4. Other long-term employee benefits

The other long-term employee benefits of the Taichung Commercial Bank meant for the long-term disability benefits. The Company will issue pensions to the employees who die of sickness or accidents at work for reasons other than occupational hazards.

The consolidated company recognized long-term employee benefits in the consolidated comprehensive income statement for an amount of NT\$4,851 thousand and NT\$ 1,632 thousand in 2022 and 2021, respectively. The other long-term employee benefit liabilities reserve amounted to NT\$ 40,466 thousand and NT\$ 36,633 thousand as of December 31, 2022 and 2021, respectively.

(2) The table of changes in reserves against liability on guarantees set aside by a bank is as follows:

2022

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance - beginning	\$ 171,880	\$ 7,782	\$ 33,375	\$ 213,037	\$ 84,926	\$ 297,963
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	( 40 )	40	-	-	-	-
Converted as anticipated credit loss in 12 months	495	( 495 )	-	-	-	-
Financial assets removed in current period	( 115,154 )	( 3,631 )	-	( 118,785 )	-	( 118,785 )
Procured or initiated new financial assets	134,724	16,140	-	150,864	-	150,864
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	( 58,335 )	( 58,335 )
Foreign exchange settlement and other changes	<u>1,883</u>	<u>752</u>	<u>1,621</u>	<u>4,256</u>	<u>-</u>	<u>4,256</u>
Balance - ending	\$ 193,788	\$ 20,588	\$ 34,996	\$ 249,372	\$ 26,591	\$ 275,963

2021

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance - beginning	\$ 168,958	\$ 4,799	\$ 36,355	\$ 210,112	\$ 25,851	\$ 235,963
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	( 447 )	447	-	-	-	-
Converted as financial assets with credit impairment	( 5 )	-	5	-	-	-
Converted as anticipated credit loss in 12 months	117	( 117 )	-	-	-	-
Financial assets removed in current period	( 112,752 )	( 4,176 )	( 269 )	( 117,197 )	-	( 117,197 )
Procured or initiated new financial assets	131,253	3,047	-	134,300	-	134,300
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	59,075	59,075
Foreign exchange settlement and other changes	<u>( 15,244 )</u>	<u>3,782</u>	<u>( 2,716 )</u>	<u>( 14,178 )</u>	<u>-</u>	<u>( 14,178 )</u>
Balance - ending	\$ 171,880	\$ 7,782	\$ 33,375	\$ 213,037	\$ 84,926	\$ 297,963

Bad debt expense, commitment and guarantee liability provisions recognized in 2022 and 2021.

(3) The table of changes in other reserves is as follows:

2022

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance - beginning	\$ 8,629	\$ -	\$ -	\$ 8,629	\$ 4,226	\$ 12,855
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	-	-	-	-	-	-
Converted as financial assets with credit impairment	-	-	-	-	-	-
Converted as anticipated credit loss in 12 months	-	-	-	-	-	-
Financial assets removed in current period	( 8,552 )	-	-	( 8,552 )	-	( 8,552 )
Procured or initiated new financial assets	8,261	9,214	-	17,475	-	17,475
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	( 3,883 )	( 3,883 )
Foreign exchange settlement and other changes	( 71 )	-	-	( 71 )	-	( 71 )
Balance - ending	\$ 8,267	\$ 9,214	\$ -	\$ 17,481	\$ 343	\$ 17,824

2021

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance - beginning	\$ 9,157	\$ 3,263	\$ -	\$ 12,420	\$ 677	\$ 13,097
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	-	-	-	-	-	-
Converted as financial assets with credit impairment	-	-	-	-	-	-
Converted as anticipated credit loss in 12 months	-	-	-	-	-	-
Financial assets removed in current period	( 9,113 )	( 3,263 )	-	( 12,376 )	-	( 12,376 )
Procured or initiated new financial assets	8,629	-	-	8,629	-	8,629
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	3,549	3,549
Foreign exchange settlement and other changes	( 44 )	-	-	( 44 )	-	( 44 )
Balance - ending	\$ 8,629	\$ -	\$ -	\$ 8,629	\$ 4,226	\$ 12,855

Bad debt expense, commitment and guarantee liability provisions recognized in 2022 and 2021.



(4) Statement of changes for commitment of financing by item are shown below:

2022

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance - beginning	\$ 45,923	\$ 2,576	\$ 12,005	\$ 60,504	\$ 4,643	\$ 65,147
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	( 6 )	6	-	-	-	-
Converted as financial assets with credit impairment	( 1 )	( 18 )	19	-	-	-
Converted as anticipated credit loss in 12 months	1,798	( 1,798 )	-	-	-	-
Financial assets removed in current period	( 9,148 )	( 702 )	( 108 )	( 9,958 )	-	( 9,958 )
Procured or initiated new financial assets	41,259	774	-	42,033	-	42,033
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	( 2,587 )	( 2,587 )
Foreign exchange settlement and other changes	( 2,038 )	810	( 19 )	( 1,247 )	-	( 1,247 )
Balance - ending	\$ 77,787	\$ 1,648	\$ 11,897	\$ 91,332	\$ 2,056	\$ 93,388

2021

	Anticipated credit loss in 12 months	Anticipated credit loss within the perpetuity of the financial assets	Financial assets with credit impairment	Impairment recognized in accordance with IFRS 9	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
Balance - beginning	\$ 58,968	\$ 7,205	\$ 2,555	\$ 68,728	\$ 3,332	\$ 72,060
Changes in financial instruments recognized at the beginning of the period:						
Converted as anticipated credit loss within the perpetuity of the financial assets	( 6 )	6	-	-	-	-
Converted as financial assets with credit impairment	( 646 )	630	16	-	-	-
Converted as anticipated credit loss in 12 months	1,769	( 1,769 )	-	-	-	-
Financial assets removed in current period	( 33,456 )	( 5,398 )	( 692 )	( 39,546 )	-	( 39,546 )
Procured or initiated new financial assets	20,436	1,488	10,142	32,066	-	32,066
Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-	1,311	1,311
Foreign exchange settlement and other changes	( 1,142 )	414	( 16 )	( 744 )	-	( 744 )
Balance - ending	\$ 45,923	\$ 2,576	\$ 12,005	\$ 60,504	\$ 4,643	\$ 65,147

As of December 31, 2022 and 2021, bad debt expense allowances and commitment/guarantee reserve allowances.

- (5) The pending compensation reserve of the consolidated companies for December 31, 2022 and 2021 are NT\$78,006 thousands and NT\$83,998 thousands, respectively. Please refer to Note 39.

31. Equity

(1) Capital stock

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized number of shares (thousand shares)	2,100,000	2,100,000
Authorized capital	\$ 21,000,000	\$ 21,000,000
Number of shares issued with fully paid-in capital (thousand shares)	1,686,210	1,686,210
Outstanding capital	\$ 16,862,097	\$ 16,862,097

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

On July 29, 2021, the shareholders of China Man-made Fiber Corporation approved a resolution to transfer and increase the capital by issuing 64,843 thousand ordinary shares with a par value of NT\$10 each, from the company's undistributed surplus of NT\$648,425 thousand. China Man-Made Fiber Corporation has 1,686,210 thousand ordinary shares with a par value of NT\$10 as of December 31, 2022 and 2021, for a total paid-in capital of 16,862,097 thousand.

(2) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
For covering loss carried forward, payment in cash or capitalization as equity shares (Note)		
Shares issued in excess of par value	\$ 590,001	\$ 590,001
Assets received	2,129	2,129
Treasury stock transactions	772,194	772,194
Invalid ESO	2,600	2,600
<u>For covering loss carried forward only.</u>		
Changes in the ownership equity on a subsidiary	179,678	120,561
Transaction of treasury stock (cash dividends paid to subsidiaries)	169,202	169,202
	<u>\$ 1,715,804</u>	<u>\$ 1,656,687</u>

Note: Such additional paid-in capital can be used to make up for losses; also, when the company is without any loss, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

(3) Retained earnings and Dividend Policy

According to the Articles of Incorporation of China Man-Made Fiber Corporation, the policy for the distribution of earnings stated that if there is a surplus after account settlement of the fiscal year, the company shall pay applicable taxes and cover loss carried forward, followed by the allocation of 10% of the remainder as legal reserve, and appropriate for special reserve or reverse special reserve. If there is still a balance, it will be pooled up with the undistributed earnings carried forward from previous years for distribution as shareholder dividends under a proposal prepared by the Board subject to the final approval of the General Meeting of Shareholders. For information on the policy of remuneration to employees, Directors, and Shareholders to the Articles of Incorporation, refer to Note 32 (11) remunerations for employees, directors and supervisors.

The Company's dividends policy shall be drafted subject to the Company's future investment environment and long-term financial planning and also takes the shareholders' equity into consideration. The dividends shall be allocated in the form of cash dividend as the first priority per year, and may be allocated in the form of stock dividend, provided that the ratio of allocation of stock dividends shall be no more than 95% of the total dividends.

China Man-Made Fiber Corporation has a special reserve appropriated and reversed in accordance with FSC.Certificate.Issue.Tzi No. 1010012865 Letter, FSC.Certificate.Issue.Tzi No. 1010047490 Letter and “Special reserve appropriation Q&A after the adoption of International Financial Reporting Standards (IFRSs).” If the amount debited to the other shareholders’ equity is reversed subsequently, the reversed amount can be distributed.

The legal reserve should be contributed until its balance reaches the Company’s total paid-in capital. The legal reserve may be applied to make up loss. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

China Man-Made Fiber Corporation held General Shareholders Meetings on June 16, 2022 and July 29, 2021, which adopted resolutions with regard to the 2021 and 2020 surplus distribution proposals as follows:

	<u>Earnings Distribution Proposal</u>		<u>Dividends Per Share (NTD)</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Legal reserve	\$ 2,616	\$ 90,972		
Special reserve	-	( 6,177 )		
Cash dividends		162,106	\$ -	\$ 0.1
Stock dividends		648,425	-	0.4

The Company had resolved in the board meeting the earnings distribution of 2022 on March 8, 2023 as follows:

	<u>Earnings</u>	<u>Dividends Per Share (NTD)</u>
	<u>Distribution Proposal</u>	
Legal reserve	\$ 2,721	\$ -

The proposal for the distribution of earnings in 2022 is pending on the resolution of the General Meeting of shareholders scheduled to be held in June 2023.

For more information on the proposal approved by the board of directors of China Man-Made Fiber Corporation and the surplus distribution proposal adopted by resolution of the General Shareholders Meeting, please refer to the TWSE Market Observation Post System.

(4) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

	<u>2022</u>	<u>2021</u>
Balance - beginning	( \$ 112,220 )	( \$ 116,241 )
The exchange differences yielded by net assets of overseas operating institutions	<u>15,682</u>	<u>4,021</u>
Balance - ending	( \$ <u>96,538</u> )	( \$ <u>112,220</u> )

2. Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss

	<u>2022</u>	<u>2021</u>
Balance - beginning	\$ 919,802	\$ 451,962
Accrued in current year		
Unrealized gain or loss		
Debt instruments	( 336,814 )	( 63,126 )
Equity instruments	221,329	556,895
Recognized share of the subsidiary adopting the equity method.	3,532	( 463 )
The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings.	<u>9,016</u>	( <u>25,466</u> )
Balance - ending	\$ <u>816,865</u>	\$ <u>919,802</u>

(5) Treasury stock

The details and changes of the treasury stocks of CMFC in 2022 and 2021 are shown as follows:

Cause	Transfer of shares to employees (Thousand shares)	Shares of parent company held by subsidiaries (in thousand shares)	Total (thousand shares)
Number of shares as of January 1, 2022	304	344,226	344,530
Increase in current period	-	-	-
Decrease in current period	-	-	-
Number of shares as of December 31, 2022	<u>304</u>	<u>344,226</u>	<u>344,530</u>
Number of shares on January 1, 2021	304	330,985	331,289
Increase in current period	-	13,241	13,241
Decrease in current period	-	-	-
Number of shares as of December 31, 2020	<u>304</u>	<u>344,226</u>	<u>344,530</u>

1. As of December 31, 2022 and 2021, CMFC shares held by the subsidiaries are as follows:

Name of Subsidiary	Ratio of Shareholdings %	Number of shares held (thousand shares)	Book Value	Market Value
<u>December 31, 2022</u>				
Pan Asia Chemical Corporation	44%	261,501	\$ 879,074	\$ 999,676
Deh Hsing Investment Co., Ltd.	100%	11,619	25,787	100,044
Chou Chin Industrial Co., Ltd.	50%	61,488	195,060	251,099
Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.)	38%	<u>9,618</u>	<u>35,136</u>	<u>31,129</u>
		<u>\$ 344,226</u>	<u>\$ 1,135,057</u>	<u>\$ 1,381,948</u>
<u>December 31, 2021</u>				
Pan Asia Chemical Corporation	44%	261,501	\$ 879,074	\$ 1,178,479
Deh Hsing Investment Co., Ltd.	100%	11,619	25,787	117,938
Chou Chin Industrial Co., Ltd.	50%	61,488	195,060	307,744
Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.)	38%	<u>9,618</u>	<u>35,136</u>	<u>36,697</u>
		<u>\$ 344,226</u>	<u>\$ 1,135,057</u>	<u>\$ 1,640,858</u>

2. According to the Securities and Exchange Act, the treasury stocks held by CMFC shall not be pledged, nor shall they be entitled to dividends distribution and voting rights. Shares of CMFC held by its subsidiaries shall be considered as treasury stocks, and except for the

provisions of Article 167 and 179 of the Company Act, the rest share the same rights as the general shareholders.

(6) Non-controlling interest

	<u>2022</u>	<u>2021</u>
Balance - beginning	\$ 48,448,944	\$ 43,402,141
Adjusted non-controlling interest of dividends distributed to subsidiaries	-	17,274
The number of shares attributed to non-controlling interests		
Net income	4,149,079	3,845,082
Reevaluation of determined benefit plan	54,343	7,205
Financial assets at fair value through other comprehensive profit or loss	( 1,178,054 )	110,587
Exchange differences from the translation of financial statements of foreign operations	90,842	13,252
Changes in the ownership equity on a subsidiary	( 56,869 )	25,091
Cash dividends paid by subsidiaries	( 866,596 )	( 754,657 )
Change in non-controlling interest	<u>2,365,332</u>	<u>1,782,969</u>
Balance - ending	<u>\$ 53,007,021</u>	<u>\$ 48,448,944</u>

32. Business units in continuing operation income

Income from continuing operations department includes the following items

(1) Interest income and expense

	<u>2022</u>	<u>2021</u>
<u>Interest revenue</u>		
Discount and loan interest income	\$ 12,524,076	\$ 9,927,507
Due from bank and interbank offered interest income	391,980	135,962
Security investment interest income	1,883,674	1,468,181
Others	793,653	724,484
	<u>\$ 15,593,383</u>	<u>\$ 12,256,134</u>
<u>Interest expenses</u>		
Deposits Interest expenses	\$ 3,865,827	\$ 2,242,551
Central Bank and interbank interest expense	274,599	197,982
Bond issuance interest expense	462,175	397,214
Interest expense on borrowings	276,434	212,812
Lease liability interest expenses	31,633	39,290
Central Bank and other banks interest expense	1,008	2,332
Other Interest expenses	115,766	31,121
	<u>5,027,442</u>	<u>3,123,302</u>
Less: classified real estate, plant and equipment (Note 19)	( <u>6,226</u> )	( <u>5,448</u> )
	<u>\$ 5,021,216</u>	<u>\$ 3,117,854</u>

## (2) Fee income and expense

	2022	2021
<u>Income from handling fees</u>		
Insurance brokerage fee revenue	\$ 802,715	\$ 715,091
Securities brokerage fee revenue	262,679	428,523
Trust business income	938,378	1,218,880
Loan service fee income	935,503	695,138
Commission income for bank guarantee	244,788	212,100
Other service fee revenue	<u>412,734</u>	<u>368,485</u>
	<u>\$ 3,596,797</u>	<u>\$ 3,638,217</u>
<u>Service charges</u>		
Insurance brokerage commission expense	\$ 87,242	\$ 71,515
Inter-bank service fee	37,164	38,015
Other service fee expenses	<u>155,582</u>	<u>153,976</u>
	<u>\$ 279,988</u>	<u>\$ 263,506</u>

The consolidated company provides custody, trust, investment management and advisory services to third parties; therefore, the consolidated company engages in the planning, management and trading decision of financial instruments. For a trust fund or investment portfolio that is commissioned for management and utilization, a separate bookkeeping is arranged and financial statements are prepared for internal management purposes, excluding the financial statements of the consolidated company.

## (3) Gain (loss) on financial assets and liabilities at fair value through profit and loss

	2022	2021
<u>The realized gain (loss) of financial assets and liabilities measured at fair value through profit or loss</u>		
Commercial papers	\$ 181,327	\$ 65,813
Stock	89,777	155,023
Beneficiary certificate	( 35,340 )	50,325
Bonds	975	2,356
Derivatives	898,485	21,101
Others	<u>7,897</u>	<u>-</u>
	<u>1,143,121</u>	<u>294,618</u>
	2022	2021
<u>The valuation gain (loss) of financial assets and liabilities measured at fair value through profit or loss</u>		
Commercial papers	\$ 14,098	\$ 5,640
Stock	( 193,575 )	257,023
Beneficiary certificate	( 257,318 )	167,540
PEM Group Insurance policy assets	( 20,112 )	19,134
Bonds	( 3,461 )	3,416
Derivatives	<u>199,984</u>	<u>72,019</u>
	<u>( 260,384 )</u>	<u>524,772</u>
	<u>\$ 882,737</u>	<u>\$ 819,390</u>

(4) Loss in impairment of non-financial assets		
	<u>2022</u>	<u>2021</u>
Impairment loss of property, plant and equipment	\$ -	\$ 44,244
Intangible assets impairment loss	<u>28,272</u>	<u>-</u>
	<u>\$ 28,272</u>	<u>\$ 44,244</u>
(5) Impairment reversal gain (loss)		
	<u>2022</u>	<u>2021</u>
<u>Expected credit reversal benefit (loss)</u>		
Capital gain (loss) on reversal of debts instrument at fair value through comprehensive income statement as other comprehensive income	\$ 2,868	( \$ 9,198 )
Debt of instruments measured on the basis of cost after amortization impairment loss reversal gain (loss)	( 13,900 )	3,238
Accounts receivable	<u>18,956</u>	<u>1,896</u>
	<u>\$ 7,924</u>	( \$ 4,064 )
(6) Bad debt expense, commitment and guaranty reserve		
	<u>2022</u>	<u>2021</u>
Lodgment of the expenses of doubtful account receivables	\$ 273,804	\$ 273,220
Lodging of the expenses of doubtful accounts for discount and loans	969,901	1,040,130
Withdrawal and deposit of guarantee responsibility reserve (reversal)	( 22,000 )	62,000
Provision for commitment of financing (reverse)	25,938	( 6,616 )
Other (reversal) provision	<u>4,807</u>	( <u>223</u> )
	<u>\$ 1,252,450</u>	<u>\$ 1,368,511</u>
(7) Other income		
	<u>2022</u>	<u>2021</u>
Dividend income	\$ 335,068	\$ 208,149
Net gains on relocation compensation	-	194,379
Gain in disposal of real estate, plant buildings, equipment & facilities	761	13,629
Capital gain from disposition of investment property	70,820	-
Management fee income	48,922	45,920
Rental revenue	36,718	33,958
Government grants	-	29,045
Income derived from sales of substandard goods and scraps	924	13,727
Gain from disposition of subsidiaries	-	937
Others	<u>141,954</u>	<u>101,466</u>
	<u>\$ 635,167</u>	<u>\$ 641,210</u>

(8) Other expenses

	<u>2022</u>	<u>2021</u>
Loss from disposition of subsidiaries	\$ 788	\$ -
Others	<u>14,252</u>	<u>20,928</u>
	<u>\$ 15,040</u>	<u>\$ 20,928</u>

(9) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant, and equipment expenses	\$ 897,353	\$ 909,761
Depreciations of Investment Property	4,641	2,816
Intangible assets amortization expenses	72,486	65,581
Right-of-use assets	<u>189,996</u>	<u>269,422</u>
Total	<u>\$ 1,164,476</u>	<u>\$ 1,247,580</u>

Consolidation of depreciation expenses based on functions

Operating cost	\$ 688,775	\$ 699,768
Operating expenses	<u>403,215</u>	<u>482,231</u>
	<u>\$ 1,091,990</u>	<u>\$ 1,181,999</u>

Consolidation of amortization expenses based on functions

Operating cost	\$ -	\$ 55
Operating expenses	<u>72,486</u>	<u>65,526</u>
	<u>\$ 72,486</u>	<u>\$ 65,581</u>

(10) Employee benefits expenses

2022

	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Salary & wage	\$ 621,872	\$ 4,203,010	\$ 4,824,882
Labor insurance and national health insurance	<u>64,241</u>	<u>285,789</u>	<u>350,030</u>
	<u>686,113</u>	<u>4,488,799</u>	<u>5,174,912</u>
Pension expenses (Note 30)			
Defined contribution pension plan	25,684	136,271	161,955
Defined benefit plan	<u>3,214</u>	<u>11,811</u>	<u>15,025</u>
	<u>28,898</u>	<u>148,082</u>	<u>176,980</u>
Other employee benefits expenses	<u>32,852</u>	<u>346,745</u>	<u>379,597</u>
Total employee benefits expenses	<u>\$ 747,863</u>	<u>\$ 4,983,626</u>	<u>\$ 5,731,489</u>



2021

	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Salary & wage	\$ 599,130	\$ 4,057,496	\$ 4,656,626
Labor insurance and national health insurance	<u>63,900</u>	<u>256,513</u>	<u>320,413</u>
	<u>663,030</u>	<u>4,314,009</u>	<u>4,977,039</u>
Pension expenses (Note 30)			
Defined contribution pension plan	25,448	121,311	146,759
Defined benefit plan	<u>2,659</u>	<u>13,264</u>	<u>15,923</u>
	<u>28,107</u>	<u>134,575</u>	<u>162,682</u>
Other employee benefits expenses	<u>34,221</u>	<u>219,682</u>	<u>253,903</u>
Total employee benefits expenses	<u>\$ 725,358</u>	<u>\$ 4,668,266</u>	<u>\$ 5,393,624</u>

(11) Remuneration to employees and Directors

The Company appropriated 1% to 5% and no more than 0.3% of the earnings before taxation before the deduction of remuneration to the employees and Directors of the same year. No remuneration for employees and directors were allocated because of the pre-tax loss in 2022.

China Man-Made Fiber Corporation held board meetings on March 14, 2022 and March 15, 2021, which adopted resolutions to approve the 2021 and 2020 employee and director compensations as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>Estimate on ratio</u>	<u>Amount</u>	<u>Estimate on ratio</u>
Remuneration to employees	\$ 58	1.0%	\$ 10,778	1.0%
Remuneration to Directors	17	0.3%	3,234	0.3%

The actual amount for remuneration to employees, directors in 2022 and 2021 did not vary from the amount recognized in the consolidated financial statements of 2022 and 2021.

For further information on the appropriation of remuneration to the employees and Directors by the Board of China Man-Made Fiber Corporation, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

33. Continuing department income tax

(1) Income tax recognized in profit or loss

The major components of income tax expense are as follows:

	<u>2022</u>	<u>2021</u>
Income tax expenses in the current period		
Accrued in current year	\$ 1,132,081	\$ 908,034
Additional levy on undistributed earnings	4,516	375
Prior year adjustment	5,033	( 18,104 )
Land revaluation increment tax	9,345	1,187
Deferred tax		
Accrued in current year	158,664	( 67,631 )
Prior year adjustment	<u>-</u>	<u>( 3,214 )</u>
Income tax expense recognized in the profit or loss	<u>\$ 1,309,639</u>	<u>\$ 820,647</u>

The adjustments of 2022 and 2021 accounting income and the income tax expense of the year:

	2022	2021
Income before tax from continuing operations	<u>\$ 4,106,465</u>	<u>\$ 4,671,428</u>
Income tax expense of net income before tax at the statutory tax rate	\$ 821,293	\$ 934,286
Non-deductible expenses and losses for tax purposes	26,881	5,425
Non-taxable income	( 483,509 )	( 693,911 )
Additional levy on undistributed earnings	4,516	375
Land revaluation increment tax	9,345	1,187
Income tax expense of prior years adjusted in the current year	5,033	( 18,104 )
Deferred income tax expenses in the previous year for adjustments in the current year	-	( 3,214 )
Unrecognized loss carryforward	921,933	591,680
Effect of variation in taxation rates on the consolidation of the group and individual entities.	<u>4,147</u>	<u>2,923</u>
Income tax expense recognized in the profit or loss	<u>\$ 1,309,639</u>	<u>\$ 820,647</u>
 (2) Income tax recognized in the other comprehensive profit or loss		
	2022	2021
<u>Deferred tax</u>		
Accrued in current year		
- Re-evaluation of determined benefit plan	( \$ 13,758 )	( \$ 1,961 )
- Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	( <u>3,258</u> )	<u>437</u>
Income tax benefits (expense) recognized in the other comprehensive profit or loss	( <u>\$ 17,016</u> )	( <u>\$ 1,524</u> )
 (3) Current income tax asset and liability		
	December 31, 2022	December 31, 2021
Current income tax asset		
Tax refund receivable	<u>\$ 6,966</u>	<u>\$ 10,742</u>
Current Tax Liability		
Payable income tax	<u>\$ 578,622</u>	<u>\$ 448,682</u>

(4) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

2022

	Balance - beginning	Recognized in the profit or loss	Recognized in the other comprehensive profit or loss	Balance - ending
<u>Deferred income tax assets</u>				
Temporary difference				
Defined benefit pension				
plans	\$ 301,601	(\$ 14,374)	(\$ 13,758)	\$ 273,469
Loss allowance	435,426	( 91,668)	-	343,758
Unrealized loss from				
structured note indemnity	250,140	4,023	-	254,163
Others	<u>63,719</u>	<u>( 56,458)</u>	<u>( 3,258)</u>	<u>4,003</u>
	1,050,886	( 158,477)	( 17,016)	875,393
Loss credit	<u>468,806</u>	<u>( 187)</u>	<u>-</u>	<u>468,619</u>
	<u>\$ 1,519,692</u>	<u>(\$ 158,664)</u>	<u>(\$ 17,016)</u>	<u>\$ 1,344,012</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Allowance for land				
increment value tax	<u>\$ 1,020,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,020,032</u>

2021

	Balance - beginning	Recognized in the profit or loss	Recognized in the other comprehensive profit or loss	Balance - ending
<u>Deferred income tax assets</u>				
Temporary difference				
Defined benefit pension				
plans	\$ 326,618	(\$ 23,056)	(\$ 1,961)	\$ 301,601
Loss allowance	367,295	68,131	-	435,426
Unrealized loss from				
structured note				
indemnity	253,967	( 3,827)	-	250,140
Others	<u>34,176</u>	<u>29,106</u>	<u>437</u>	<u>63,719</u>
	982,056	70,354	( 1,524)	1,050,886
Loss credit	<u>469,850</u>	<u>( 1,044)</u>	<u>-</u>	<u>468,806</u>
	<u>\$ 1,451,906</u>	<u>\$ 69,310</u>	<u>(\$ 1,524)</u>	<u>\$ 1,519,692</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Allowance for land				
increment value tax	<u>\$ 1,021,567</u>	<u>(\$ 1,535)</u>	<u>\$ -</u>	<u>\$ 1,020,032</u>

- (5) Deductible temporary differences and unused deduction of loss for deferred income tax assets are not recognized in the balance sheet.

	December 31, 2022	December 31, 2021
Deductible temporary differences		
Allowance to reduce inventory to market	\$ 114,314	\$ 114,314
Defined benefit pension plans	7,550	7,550
Loss credit	<u>4,609,664</u>	<u>2,955,185</u>
	<u>\$ 4,731,528</u>	<u>\$ 3,077,049</u>

(6) Unused losses credit related information

Loss deduction as at December 31, 2022:

<u>Uncredited balance</u>	<u>Last year of credit</u>
\$ 17,229	2023
505,260	2026
1,743,326	2029
1,474,481	2030
534,925	2031
<u>2,677,538</u>	2032
<u>\$ 6,952,759</u>	

(7) Income tax audit

1. Approved by the Company up to 2020.
2. The Taichung Commercial Bank was audited up to the year 2020.
3. The Taichung Commercial Bank Insurance Broker Co., Ltd. was audited up to the year of 2020.
4. The Taichung Commercial Bank Lease Enterprise was audited up to the year of 2020.
5. Approved by TCB Securities up to 2020.
6. Approved by Pan Asia Chemical Corporation up to 2020.
7. Approved by De-Hsin Investment up to 2020.
8. Approved by Taichung Securities Investment Trust up to 2020.
9. Approved by Chou Chin Industrial up to 2020.
10. Approved by Ge Ling up to 2020.
11. Approved by Jeou Chang up to 2020.

34. Earnings (losses) per share

	<u>2022</u>	<u>2021</u>
Basic earnings per share		
(losses)	( \$ <u>1.01</u> )	\$ <u>-</u>
Diluted earnings per share		
(losses)	( \$ <u>1.01</u> )	\$ <u>-</u>

The net income (loss) and weighted average common stock shares used for calculating earnings (deficit) per share are as follows:

Net income (loss) for current period

	<u>2022</u>	<u>2021</u>
Net profit (loss)		
attributable to the		
company	( \$ <u>1,352,253</u> )	\$ <u>5,699</u>

Quantity

	<u>2022</u>	<u>2021</u>
Weighted average common stock shares		
used to calculate basic earnings		
(losses) per share	1,341,680	1,341,680
Effect of dilutive potential common stock:		
Remuneration to employees	<u>-</u>	<u>220</u>
Weighted average common stock shares		
used to calculate diluted earnings		
(losses) per share	<u>1,341,680</u>	<u>1,341,900</u>

35. Disposal of subsidiaries

The consolidated company has agreed to sell 99.9% of the shares in its subsidiary Transparent Industrial Limited and 100% of the shares in its subsidiary Tou-Ming Industry Co., Ltd. via equity transfer contracts dated June 21, 2022 and August 10, 2021, respectively. The above sale transaction has

been completed on June 21, 2022 and August 16, 2021, respectively, and loses its control of the subsidiary.

(1) Consideration collected

	<u>Tou-Ming Industry</u>	<u>Pan Asia Chemical Corporation</u>
Consideration collected	\$ -	\$ 1,083
Receivables on sale of Investments	<u>29,076</u>	<u>-</u>
Consideration collected	<u>\$ 29,076</u>	<u>\$ 1,083</u>

(2) Analysis of assets and liabilities which are not in control

	<u>Tou-Ming Industry</u>	<u>Pan Asia Chemical Corporation</u>
Current assets		
Cash and cash equivalents	\$ 35,224	\$ 25
Other assets	3,235	11,168
Non-Current assets		
Deferred income tax assets	185	-
Refundable deposit	10	61
Current liabilities		
Payables	( <u>8,790</u> )	( <u>11,108</u> )
Net assets disposed of	<u>\$ 29,864</u>	<u>\$ 146</u>

(3) Gain from disposition of subsidiaries

	<u>Tou-Ming Industry</u>	<u>Pan Asia Chemical Corporation</u>
Consideration collected	\$ 29,076	\$ 1,083
Net assets disposed of	( <u>29,864</u> )	( <u>146</u> )
Gain (loss) from disposal	( <u>\$ 788</u> )	<u>\$ 937</u>

(4) Net cash inflow from disposition of subsidiaries

	<u>Tou-Ming Industry</u>	<u>Pan Asia Chemical Corporation</u>
Consideration received in cash and cash equivalents	\$ 29,076	\$ 1,083
Less: Balance of cash and cash equivalents disposed of	( <u>35,224</u> )	( <u>25</u> )
	( <u>\$ 6,148</u> )	<u>\$ 1,058</u>

36. Equity transactions of non-controlling interests.

Hammock (Hong Kong Company Limited) sold its entire stake in Hebei Hammock Contact Lenses Co., Ltd. to Shanghai Bomy Foodstuffs Co., Ltd. as a result of the consolidated company's restructuring of its group organizational structure. It was agreed that the management right would be transferred upon completion of the transfer registration procedures and receipt of full payment. In January of 2022, the transfer transaction was completed. The shareholding ratio decreased from 100% to 28%, but the transaction did not alter the consolidated company's control over its subsidiaries and was treated as a capital transaction. Refer to Note 17 and Attachment 4.

China Man-made Fiber Corporation and Jin-Bang-Ge Industry Co., Ltd. underwent a parent-subsidiary merger in June 2022 as a result of the restructuring of its group organizational structure. As a result, it was dealt with according to capital transactions. Refer to Note 17.

	<u>Jin Bang Ge Industrial Company Limited.</u>	<u>Hebei Hammock Company Limited.</u>
Consideration collected	\$ 208,866	\$ 458,000
Net asset carrying amount	( <u>196,502</u> )	( <u>346,411</u> )
Equity transaction balance	<u>\$ 12,364</u>	<u>\$ 111,589</u>
<u>Adjustment of equity transaction balance</u>		
Investment in subsidiaries	\$ 12,420	\$ 30,123
Capital surplus - Changes in the ownership equity on a subsidiary	( <u>56</u> )	<u>81,466</u>
Equity transaction balance	<u>\$ 12,364</u>	<u>\$ 111,589</u>

### 37. Related Party Transactions

#### (1) Name and affiliation of related parties

<u>Name</u>	<u>Affiliation</u>
Chung Chien Investment Co., Ltd.	Investors with control
Pan Asia Investment Co., Ltd.	Investors with control
Nan Chung Petrochemical Corp.	Affiliated enterprises
WK TAIPEI CO., LTD	Affiliated enterprises
BONWELL PRADISE Co., Ltd	Affiliated enterprises
Storm Model Management Co., Ltd.	Affiliated enterprises
Qian Teng PR Planning (Shanghai), Co., Ltd.	Affiliated enterprises
Shanghai Nianjia Cultural Diffusion Co., Ltd.	Affiliated enterprises
Hua Nan Financial Holding	Substantial related party
Hua Nan Bank	Substantial related party
Hua Nan Insurance	Substantial related party
TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD	Substantial related party
Hsu Tian Investment Co., Ltd.	Substantial related party
TA YI DEVELOPMENT CO., LTD.	Substantial related party
Yu Hwei Technology Co., LTD.	Substantial related party
Formosa Imperial Wineseller Corp.	Substantial related party
Formosawine Vintners Corporation	Substantial related party
Da Fa Investment Company	Substantial related party
Sheng Jen Knitted Textiles Co., Ltd.	Substantial related party
Reliance Consolidated Securities Co., Ltd.	Substantial related party
Wang Wan Chin Education Foundation	Substantial related party
Sheng Yuan Zhe Investment	Substantial related party
Chao Qing Investment Co., Ltd.	Substantial related party
Peng Hsu Investment Company	Substantial related party
General Pride Enterprise Co., Ltd.	Substantial related party
Shield Bright Investment Limited	Substantial related party
Feng Chi Investment Co., Ltd.	Substantial related party
Lei Fu Life Enterprise Co., Ltd.	Substantial related party
KeyWisdom Technology Co., Ltd.	Substantial related party
Shen Ching Investment Co., Ltd.	Substantial related party
Yao Shang Investment Co., Ltd.	Substantial related party
Chi Ta Investment Co., Ltd.	Substantial related party
Hsu Yi Investment Co., Ltd.	Substantial related party
Chung Chien Recreation Investment Co., Ltd.	Substantial related party
Taichung Commercial Bank Cultural and Educational Foundation, Taichung Commercial Bank Workers'	Substantial related party

Name	Affiliation
Welfare Commission	
Others	Key management personnel of the merged company and their spouses and relatives within the second degree of kinship

(2) Important transactions between the Company and related parties:

1. Sales revenue

Name	2022	2021
Substantial related party	\$ <u>73,392</u>	\$ <u>20,090</u>

There are no significant differences between sales prices and collection terms for related parties of the merged company and regular customers.

2. Purchase

Name	2022	2021
Nan Chung Petrochemical Corp.	\$ 1,946,821	\$ 3,132,235
Substantial related party	<u>-</u>	<u>41,048</u>
	<u>\$ 1,946,821</u>	<u>\$ 3,173,283</u>

The terms and conditions of the Consolidated Company's purchase from said related parties are as same as that to the general suppliers. The general suppliers apply the A/R settlement 1 month~2 months.

3. Bank deposits and interest revenue

Name	2022		2021	
	Balance - ending	Interest revenue	Balance - ending	Interest revenue
Hua Nan Bank	\$ <u>91,295</u>	\$ <u>98</u>	\$ <u>73,683</u>	\$ <u>10</u>

4. Related party receivables

Name	December 31, 2022	December 31, 2021
Substantial related party	\$ <u>9,876</u>	\$ <u>-</u>

5. Accounts payable to related parties

Name	December 31, 2022	December 31, 2021
Payable accounts and notes		
Nan Chung Petrochemical Corp.	\$ 281,658	\$ 367,169
Substantial related party	<u>-</u>	<u>34,601</u>
	<u>\$ 281,658</u>	<u>\$ 401,770</u>

6. Other income

Name	2022	2021
Substantial related party		
Hua Nan Bank	\$ 9,647	\$ 4,989
Others	<u>1,010</u>	<u>1,010</u>
	<u>\$ 10,657</u>	<u>\$ 5,999</u>

7. Dividend income

Name	2022	2021
Hua Nan Bank	\$ 54,643	\$ -

8. Other Expenses

Name	2022	2021
Substantial related party	\$ 6,123	\$ 6,023

9. Pre-paid expenses

Name	December 31, 2022	December 31, 2021
Substantial related party	\$ -	\$ 981

10. Loans

Type	Number of accounts or name of stakeholder	Maximum Balance in Current Period	Balance - ending	Performance			Collateral Contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	No-performing loans	Interest revenue		
Customer loans to employees	11 accounts	\$ 5,272	\$ 3,652	\$ 3,652	\$ -	\$ 65	Credit loans	N/A
Residential mortgage loans	40 accounts	264,509	195,517	195,517	-	2,348	Property	"
Other loans	Tseng OO	101	62	62	-	2	"	"
	Lee OO	2,273	2,133	2,133	-	34	"	"
	Tseng OO	4,140	-	-	-	63	"	"
	Liu OO	322	-	-	-	-	"	"
	Tsai OO	5,000	-	-	-	2	"	"
	Lin OO	521	229	229	-	-	"	"
	Wang OO	6,000	3,000	3,000	-	60	"	"
	Chen OO	80,000	40,000	40,000	-	678	"	"
	Fan OO	35,132	11,716	11,716	-	190	"	"
	Lin OO	16,400	15,200	15,200	-	281	"	"
	Chang OO	1,750	1,726	1,726	-	12	"	"
	Tsai OO	114	-	-	-	1	"	"
	Liang OO	646	525	525	-	8	"	"
	Yeh OO	22,000	11,000	11,000	-	165	"	"
	Huang OO	1,298	1,159	1,159	-	18	"	"
	Wang OO	6,120	-	-	-	28	"	"
	Chiu OO	2,627	2,317	2,317	-	34	"	"
	Hsu OO	2,200	2,200	2,200	-	38	"	"
	Huang OO	15,000	2,224	2,224	-	108	"	"
	Chang OO	2,500	2,500	2,500	-	44	"	"

Type	Number of accounts or name of stakeholder	Maximum Balance in Current Period	Balance - ending	Performance			Collateral Contents	Difference in trading conditions and terms with non-stakeholders
				Normal loans	No-performing loans	Interest revenue		
Customer loans to employees	13 accounts	\$ 6,917	\$ 4,644	\$ 4,644	\$ -	\$ 65	Credit loans	N/A
Residential mortgage loans	44 accounts	275,841	178,214	178,214	-	1,864	Property	"
Other loans	Tseng OO	138	101	101	-	2	"	"
	Lee OO	2,414	2,273	2,273	-	30	"	"
	Tseng OO	4,150	4,140	4,140	-	5	"	"
	Chang OO	4,500	-	-	-	4	"	"
	Liu OO	1,774	322	322	-	9	"	"
	Tsai OO	5,000	-	-	-	8	"	"
	Lin OO	412	321	321	-	-	"	"
	Chiu OO	1,500	-	-	-	13	"	"
	Chen OO	70,000	40,000	40,000	-	540	"	"
	Fan OO	31,032	9,416	9,416	-	187	"	"
	Wang OO	3,000	3,000	3,000	-	43	"	"
	Lin OO	25,600	16,400	16,400	-	300	"	"
	Tsai OO	248	114	114	-	3	"	"
	Liang OO	767	646	646	-	8	"	"
	Yeh OO	22,000	11,000	11,000	-	135	"	"
	Huang OO	1,435	1,298	1,298	-	18	"	"
	Wang OO	6,345	6,120	6,120	-	155	"	"
	Chuang OO	1,314	-	-	-	7	"	"
	Chiu OO	2,935	2,627	2,627	-	33	"	"
	Hsu OO	2,200	2,200	2,200	-	32	"	"
	Huang OO	15,000	15,000	15,000	-	44	"	"



According to Articles 32 and 33 of the Banking Act of the Republic of China, no non-secured credit loans shall be granted to any party interested with the Bank's staff, unless they are consumer loans and loans extended to the Government Apparatus; secured credit loans shall be granted under sufficient collateral and the terms of such credit extension shall not be more favorable than those offered to other customers in the same category.

#### 11. Deposit

	2022			2021		
	Balance - ending	Interest Rate Collars %	Interest Expenses	Balance - ending	Interest Rate Collars %	Interest Expenses
Taichung Commercial Bank Workers' Welfare Commission	\$ 149,903	0.01~5.38	\$ 7,523	\$ 141,508	0.01~4.80	\$ 6,889
Taichung Commercial Bank Cultural and Educational Foundation	8,209	0.01~1.47	91	8,194	0.01~0.84	67
Reliance Consolidated Securities Co., Ltd.	10,135	0.46~0.97	78	10,057	0.01~0.55	67
Formosa Imperial Wineseller Corp.	181	0.46	-	311	0.04	-
Yu Hwei Technology Co., LTD.	4	0.01	-	4	0.01	-
Hsu Tian Investment Co., Ltd.	14,438	0.01~1.05	4	57,479	0.01~0.05	1
Pan Asia Investment Co., Ltd.	7	0.01	-	7	0.01	-
Shield Bright Investment Limited	5,488	0.01	2	36,717	0.01	1
Feng Chi Investment Co., Ltd.	5	0.46	-	6	0.04	-
Lei Fu Life Enterprise Co., Ltd.	1,561	0.46	3	-	-	-
Chung Chien Recreation Investment Co., Ltd.	1	0.46	1	-	-	-
Yao Shang Investment Co., Ltd.	4,178	0.46	5	3,201	0.04	1
Hsu Yi Investment Co., Ltd.	4,178	0.46	5	3,201	0.04	1
Chi Ta Investment Co., Ltd.	4,178	0.46	5	3,201	0.04	1
Peng Hsu Investment Company	8	0.01	-	6	0.01	-
Others	<u>360,005</u>	0.00~5.38	<u>4,482</u>	<u>373,339</u>	0.00~4.80	<u>3,664</u>
	<u>\$ 562,479</u>		<u>\$ 12,199</u>	<u>\$ 637,231</u>		<u>\$ 10,692</u>

Compared to general customers, there is no major difference in deposits, except for the interest rates for bank clerks accounting for 5.38% and 4.80% in 2022 and 2021.

#### 12. Financial bonds payable

The first issue in 2015, the first issue in 2016, the first, second, third, fourth, and fifth issue in 2017, and the first and second issue in 2018 by the Taichung Commercial Bank Co., Ltd. are non-cumulative secondary financial bonds with no expiry dates. The Concord Securities Co., Ltd. and the KGI Securities have been designated by proxy as the financial advisor for bond issuance and fundraising.

As of December 31, 2022, the financial bonds of Taichung Bank Company subscribed by the related parties through the underwriters are as follows:

Trading Counterpart	Subscription amount	Session
Hsu Tian Investment Co., Ltd.	\$ 4,000,000	1st term in 2015, 1st term in 2016, 1st and 5th term in 2017, 1st term and 2nd term in 2018 of perpetual non-accumulative subordinated debentures
Other related parties	3,750,000	1st term in 2015, 1st term in 2016, 1st, 2nd, 3rd 4th and 5th term in 2017, 1st term and 2nd term in 2018 of perpetual non-accumulative subordinated debentures

As of December 31, 2022 and 2021, Taichung Bank should pay bond interest from bank debentures to the aforementioned related parties amounting to NT\$51,852 thousand, and NT\$ 47,108 thousand, respectively. The interest expenses as of December 31, 2022 and 2021 amounted to NT\$ 306,218 thousand and NT\$ 301,474 thousand, respectively.

(3) Rewards to management

The 2022 and 2021 total remuneration to directors and the other management are as follows:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 379,132	\$ 355,240
Retirement benefits	2,881	2,911
Other long-term employee benefits	<u>4</u>	<u>3</u>
	<u>\$ 382,017</u>	<u>\$ 358,154</u>

The salaries and remunerations to directors and other key management were determined by the Salary Committee in accordance with the personal performances and trends in the markets:

38. Pledged assets

The consolidated company provides assets as operation bonds, collaterals for bank borrowings, guarantee for repurchase agreement, guarantee for overdraft limit, margin for financial derivatives, guarantee for import duty and guarantee for hiring foreign workers (list them based on the book value):

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 3,044,289	\$ 3,036,279
Due from bank- time deposits	200,000	200,000
Due from banks-Reserves Account B	-	5,000,000
Restricted assets - Bank borrowings (list other current assets)	685,191	542,269
Financial assets at fair value through other comprehensive profit or loss	1,262,448	1,199,198
Investment of debt instrument on the basis of cost after amortization – government bonds	620,500	916,400
Investment under the equity method	107,672	112,807
Investment property	751,895	1,017,070
Property, plant and equipment		
Land	3,411,627	3,411,627
House and Building	438,485	457,616
Machine and Equipment	103,421	-

39. Significant undertakings or contingencies

In addition to the undertaking for financial products specified in Notes 8, 9 and 25, the consolidated company have had the following undertakings or contingent liabilities until December 31, 2022 and 2021:

- (1) As of December 31, 2022 and 2021, the consolidated company has issued but not used of letters of credit are at NT\$2,059,354 thousand and NT\$2,059,354 thousand, respectively.
- (2) CMFC and Air Liquide Far Eastern signed a gas purchase agreement, which specified the minimum purchase volume of oxygen and nitrogen. The monthly purchase is about NT\$13,800 thousand, with adjustments made every April in accordance with the customer price index. The purchase volume of oxygen and nitrogen is based on the contract price. The purchase agreement has a term of 240 months. The agreement will be automatically renewed for 36 months upon expiration if neither party has objection. A 24-month notice is required for the termination of the agreement. Both parties agreed on July 1, 2014 as the effective date of the agreement.

(3) Taichung Commercial Bank has other commitments:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Undisbursed credit committee (exclusive of credit cards)	\$ 171,409,708	\$ 146,654,164
Credit card committee	14,958,648	13,909,975
Receivable guarantees	27,269,501	27,150,584
Trust liabilities	84,321,674	77,982,280
The payment of opened but unused letter of credit	3,350,494	3,870,866
Not yet initiated finance lease contractual commitments during lease periods	3,477,185	1,672,014

(4) The balance sheet and trust property catalogue of the trust account is disclosed pursuant to Article 17 of the "Enforcement Rules of Trust Enterprise Act" as follows:

Balance Sheet of Trust Accounts  
December 31, 2022

<u>Trust assets</u>	<u>Amount</u>	<u>Trust liabilities</u>	<u>Amount</u>
Bank deposits	\$ 6,123,483	Payable securities in custody	\$ 3,972,065
Bonds	11,201,507	Trust capital	80,349,609
Stock	4,873,628	Net income	1,468,359
Fund	46,912,839	Deferred carry-over	( <u>1,468,359</u> )
Structured product investment	1,679,542		
Property			
Land	9,428,737		
House and Building	129,873		
Securities in custody	<u>3,972,065</u>		
Total trust assets	<u>\$ 84,321,674</u>	Total trust liabilities	<u>\$ 84,321,674</u>

Note: The record includes the Offshore Banking Unit (OBU) "Terms of Trust Contract of Non-discretionary Money Trust Investment in Domestic and Foreign Securities" on December 31, 2022, which amounted to NT\$2,672,714 thousand.

Property Catalogue of Trust Accounts  
December 31, 2022

<u>Investment</u>	<u>Amount</u>
Bank deposits	\$ 6,123,483
Bonds	11,201,507
Stock	4,873,628
Fund	46,912,839
Structured product investment	1,679,542
Property	
Land	9,428,737
House and Building	129,873
Securities in custody	<u>3,972,065</u>
	<u>\$ 84,321,674</u>

Income Statement of Trust Accounts  
2022

	Amount
Trust income	
Interest revenue	\$ 2,405,773
Trust expenses	
Administration expenses	( 937,253 )
Taxation	( 161 )
Income before taxation	1,468,359
Income tax expenses	-
Income after taxation	\$ 1,468,359

Balance Sheet of Trust Accounts  
December 31, 2021

Trust assets	Amount	Trust liabilities	Amount
Bank deposits	\$ 6,399,616	Payable securities in custody	\$ 6,646,778
Bonds	7,238,414	Trust capital	71,335,502
Stock	3,455,339	Net income	1,210,606
Fund	47,078,055	Deferred carry-over	( 1,210,606 )
Structured product investment	1,643,837		
Property			
Land	5,386,698		
House and Building	132,100		
Securities in custody	6,646,778		
Trust of marketable securities	1,443		
Total trust assets	\$ 77,982,280	Total trust liabilities	\$ 77,982,280

Note: The record includes the Offshore Banking Unit (OBU) "Terms of Trust Contract of Non-discretionary Money Trust Investment in Domestic and Foreign Securities" on December 31, 2022, which amounted to NT\$2,248,226 thousand.

Property Catalogue of Trust Accounts  
December 31, 2021

Investment	Amount
Bank deposits	\$ 6,399,616
Bonds	7,238,414
Stock	3,455,339
Fund	47,078,055
Structured product investment	1,643,837
Property	
Land	5,386,698
House and Building	132,100
Securities in custody	6,646,778
Trust of marketable securities	1,443
	\$ 77,982,280

Income Statement of Trust Accounts  
2021

	Amount
Trust income	
Interest revenue	\$ 2,428,466
Trust expenses	
Administration expenses	( 1,217,830 )
Taxation	( 30 )
Income before taxation	1,210,606
Income tax expenses	-
Income after taxation	\$ 1,210,606

(5) Leasing contracts and capital expenditure commitments maturity analysis

The consolidated company's leasing contract commitments include operating leases and financing leases.

The operating lease commitment meant for the minimum lease payment of the consolidated company as a lessee or lessor under the irrevocable operating lease. For operating lease contractual commitments please refer to Note 19 (5) and 21.

The term "finance lease commitments" refers to the present value of total lease investments and minimum receivable lease payments with the merged company as lessor in accordance with the finance lease terms.

Capital expenditure commitment refers to the contract signed for the capital expenditures paid to receive architecture and equipment.

Taichung Bank Co., Ltd. held an online public bidding for the new Taichung Commercial Bank's head office building project on March 29, 2019, in light of the growing size of the company and the number of employees. Dacin Construction Co., Ltd and Yili Construction Co., Ltd. jointly signed the contract, with the total contract price amounting to NT\$11,160,000 thousand. Construction commenced on April 27, 2019; in order to promote construction safety, quality, and efficiency, both parties agreed to change the "alternative reverse construction of steel-column well foundation," "alternative plan of raft foundation beam structure optimization." The first supplementary agreement was processed on January 8, 2021; the total contract price after modification was NT\$11,155,943 thousand; the second supplementary agreement was processed on May 9, 2022, and the total contract price after modification was NT\$11,154,971 thousand. Fees charged by YSL Architects & Associates for design planning and technical supervision services amounted to NT\$ 480,492,000. Rich Honour Design Group's estimated technical service fee of interior decoration design and supervised construction and manufacturing supervision totaled NT\$195,000 thousand.

Maturity analysis for finance lease contractual commitments and capital expenditure commitments with the merged company as lessor is provided below:

Total finance lease revenue

	December 31, 2022	December 31, 2021
First year	\$ 3,045,375	\$ 2,468,413
Second year	1,161,828	1,021,206
Third year	276,855	218,035
Fourth year	12,739	18,903
Fifth year	12,739	12,739
More than 5 year	141,798	154,537
	\$ 4,651,334	\$ 3,893,833

Present value of finance lease revenue

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
First year	\$ 2,678,140	\$ 2,175,166
Second year	1,076,999	937,949
Third year	258,615	199,223
Fourth year	4,354	10,068
Fifth year	4,765	4,354
More than 5 year	<u>85,295</u>	<u>90,068</u>
	<u>\$ 4,108,168</u>	<u>\$ 3,416,828</u>

Capital expenditure commitments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
First year	\$ 3,026,937	\$ 4,670,691
Second year	2,176,974	2,532,019
Third year	<u>32,464</u>	<u>14,394</u>
	<u>\$ 5,236,375</u>	<u>\$ 7,217,104</u>

## (6) Pending litigation reserves

- O-Bank and Yuanta Bank filed a litigation in February and November, 2020 by reason of several employees receiving the aforementioned bank's assignment of claim notice and serving as the contact window in cooperation with the New Site Industries Inc., resulting in bank clerks' error and mistakenly believing the company, Yijinyang Industries Co., Ltd., and New Brite Industries Inc. incurred transactions and continuing to lend and allocate funds, and claiming the company and employees shall be jointly and severally liable for compensation. CMFC has commissioned a defense attorney to represent the Company in this lawsuit. Based on the lawyer's opinion, this case objectively possesses no external form of duties performed by employed persons. After the trial, the court deemed the bank's entitlement to seeking compensation from China Man-Made Fiber Corporation. The reduction or exemption of the compensation liability of China Man-Made Fiber Corporation will affect the compensation amount. China Man-Made Fiber Corporation has provisioned liability reserve for the pending litigation case. See Note 30.
- For the litigation on the return of consumers' deposited items, the Taiwan Taichung District Court's verdict after the first instance on February 4, 2020 states, "By letter of Zhong-Su-Zi (2018) No. 598, the civil lawsuit judged Taichung Bank lost the lawsuit and that it should return NT\$100 million with a 5% annual interest rate commencing on April 10, 2018 until the date of full repayment. The costs of litigation shall be borne by the plaintiff (Taichung Bank). According to the assessment of the appointed attorney, the original verdict contains inconsistencies and unreasonable violations. Taichung Bank therefore filed an appeal on February 27, 2020. In the second instance, the Taiwan High Court Taichung Branch ruled in favor of Taichung Bank on March 29, 2022, after revisiting Zhong-Shang (2020) No. 78 Civil Judgement. In the second instance, the plaintiff refused to accept the verdict and filed an appeal. The case is still pending processing at the Supreme Court as of December 31, 2022." Taichung Commercial Bank Co., Ltd. has first provisioned the pending compensation in the above-mentioned litigation (statutory fruits and litigation fees) according to the civil verdict result by order of 2018 chung-su-zi No. 598 on February 4, 2020. The table of changes to reserve for outstanding losses is as follows:

	<u>2022</u>	<u>2021</u>
Balance - beginning	\$ 83,998	\$ 78,998
Deposit in the current period	5,000	5,000
Current reversal	( <u>10,992</u> )	<u>-</u>
Balance - ending	<u>\$ 78,006</u>	<u>\$ 83,998</u>

The NT\$5,000 thousand withdrawal in 2021 and 2022 is listed under interest expense.

- (7) The consolidated company Hebei Hanoshi Contact Lens Co., Ltd., and Hebei Province Langfang Emerging Industry Demonstration Zones Branch have signed and entered into an agreement on the assignment of state-owned construction land use right. The agreement condition is that the land use right is for use of industrial construction and total property, plant, and equipment investment shall not be less than CNY 360,000 thousands. Investment intensity shall not be less than CNY 4.5 thousands per square meter. If the total investment for property, plant, and equipment and the investment intensity do not meet the standard in the agreement, the Hebei Province Langfang Emerging Industry Demonstration Zones Branch can take the ratio of the actual difference to the agreed investment total and investment intensity and request Hebei Hanoshi Contact Lens Co., Ltd. to pay liquidated damages that is of equivalent proportion to the fees for the assignment of the right to use state-owned land and continue the contract obligations. In addition, if there are any of the following circumstances, the land would be identified by city and county land resources authority departments as “idle land plot:” A plot that has been in the process of development, but the area already developed is less than one third of the total area that should have been developed or the investment already made is less than 25% of the total investment, and the cease of development has lasted for more than one year (including one year). The authority may depend on the level of severity and collect idle land fees or take back the user’s right to use the land without compensation.

#### 40. Other matters

- (1) The distributors of Pan Asia Chemical Corporation have deposited \$2,000 thousands in cash (recognized under the refundable deposits account) and have pledged certificate of deposit of \$2,000 thousands to Pan Asia Chemical Corporation. The bank has issued the performance bond of \$2,000 thousands and the 100 thousand Pan Asia Chemical Corporation shares that it held are used as performance security deposit.
- (2) To acquire a banking business platform for development in Western United States and to enhance international competitiveness in order to increase the economic benefits of economies of scale, the Taichung Ban’s board of directors decided on October 1, 2022 to acquire American Continental Bancorp, whose headquarters are located in the City of Industry, California, United States, for US\$41.4834 per share. Based on the contract price calculation, the accountant determined that American Continental Bancorp’s purchase price was 1.83 times the consolidated net value multiplier. The unfulfilled matters in this proposal shall be conducted upon securing approval by the competent authorities of both parties. After the transaction is finalized, Taichung Bank Co., Ltd. will own 100 percent of American Continental Bancorp.
- (3) Although the consolidated company has been impacted by the global COVID-19 pandemic and the downstream textile industry has sustained recovery, the pandemic situation varies by country and demand has not yet returned to pre-pandemic levels. Regarding the 2022 global ethylene glycol production capacity, supply-and-demand adjustments are still being made.

In coping with the impact of the pandemic, the company has adjusted its operational strategies and has implemented strict control on inventory. In terms of raw materials, procurements are made based on order demand quantity, while the safe stock is reduced. In addition, production is scheduled based on actual orders placed by customers or agents, thereby reducing finished product stock and timely adjusting price strategies to achieve balanced production and sales. Furthermore, the company plans to actively differentiate products on some production lines to increase revenues and profits. This is to avoid the price disadvantages of bulk specifications and competition from China and ASEAN countries. Meanwhile, impacts brought about by oil price fluctuations are reduced, including planned exports to make up for impacts arising from short-term domestic work suspension.

In view of the above, the company shall evaluate the business and financial aspects have not been subject to major impacts. In addition to the above-mentioned measures, the company shall continue to evaluate its ability to continue operating and possible effects arising from impairment of assets and funding risks.

#### 41. Financial instruments

- (1) Fair value information- Financial instruments that are not measured at fair value

With the exception of the following, the book value of financial instruments not at fair value through income statement approximated its fair value or the fair value of which could not be measured with reliability. The fair value is not disclosed.

1. Fair value bracket

December 31, 2022

	Book Value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial Assets</u>					
Investment of debt instruments on the basis of cost after amortization	\$105,378,466	\$ 76,715,095	\$ 27,222,061	\$ -	\$103,937,156
<u>Financial Liabilities</u>					
Financial liabilities on the basis of cost after amortization:					
- Financial bonds payable	16,500,000	-	16,643,094	-	16,643,094

December 31, 2021

	Book Value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial Assets</u>					
Investment of debt instruments on the basis of cost after amortization	\$110,098,208	\$ 86,270,904	\$ 24,405,895	\$ -	\$110,676,799
<u>Financial Liabilities</u>					
Financial liabilities on the basis of cost after amortization:					
- Financial bonds payable	16,500,000	-	16,636,344	-	16,636,344

2. Evaluation techniques and an input value of Level 2 fair value measurement

Categories of financial instruments	Evaluation techniques and input values
Non-derivatives	The bid price in active markets is not taken as fair value.

(2) Information on fair value – financial instruments at fair value on repetition.

1. Fair value bracket

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit and loss</u>				
Derivatives	\$ -	\$ 8,327,102	\$ -	\$ 8,327,102
Commercial papers	18,158,908	-	-	18,158,908
Listed stocks – domestic and emerging stock	643,369	39,580	-	682,949
Domestic non-listed (OTC) stocks	-	-	87,095	87,095
Beneficiary certificates of funds	500,313	-	-	500,313
Domestic corporate bonds	587,037	-	-	587,037
Others	-	875,684	-	875,684
Total	<u>\$ 19,889,627</u>	<u>\$ 9,242,366</u>	<u>\$ 87,095</u>	<u>\$ 29,219,088</u>

Financial assets at fair value through other



	<u>comprehensive profit or loss</u>			
Equity investment				
- Listed stocks – domestic and emerging stock	\$ 7,708,799	\$ -	\$ -	\$ 7,708,799
- Foreign TSEC/GTSM listed shares	328,228	-	-	328,228
- Non listed (OTC) domestic stock	-	-	1,486,822	1,486,822
- Non-listed (OTC) overseas stock	-	-	7,833	7,833
Debt instrument				
- Domestic corporate bonds	29,822,548	-	-	29,822,548
- Domestic government bonds	5,228,275	-	-	5,228,275
- Overseas bond	-	3,362,115	-	3,362,115
- Financial bonds	<u>1,663,045</u>	<u>-</u>	<u>-</u>	<u>1,663,045</u>
Total	<u>\$ 44,750,895</u>	<u>\$ 3,362,115</u>	<u>\$ 1,494,655</u>	<u>\$ 49,607,665</u>
<u>Financial liabilities at fair value through profit and loss</u>				
Derivatives	<u>\$ -</u>	<u>\$ 1,630,985</u>	<u>\$ -</u>	<u>\$ 1,630,985</u>

Reconciliation of financial instruments at Level 3 fair value:

Financial Assets	Financial assets at fair value through profit and loss			Financial assets at fair value through other comprehensive profit or loss		Total
	Derivatives	Equity instruments	Debt instruments	Equity instruments	Debt instruments	
Balance - beginning	\$ -	\$ 81,611	\$ -	\$ 1,365,916	\$ -	\$ 1,447,527
Recognized in the other comprehensive income (Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss)	-	5,484	-	138,007	-	143,491
Purchase	-	-	-	1,816	-	1,816
Disposition	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 11,084 )</u>	<u>-</u>	<u>( 11,084 )</u>
Balance - ending	<u>\$ -</u>	<u>\$ 87,095</u>	<u>\$ -</u>	<u>\$ 1,494,655</u>	<u>\$ -</u>	<u>\$ 1,581,750</u>

December 31, 2021

Financial assets at fair value through profit and loss	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Derivatives	\$ -	\$ 4,006,983	\$ -	\$ 4,006,983
Commercial papers	26,680,732	-	-	26,680,732
Listed stocks – domestic and emerging stock	849,858	69,650	-	919,508
Domestic non-listed (OTC) stocks	-	-	81,611	81,611
Beneficiary certificates of funds	1,121,186	-	-	1,121,186
Domestic corporate bonds	422,471	-	-	422,471
Others	<u>-</u>	<u>806,522</u>	<u>-</u>	<u>806,522</u>
Total	<u>\$ 29,074,247</u>	<u>\$ 4,883,155</u>	<u>\$ 81,611</u>	<u>\$ 34,039,013</u>
Financial assets at fair				

<u>value through other comprehensive profit or loss</u>					
Equity investment					
- Listed stocks – domestic and emerging stock	\$ 6,556,272	\$ -	\$ -	\$ -	\$ 6,556,272
- Foreign TSEC/GTSM listed shares	308,784	-	-	-	308,784
- Non listed (OTC) domestic stock	-	-	1,358,409	-	1,358,409
- Non-listed (OTC) overseas stock	-	-	7,507	-	7,507
Debt instrument					
- Domestic corporate bonds	34,101,503	-	-	-	34,101,503
- Domestic government bonds	4,865,736	-	-	-	4,865,736
- Overseas bond	-	3,121,222	-	-	3,121,222
- Financial bonds	<u>2,204,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,204,054</u>
Total	<u>\$ 48,036,349</u>	<u>\$ 3,121,222</u>	<u>\$ 1,365,916</u>	<u>\$ -</u>	<u>\$ 52,523,487</u>

Financial liabilities at fair value through profit and loss

Derivatives	\$ <u>-</u>	\$ <u>512,399</u>	\$ <u>-</u>	\$ <u>512,399</u>
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Reconciliation of financial instruments at Level 3 fair value:

Financial Assets	Financial assets at fair value through profit and loss			Financial assets at fair value through other comprehensive profit or loss		Total
	Derivatives	Equity instruments	Debt instruments	Equity instruments	Debt instruments	
Balance - beginning	\$ -	\$ 7,508	\$ -	\$ 1,238,701	\$ -	\$ 1,246,209
Recognized in the other comprehensive income (Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss)	-	7,203	-	141,503	-	148,706
Purchase	-	66,900	-	1,217	-	68,117
Disposition	-	-	-	( 3,318	-	( 3,318
Capital reduction and return	-	-	-	( 12,187	-	( 12,187
Balance - ending	<u>\$ -</u>	<u>\$ 81,611</u>	<u>\$ -</u>	<u>\$ 1,365,916</u>	<u>\$ -</u>	<u>\$ 1,447,527</u>

In 2022 and 2021, there was no transfer of fair values measures in Level I and Level II.

2. Evaluation techniques and an input value of Level 2 fair value measurement

Categories of financial instruments	Evaluation techniques and input values
Non-derivatives	The bid price in active markets is not taken as fair value.
Derivatives	
Options Contracts	Model Evaluation Method: The prices of execution of all contracts, market fluctuation and maturity, interest rate, and exchange rate were taken as parameters for evaluation, and were subject to evaluation using the close-box model.
FX swap contracts, and forwards contracts	Cash flow discount method: Estimate the future cash flow on the basis of observable forwards rate and the forwards contracts entered into, and subject to discount on the basis that could reflect the risk discount rate

Assets swap agreement	for respective counterparties. The calculation of the closing price of convertible bonds on the day of net bond value: net bond value shall be discounted through the adjustment of risk discount on the basis of the TAIBIR on short-term Taiwan bills compiled at TDCC on the basis of the future cash flow of convertible bonds.
Structured products Interest rate derivatives	Quotation of counterparties.

3. Evaluation techniques and an input value of Level 3 fair value measurement

Categories of financial instruments	Evaluation techniques and input values
Unlisted/OTC	Market multiple method: The fair value of the subject matter may be evaluated by comparison with the bid price of the stocks in the industry in the active market with liquidity discount ratio taken into account and the corresponding net value of multiples.

4. The measurement of Level 3 fair value is the sensitivity analysis of the reasonable substituted assumption of fair value

The significant unobservable input value under the market multiple method adopted by the consolidated company is the liquidity discount ratio. When the ratio increases, the fair value of the investment decreases. Sensitivity analysis is compiled as follows:

Risk factors	Changes	Effects
Liquidity Discount Ratio	10%	( \$ 45,362 )

(3) Categories of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial Assets</u>		
Measured at fair values through profit and/or loss		
Measured at fair value through income under compulsion	\$ 29,219,088	\$ 34,039,013
Financial assets on the basis of cost after amortization (Note 1)	718,862,835	679,070,993
Financial assets at fair value through other comprehensive profit or loss		
Equity investment	9,531,682	8,230,972
Debt instrument	40,075,983	44,292,515
<u>Financial Liabilities</u>		
Measured at fair values through profit and/or loss	1,630,985	512,399
Based on cost after amortization (Note 2)	750,344,724	722,832,315

Note 1: The balance include cash and cash equivalent, the Central Bank deposits and interbank lending, bills and bonds purchased under resale agreements, notes receivables and accounts, other receivables, net discounts and lending, financial assets at amortized cost - Non-current, restricted assets, refundable deposits and other financial assets at amortized cost.

Note 2: Note 2: The balance include short-term loans, short-term notes payable, repurchase coupons and bonds liabilities, the Central Bank and interbank deposits, bills payable and accounts, other payables (excluding dividend payable), deposits and remittances, funds borrowed from Central Bank and other banks, bills payable (including those

with one-year to maturity), long-term borrowings (including those with one-year to maturity), refundable deposits and other financial liabilities measured at amortized cost.

#### 42. Purpose and policy of financial risk management

The China Man-Made Fiber Co., Ltd.'s financial management department shall provide services to each business unit, to plan and coordinate operations in the domestic and international financial markets, and to monitor and manage the consolidated company's operation-related financial risks with the internal risk report, with the risk exposure analyzed in accordance with the degree and breadth of risks. The risks include market risk, credit risk and liquidity risk. The financial risks associated with the consolidated company mainly come from the key subsidiary, Taichung Commercial Bank.

The consolidated company's financial risk management objective is to achieve business objectives, the overall risk tolerance and legal restrictions in order to reach the balance of risks and returns. The main operating risks faced by the consolidated company include the credit risk on and off the financial statements, market risks (including interest rates, foreign exchange rates, equity securities and instrument price risks) and liquidity risks.

The consolidated company have the related risk management policies defined and approved by the Board of Directors in order to effectively identify, measure, monitor, and control credit risk, market risk and liquidity risk.

The Board of Directors is the highest decision-making unit of the consolidated company and assumes the ultimate responsibility for risk management. The consolidated company has established a Risk Management Commission and Risk Management Department responsible for granting risk authority and the relevant authorities to the relevant departments to ensure the successful operation of risk management. The Committee's functions are specified as follows:

- (1) Review of risk management projects.
- (2) The review and discussion on risk limit.
- (3) Review of motions for institutionalization of risk management.
- (4) Periodical report to the Board of Directors

The commissioners of the Risk Management Committee shall set the various risk management indicators by nature of business and functions of departments and Risk Management Dept. report them to the Risk Management Committee for high-ranking supervisors' reference in decision making.

##### 1. Market risk

###### (1) Source and definition of market risk

Market risk refers to the unfavorable changes in market price causing possible losses on and off the consolidated balance sheet. The so-called market price refers to interest rates, exchange rates, equity security prices and instrument prices.

###### (2) Market risk management policy

The consolidated company's market risk management objective is to develop a sound and effective market risk management mechanism that is compatible with the Company's business scale, nature and complexity in order to ensure that the Company's risks can be properly managed and effectively identify, measure, monitor, control market risks; also, establish a balance between the tolerable risk level and the expected rate of return.

###### (3) Market risk management process

###### A. Identification and Measurement

Before the promotion and operation of new products, business activities, processes and systems, the relevant market risk should be assessed through appropriate procedures and determine whether the risk exposure is within the range of risk tolerance included for consideration. The consolidated company's responsible business units shall use business analysis or product analysis to verify the source of market risk and define market risk factors for each financial instrument as appropriate specifications.

Market risk measurement can be processed with a variety of effective measurement methods in order to properly measure risk, including but not limited to the following methods: statistical basis measurement method, sensitivity analysis, and scenario analysis. The Risk Management Department should measure the risk position daily and regularly; also, conduct stress tests regularly to measure the possible

extraordinary loss amount of current positions under the simulated extreme situations or historically extreme situations.

B. Monitoring and reporting

The Risk Management Department should regularly report and make suggestions to the Risk Management Committee and the Board of Directors on the Bank's overall market risk management, including the Bank's market risk positions, risk level, profit and loss, using excess of limit and market risk management related compliance. The Business Department has defined the relevant rules governing excess of limit, stop-loss mechanism and operating procedure for excess of limit in order to effectively control the market risk. The excess of limit or exception occurring shall be reported immediately in order to exercise responsive measures.

(4) Exchange rate risk

A. Definition of exchange rate risk

Exchange rate risk refers to the gains and losses resulting from the conversion of two different currencies at different times. The consolidated company's exchange rate risk mainly arises from the spot and forward foreign exchange business. Since the consolidated company's engages in foreign exchange trading mostly to meet the need for customer's position daily; therefore, the exchange rate risk is relatively low.

B. Measurement methods and management procedures

The consolidated company manages its exchange risk by limit control whereby the limits of respective currencies during daytime trade and nighttime trade were set with the upper limit of the maximum exposure in foreign exchange authorized to personnel of different ranks for control. The upper limit for particular counterparty has also been set. The result of the monitoring and control was reported to the Risk Management Committee and the Board for discussion.

C. Sensitivity analysis

Assuming that the other variables remain constant, if the USD/NTD, CNY/NTD, and JPY/NTD exchange rate was relatively valued/devalued by 3%, the Company and its subsidiaries' net income before tax as of December 31, 2022 and 2021 decreased/increased by NT\$ 122,869 thousand and NT\$ 41,406 thousand; the equity increased/decreased by NT\$ 132,380 thousand and NT\$ 117,820 thousand, respectively.

(5) Interest rate risk

A. Definition of interest rate risk

Interest rate risk refers to the changes in interest rates that cause changes in the fair value of the consolidated company's interest rate or losses. The main sources of risk include deposit and loan and interest-rate related marketable securities.

B. Measurement methods and management procedures

Entities in CMFC borrow funds at floating interest rates, thus the exposure to interest rate risk. Taichung Commercial Bank adopts a gap management approach to the interest rate risk, setting indicators for monitoring and regularly reports the results to the asset and liability management committee, risk management commission and the board, and makes necessary adjustments according to the overall operating conditions of the Company. In addition, the consolidated company utilized DV01 to evaluate the interest risk, assuming the interest curve moves parallel by 100BPs, to determine the magnitude of the impact on earnings and equity to control interest risks.

C. The Impacts of Interest Rate Benchmark Reform

For the financial instruments of the Taichung Commercial Bank affected by changes in interest rate benchmark, the linked indicator interest rates include USD LIBOR. It is expected that the US Secured Overnight Financing Rate (SOFR) will replace the USD LIBOR. However, there is a fundamental difference between the replacement interest rate and LIBOR. LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes inter-Group credit discounts. Each alternative interest rate is a retrospective interest rate indicator calculated with reference to actual transaction data and does not include a credit discount. The interest rate benchmark reform mainly causes the Taichung

Commercial Bank to face basic risks of interest rate. If Taichung Commercial Bank is unable to complete negotiations and contract amendments with the financial tool transaction counterparty before LIBOR exits, this will result in significant uncertainties to the future interest rate basis applicable to the financial tool. It will trigger unexpected interest rate risk exposure for Taichung Commercial Bank. Therefore, when an existing contract is modified from a linked LIBOR to a linked alternative interest rate, additional adjustments must be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

The Taichung Commercial Bank has formulated a LIBOR conversion plan to deal with risk management policy adjustments, internal process adjustments, information system updates, financial instrument evaluation model adjustments, and related accounting or tax issues that are required to meet the changes in interest rate benchmark. On December 31, 2022, the Taichung Commercial Bank has identified all the information systems and internal processes that need to be updated, and completed some of the updates.

The following is a summary, as of December 31, 2022, of the sensitive financial instruments of Taichung Bank Co., Ltd. that have not been converted (absence of conversion terms) to alternative interest rate benchmarks:

Non-derivative financial instruments	Book Value	
	Financial Assets	Financial Liabilities
Notes discounted and loans – net USD LIBOR	\$ 5,394,000	\$ -
Funds borrowed from Central Bank and other banks USD LIBOR	-	61,420
Financial assets on the basis of cost after amortization USD LIBOR	6,296,000	-
Total	\$ 11,690,000	\$ 61,420

Derivatives	Notional Principal	Book Value	
		Financial Assets	Financial Liabilities
Interest rate swap contract USD LIBOR	\$ 1,035,541	\$ 154,347	\$ 154,347

D. Sensitivity analysis

Assuming that the other variables remain constant, if the yield curve goes up/down by 100 points, the consolidated company's net income before tax as of December 31, 2022 and 2021 increased/decreased by NT\$ 544,437 thousand and NT\$ 786,486 thousand; the other equity decreased/increased by NT\$ 1,659,054 thousand and NT\$ 1,564,751 thousand, respectively.

(6) Equity security price risks

A. Definition of equity securities price risk

The market risk of the consolidated company's equity securities includes individual risks arising from changes in equity securities market prices and general market risks arising from changes in the overall market prices. The main sources of risk includes listed/OTC stocks and beneficiary certificates.

B. Measurement methods and management procedures

CMFC is exposed to equity price risk due to the investments in publicly traded and OTC securities. The equity investments (except for financial assets at fair value through profit or loss) are not held for trading and are considered strategic. CMFC has not actively traded such investments. The equity price risk of CMFC is mainly on the petrochemical industry equity instruments in Taiwan's exchange. Taichung

Commercial Bank adopts a limit management approach to the equity price risk, ensuring that personnel at all levels conduct their transactions within an authorized amount. Stop-loss measures are also implemented, and the monitoring results are regularly presented to the risk management committee and the board for discussion.

C. Sensitivity analysis

Assuming that the other variables remain constant, if the equity securities price up/down by 15%, the Company and its subsidiaries' net income before tax as of December 31, 2022 and 2021 increased/decreased by NT\$ 180,585 thousand and NT\$ 299,913 thousand; the equity decreased/increased by NT\$ 1,532,121 thousand and NT\$ 1,416,434 thousand, respectively.

(7) Sensitivity analysis is compiled as follows:

December 31, 2022			
The main risk	Magnitude changes	Affected amount	
		Other equity	Profit and loss
Exchange rate risk	USD/NTD, CNY/NTD, and JPY/NTD valued by 3%, respectively.	\$ 132,380	\$122,869
	USD/NTD, CNY/NTD, and JPY/NTD decreased by 3%, respectively.	( 132,380 )	( 122,869 )
Interest rate risk	Interest rate curve rises 100BPS	( 1,659,054 )	544,437
	Interest rate curve drops 100BPS	1,659,054	( 544,437 )
Equity securities price risk	Equity securities price increased by 15%.	1,532,121	180,585
	Equity securities price decreased by 15%.	( 1,532,121 )	( 180,585 )

December 31, 2021			
The main risk	Magnitude changes	Affected amount	
		Other equity	Profit and loss
Exchange rate risk	USD/NTD, CNY/NTD, and AUD/NTD valued by 3%, respectively.	\$ 117,820	\$ 41,406
	USD/NTD, CNY/NTD, and AUD/NTD decreased by 3%, respectively.	( 117,820 )	( 41,406 )
Interest rate risk	Interest rate curve rises 100BPS	( 1,564,751 )	786,486
	Interest rate curve drops 100BPS	1,564,751	( 786,486 )
Equity securities price risk	Equity securities price increased by 15%.	1,416,434	299,913
	Equity securities price decreased by 15%.	( 1,416,434 )	( 299,913 )

2. Credit risk

(1) Source and definition of credit risk

Credit risk refers to the financial loss inflicted on the consolidated company due to the non-performance of contractual obligations by the customers or the counterparties. The sources of credit risk covered on and off balance sheet items. On the sheet risk, exposure to the consolidated company mainly comes from discount, loans, credit cards, due from and call loans to banks, acceptance, debt instruments, and derivatives. Off the sheet items are financial guarantee, L/C and undertaking of loans that also exposed the consolidated company to credit risk.

(2) Credit risk management policies

In order to mitigate credit risk, the management of the consolidated company assigns dedicated personnel responsible for the decision on credit line, credit approval and other

monitoring procedures to ensure that the overdue receivables are recovered and appropriate actions are taken. In addition, the consolidated company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Accordingly, the consolidated company's management believes that the consolidated company's credit risk is significantly reduced.

The consolidated company continues to assess the financial condition of the customers of accounts receivable.

Except for the major customer Company A of the consolidated company, the consolidated company does not have a significant credit exposure to any single counterparty or any group counterparty with similar characteristics. When the counterparty is an affiliated company, the consolidated company has it defined as a counterparty with similar characteristics. The concentration of credit risk of Company A in 2022 and 2021 accounted for 0.2% and 0.1%, respectively, of the total monetary assets.

In addition, financial products held or issued by the merged company may lead to losses due to failure of transaction counterparties or third parties to perform contract obligations. The consolidated company will evaluate credit carefully to grant loans and guarantees. The loans secured by collateral accounted for about 74% of the total loans on December 31, 2022. The proportion of financing guarantee and collateral held by commercial L/C was approximately 27%, because the collateral required by loans, loaning commitments or guarantees usually referred to cash, inventory, marketable securities or other property. In the event of the trading counterpart's or the other party's default, the consolidated company was entitled to perform compulsory execution against the collateral or other guarantees to effectively reduce the credit risk, provided that the fair value of collateral would not be taken into consideration when the maximum credit exposure was disclosed.

(3) Credit risk management procedures

Notes to the credit risk management procedures and methods of assessment of the consolidated company by businesses:

A. Loans (including commitments of financing and guarantees)

a. Judgment of significant increase of credit risk after initial recognition

The consolidated company evaluated the change in the default risk inherent to its loan assets within the perpetuity of these assets on each reporting day to determine if the credit risk increased significantly after initial recognition. For evaluation, the consolidated company considers the information (including prospective information) for justifying the significant increase of credit risk after the initial recognition. The major indicators for consideration are:

Quantified indicators

(a) Changes in external TCRI credit rating

TCRI ratings of companies listed at TWSE or TPEx corresponding to external ratings for downgrading the level to non-investment grade, which determined that the credit risk increased significantly after initial recognition.

(b) Information on delinquency

If the contracts turned delinquent for more than 1 month, it could be determined that the credit risk inherent to the financial assets has increased significantly.

Quality indicators

(a) Unfavorable change at present or as forecast to the operation, financial position or economic condition that significantly affected the debtors in performing their obligations in retirement of loans.

(b) The actual or forecasted significant change in operational results of the debtors.

(c) The credit risk of other financial instruments of particular debtor increased significantly.

b. Definition of default and financial assets with credit impairment



The consolidated company defined the agreement on financial assets as identical with the determination of credit impairment of financial assets. If any of the following are applicable, it could be determined that the financial asset has turned default with credit impairment:

Quantified indicators

- (a) Changes in external TCRI credit rating  
The TCRI ratings of companies listed at TWSE or TPEX rated as DEFAULT implied that credit impairment occurred after initial recognition.
- (b) Information on delinquency  
If the proceeds from contracts turned delinquent for more than 3 months, it could be determined that credit impairment occurred to the financial assets after initial recognition.

Quality indicators

If there is evidence implying that the borrower is unable to pay the contract amount, or indicating severe financial hardship of the borrower, such as:

- (a) The debtor has gone bankrupt or had declared bankruptcy or financial restructuring.
- (b) Other financial instrument contracts of the debtors have turned default.
- (c) Due to the economic or contractual reasons related to the financial hardship of the debtors, the creditors gave the debtor a leeway which would otherwise not be considered for the borrowers and declared as non-performing loans.

The aforementioned default and credit impairment will be defined as applying to all financial assets held by the combined companies, and such definition is congruent with the financial assets relevant to the internal purpose of credit risk management and applied to the model for the evaluation of related impairments.

c. Measurement of anticipated credit loss

The consolidated company classified loan assets into the following combinations by the purpose of the loan, the nature of the industry, type of collaterals, and the mode of financing for the purpose of assessing anticipated credit loss:

Product portfolio	
Corporate Finance Operations	Corporate Finance-secured
	Corporate Finance-non-secured
Consumer banking business	House loan
	Personal, other, secured
	Personal, other, unsecured
	Credit loans
	Cash card
	Credit card

The consolidated company measured the provision for loss of financial assets that have no significant increase in credit risk after initial recognition on the basis of anticipated credit loss over a period of 12 months. The provision for loss of financial assets that have significant increases in credit risk after initial recognition shall be measured on the basis of anticipated credit loss within the perpetuity of the financial assets.

For the measurement of anticipated credit loss, the consolidated company considers the probability of default (PD) of the debtors in 12 months ahead and the perpetuity of the loans, and includes into the Loss Given Default (LGD), then multiplies by Exposure at Default (EAD). The effect of the time value of currency is also considered in this calculation.

The probability of default is the ratio of loss in case the particular debtor acted in default. The PD and LGD adopted by consolidated company in the assessment of loans is based on the internal historical information of the product portfolios (such as the experience in credit loss), and also the observable information at present and the prospective macroeconomic performance in grouping the products for separate evaluation.

The consolidated company assessed the EAD by a direct evaluation method for different groups of products. In assessing the commitment of financing in 12 months and the anticipated credit loss within the perpetuity of the assets, Taichung Bank adopted the direct assessment method for different groups and considered the portion of drawdown within 12 months after the reporting day of the commitment of financing and the anticipated renewal period to determine the EAD of anticipated credit loss.

#### Consideration of prospective information

In assessing anticipated credit loss, the consolidated company adopted the economic factors affecting credit risks and that were relevant to anticipated credit loss, and takes prospective information into account. Prospective information is the "Economic Signal" released by the National Development Council of the ROC that served as the standard for the overall economic performance of Taiwan and relevant signals as the indicators. The signal system is classified as the expansion phase, contraction phase and level phase. The consolidated company will based on the judgment of economic performance to adjust the probability of default and incorporate this information into the assessment of overall anticipated credit risk.

### B. Debt instrument

The consolidated company will consider the historical record on the rate of default at different levels from external rating institutions and the financial position of the debtors at present, to assess the anticipated credit loss of the investment of debt instruments for 12 months in the future or the anticipated credit loss within the perpetuity of the instruments.

The securities held by the consolidated company shall be recognized for expected credit loss for a period of 12 months or within the perpetuities of the securities. The consolidated company shall determine the quality of securities as follows:

#### a. Judgment of significant increase of credit risk after initial recognition

The consolidated company shall assess the changes in the default risk of the investment of debt instruments within the perpetuity of the instruments on each reporting day to determine if there is any significant increase of credit risk after initial recognition. For evaluation purpose, the information for justifying the significant increase of credit risk after initial recognition in consideration shall include the following indicators:

##### Quantified indicators

- (a) At the time of initial recognition, the credit rating of the issuers is at investment grade and higher. However, on the financial reporting day, the credit rating of the issuers fell to non-investment grade.
- (b) The credit rating of the issuers of the debt instruments for investment was non-investment grade on the initial day of recognition and such status remained unchanged.
- (c) If the credit rating of the issuers is at non-investment grade and further decline on the reporting day to certain extent.

##### Quality indicators

- (a) The credit rating of the issuers indicated that credit risk has increased significantly.
- (b) The fair value of the investment of debt instrument underwent unfavorable significant change on the reporting day.

#### b. Definition of default and financial assets with credit impairment

If any of more of the following are applicable to the investment of debt instrument, it could be determined that the financial assets were default with credit impairment.

Quantified indicators

- (a) The debt instruments were bonds with credit impairment at the time of investment.
- (b) The credit rating of the issuers or the debt instruments for investment fell to the default level on the reporting day.

Quality indicators

- (a) The issuers revised the conditions for the issuance of the debt instruments or failed to pay principal or interest as the conditions of issuance due to financial hardship.
- (b) Discontinuation of operation, petition for restructuring, bankruptcy, dissolution, the disposition of major assets of the company that significant affected continued operation of the issuers or the guarantors.

Measurement of anticipated credit loss

- (a) For the measurement of anticipated credit loss, the consolidated company considers the probability of default (PD) of the debtors for 12 months in the future and the perpetuity of the loans, and includes into the Loss Given Default (LGD), then multiplies by Exposure at Default (EAD). The effect of the time value of currency is also considered in this calculation.
  - (b) Compare the default risk of debt instruments on the reporting day and the default risk of debt instruments at the time of initial recognition, and consider the information for justifying the significant increase of default risk after initial recognition to determine if the credit risk of the financial instruments has significantly increased after initial recognition.
    - i. For “normal credit risk” category, estimate the anticipated amount of loss on the basis of PD in one year.
    - ii For “significant increase of credit risk” category, consider the perpetuity of the assets and calculated the PD in respective perpetuity of the assets to evaluate the cash flow from contracts in relevant periods (which is the EAD). Adopt the cash flow method to evaluation the anticipate amount of credit loss. If it is impossible to assess the cash flow in relevant periods, use the EAD of the current period for the calculation.
    - iii For “abnormal credit risk,” the PD is 100% thereby the PD for the perpetuity of respective assets will not be necessary, but just consider the amount that could be recovered and asses the amount of overall credit loss.
    - iv. The PD of debt instrument has adopted the numerical value released by credit rating institutions at regular intervals, which insinuates the possibility of market fluctuation in the future.
- (4) Credit risk hedge or mitigation policy
- A. Collateral

Among the policies and procedures taken by the consolidated company addressing to loan operation for the reduction of credit risk, the request for collaterals from the borrowers is most common mean. The consolidated company has established the procedures for the scope of collaterals, the appraisal of the collaterals, the management and disposition of the collaterals for the protection of right of debts.

Main loan collateral categories of the consolidated company include the following:

- a. Property
- b. Movable property and pledge of rights
- c. Assurance by external certification bodies

With a view to enhancing transaction risk protection, contracts for derivative transactions between the Consolidated Company and customers stipulate that customers provide the following guarantees in accordance with the nature of the transaction:

- a. Bonds for investment quotas: Bonds of different ratios are requested based on the customer credit rating
- b. Bonds for high-risk transactions: Requested if customer undertakes transactions of products with implicit put options.
- c. Performance bonds (trading position losses): bonds requested for trading position losses exceeding mark-to-market upper limits determined by the Taichung Commercial Bank.

The consolidated company paid close attention to the value of the collaterals for the financial instruments, and considered the financial assets necessary for recognition of credit impairment. Information on financial assets with credit impairment and collaterals with slight potential loss is shown below:

		December 31, 2022			
		Total Book Value	Provision for impairment	Total exposure (cost after amortization)	Fair value of collaterals
Impaired financial assets:					
		\$			
Discounts and loans		7,187,918	( \$1,634,126 )	\$5,553,792	\$5,553,792
Accounts receivable		778,507	( 196,536 )	581,971	568,506
Guarantee and L/C		90,196	( 34,996 )	55,200	37,864
Debt instruments		8,380	( 8,380 )	-	-
Others		79,019	( 11,897 )	67,122	-
Total financial assets with impairment		<u>\$8,144,020</u>	<u>( \$1,885,935 )</u>	<u>\$6,258,085</u>	<u>\$6,160,162</u>
		December 31, 2021			
		Total Book Value	Provision for impairment	Total exposure (cost after amortization)	Fair value of collaterals
Impaired financial assets:					
			( \$ 1,857,339 )		
Discounts and loans		\$8,698,694	( 239,926 )	\$6,841,355	\$6,841,355
Accounts receivable		801,948	( 33,375 )	562,022	534,495
Guarantee and L/C		88,571	( 7,554 )	55,196	37,864
Debt instruments		7,554	( 12,005 )	-	-
Others		85,019	)	73,014	-
Total financial assets with impairment		<u>\$9,681,786</u>	<u>( \$ 2,150,199 )</u>	<u>\$7,531,587</u>	<u>\$7,413,714</u>

B. Control of credit risk limit and credit risk concentration.

For avoiding the over-concentration of risk, the consolidated company has set the credit limit of transactions with particular counterparty and particular group in its policy and procedure for lending. In the policies and procedures for investment and equity investment risk control, limit has also been set for particular party (enterprise) or particular affiliate (group) enterprises in investment. For the control of the concentration of risk of all assets, the consolidated company has set the credit limit by industry, group enterprise, country, pledge of stocks as collaterals to monitor the concentration of risk of the assets. In addition, monitoring and control of particular counterparty, group enterprise, affiliate, industry, nationality, and the country of final risk through system integration for the control of concentration of relevant risks.

C. The reinforcement of other credit

The set-off clause has been explicitly stated in the loan agreements whereby all deposits of the borrowers at the consolidated company shall be set off for covering the liabilities in the event of credit problem to reduce credit risk.

(5) Maximum exposure of credit risk for the consolidated company

The maximum credit risk exposure of the assets stated in the consolidated balance sheet without the consideration of collaterals or other reinforced credit instruments approximate their book value. The amount of maximum credit risk exposure related to the items off the consolidated balance sheet (without the consideration of collaterals or other reinforced credit instruments and the maximum risk amount is irrevocable) is shown below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Irrevocable undertaking of loan	\$ 11,709,253	\$ 8,946,143
Credit card committee	14,958,648	13,909,975
Receivable guarantees	27,269,501	27,150,584
The payment of opened but unused letter of credit	3,350,494	3,870,866

The management of the consolidated company holds that the credit risk exposure of off balance sheet items could be controlled and minimized in continuation under evaluation because the consolidated company has adopted a strict evaluation process with routine evaluation after approval.

(6) Credit risk concentration of the consolidated company

Where financial instrument transactions are apparently concentrated on one person, or most of the multiple trading counterparts of financial instruments are engaged in similar business activities and possess similar economic characteristics and thereby the effects of economic or other conditions to their ability to perform the contracts are similar, the concentration of credit risk arises accordingly. The characteristics of credit risk concentration include the nature of business activities conducted by debtors. The consolidated company did not concentrate any transactions on one single customer or trading counterpart, other than similar counterparts, industrial type, and regions. The amount of contract based on concentrated credit risk:

<u>Counterpart</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Private enterprise	\$ 285,611,571	\$ 272,232,887
Natural person	271,000,752	251,463,839
Government	1,262,000	-
Agencies	2,605,667	2,194,108
Others	<u>\$ 560,479,990</u>	<u>\$ 525,890,834</u>

<u>Industrial type</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Natural person	\$ 271,000,752	\$ 251,463,839
Manufacturer	83,555,861	82,428,014
Commerce	51,870,453	55,055,686
Real estate	73,337,914	68,116,161
Construction industry	25,904,700	21,651,987
Commercial and industrial service business	12,033,816	10,721,758
Financial and insurance business	23,922,705	20,517,085
Warehousing and information	8,691,538	9,110,025
Others	<u>10,162,251</u>	<u>6,826,279</u>
	<u>\$ 560,479,990</u>	<u>\$ 525,890,834</u>

Region	December 31, 2022	December 31, 2021
Domestic	\$ 525,300,491	\$ 494,778,509
Territory of Asia	23,083,178	18,613,232
Territory of America	9,297,320	9,615,136
Others	<u>2,799,001</u>	<u>2,883,957</u>
	<u>\$ 560,479,990</u>	<u>\$ 525,890,834</u>

Collateral	December 31, 2022	December 31, 2021
Non-secured	\$ 92,060,824	\$ 83,184,331
Secured		
Secured by property	410,025,605	389,570,276
Secured by Letter of Guarantee	17,280,784	18,341,803
Secured by Chattel	7,661,747	6,481,073
Secured by bonds	18,955,531	16,708,301
Notes receivable	1,664,987	1,906,758
Secured by stocks	7,499,794	5,375,785
Others	<u>5,330,718</u>	<u>4,322,507</u>
	<u>\$ 560,479,990</u>	<u>\$ 525,890,834</u>

(7) Writing-off policies

Any non-performing loans or non-accrual loans shall be written off as bad debt after subtracting the estimated recoverable portion if one of the following conditions exists:

- A. The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons.
- B. The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the Taichung Commercial Bank might collect [from the debtor(s)] where there is no financial benefit in execution.
- C. The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the Taichung Commercial Bank's taking possession of such collateral.
- D. More than two (2) years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the efforts of collection have failed.
- E. If the monthly minimum payment for credit cards is delayed by more than six (6) months from the specified payment deadline, all advances made thereto shall be written off within three (3) months thereafter.

(8) Information on credit risk quality

- A. Discounts and loans and receivables credit quality analysis

December 31, 2022

	Discounts and loans				
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	\$242,007,307	\$ 3,782,197	\$ 4,754,053	\$ -	\$250,543,557
Consumer banking	257,505,411	10,261,354	2,433,710	-	270,200,475
Others	23,037	498	155	-	23,690
Total Book Value	499,535,755	14,044,049	7,187,918	-	520,767,722
Provision for impairment	( 2,055,966 )	( 1,156,156 )	( 1,634,126 )	-	( 4,846,248 )
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	( 1,808,648 )	( 1,808,648 )
Total	<u>\$497,479,789</u>	<u>\$ 12,887,893</u>	<u>\$ 5,553,792</u>	<u>( \$ 1,808,648 )</u>	<u>\$514,112,826</u>

	Accounts receivable				
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	\$ 13,025,382	\$ 367,145	\$ 706,839	\$ -	\$ 14,099,366
Consumer banking	1,580,472	29,526	44,000	-	1,653,998
Others	68,144,932	4	27,668	-	68,172,604
Total Book Value	82,750,786	396,675	778,507	-	83,925,968
Provision for impairment	( 127,490 )	( 9,604 )	( 196,536 )	-	( 333,630 )
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	( 152,676 )	( 152,676 )
Total	<u>\$ 82,623,296</u>	<u>\$ 387,071</u>	<u>\$ 581,971</u>	<u>( \$ 152,676 )</u>	<u>\$ 83,439,662</u>

Irrevocable undertaking of loan

	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	\$ 10,318,566	\$ -	\$ 79,019	\$ -	\$ 10,397,585
Consumer banking	<u>1,311,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,311,668</u>
Total Book Value	11,630,234	-	79,019	-	11,709,253
Provision for impairment	( 72,492)	-	( 11,897)	-	( 84,389)
Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	<u>-</u>	<u>-</u>	<u>-</u>	( <u>1,617</u> )	( <u>1,617</u> )
Total	<u>\$ 11,557,742</u>	<u>\$ -</u>	<u>\$ 67,122</u>	( <u>\$ 1,617</u> )	<u>\$ 11,623,247</u>

Credit card committee

	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Consumer banking	<u>\$ 14,888,343</u>	<u>\$ 70,305</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,958,648</u>
Total Book Value	14,888,343	70,305	-	-	14,958,648
Provision for impairment	( 5,295)	( 1,648)	-	-	( 6,943)
Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	<u>-</u>	<u>-</u>	<u>-</u>	( <u>439</u> )	( <u>439</u> )
Total	<u>\$ 14,883,048</u>	<u>\$ 68,657</u>	<u>\$ -</u>	( <u>\$ 439</u> )	<u>\$ 14,951,266</u>



Receivable guarantees

	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	\$ 27,052,806	\$ 126,499	\$ 90,196	\$ -	\$ 27,269,501
Total Book Value	27,052,806	126,499	90,196	-	27,269,501
Provision for impairment	( 193,788 )	( 20,588 )	( 34,996 )	-	( 249,372 )
Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	<u>-</u>	<u>-</u>	<u>-</u>	( 26,591 )	( 26,591 )
Total	<u>\$ 26,859,018</u>	<u>\$ 105,911</u>	<u>\$ 55,200</u>	<u>(\$ 26,591)</u>	<u>\$ 26,993,538</u>

The payment of opened but unused letter of credit

	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	\$ 3,150,494	\$ 200,000	\$ -	\$ -	\$ 3,350,494
Total Book Value	3,150,494	200,000	-	-	3,350,494
Provision for impairment	( 8,267 )	( 9,214 )	-	-	( 17,481 )
Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	<u>-</u>	<u>-</u>	<u>-</u>	( 343 )	( 343 )
Total	<u>\$ 3,142,227</u>	<u>\$ 190,786</u>	<u>\$ -</u>	<u>(\$ 343)</u>	<u>\$ 3,332,670</u>

December 31, 2021

Discounts and loans					
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	\$ 227,290,646	\$ 2,322,566	\$ 6,118,651	\$ -	\$ 235,731,863
Consumer banking	238,225,115	9,920,228	2,579,934	-	250,725,277
Others	<u>29,546</u>	<u>1,028</u>	<u>109</u>	-	<u>30,683</u>
Total Book Value	465,545,307	12,243,822	8,698,694	-	486,487,823
Provision for impairment	( 1,465,291 )	( 608,655 )	( 1,857,339 )	-	( 3,931,285 )
Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	<u>-</u>	<u>-</u>	<u>-</u>	( <u>2,750,165</u> )	( <u>2,750,165</u> )
Total	<u>\$ 464,080,016</u>	<u>\$ 11,635,167</u>	<u>\$ 6,841,355</u>	( <u>\$ 2,750,165</u> )	<u>\$ 479,806,373</u>
Accounts receivable					
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	\$ 12,160,742	\$ 311,725	\$ 712,609	\$ -	\$ 13,185,076
Consumer banking	1,683,488	22,751	37,488	-	1,743,727
Others	<u>60,904,209</u>	<u>14</u>	<u>51,851</u>	-	<u>60,956,074</u>
Total Book Value	74,748,439	334,490	801,948	-	75,884,877
Provision for impairment	( 108,467 )	( 7,900 )	( 239,926 )	-	( 356,293 )
Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	<u>-</u>	<u>-</u>	<u>-</u>	( <u>104,485</u> )	( <u>104,485</u> )
Total	<u>\$ 74,639,972</u>	<u>\$ 326,590</u>	<u>\$ 562,022</u>	( <u>\$ 104,485</u> )	<u>\$ 75,424,099</u>

Irrevocable undertaking of loan

	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	\$ 7,175,795	\$ 33,250	\$ 85,019	\$ -	\$ 7,294,064
Consumer banking	<u>1,652,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,652,079</u>
Total Book Value	8,827,874	33,250	85,019	-	8,946,143
Provision for impairment	( 40,877)	( 661)	( 12,005)	-	( 53,543)
Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	<u>-</u>	<u>-</u>	<u>-</u>	( <u>4,221</u> )	( <u>4,221</u> )
Total	<u>\$ 8,786,997</u>	<u>\$ 32,589</u>	<u>\$ 73,014</u>	( <u>\$ 4,221</u> )	<u>\$ 8,888,379</u>

Credit card committee

	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non- performing/ Non- accrual Loans”	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Consumer banking	\$ 13,827,884	\$ 82,091	\$ -	\$ -	\$ 13,909,975
Total Book Value	13,827,884	82,091	-	-	13,909,975
Provision for impairment	( 5,046)	( 1,915)	-	-	( 6,961)
Required impairment recognized in accordance with the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans”	<u>-</u>	<u>-</u>	<u>-</u>	( <u>422</u> )	( <u>422</u> )
Total	<u>\$ 13,822,838</u>	<u>\$ 80,176</u>	<u>\$ -</u>	( <u>\$ 422</u> )	<u>\$ 13,902,592</u>

Receivable guarantees					
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	\$ 26,971,681	\$ 90,332	\$ 88,571	\$ -	\$ 27,150,584
Total Book Value	26,971,681	90,332	88,571	-	27,150,584
Provision for impairment	( 171,880)	( 7,782)	( 33,375)	-	( 213,037)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	( 84,926)	( 84,926)
Total	<u>\$ 26,799,801</u>	<u>\$ 82,550</u>	<u>\$ 55,196</u>	<u>( \$ 84,926)</u>	<u>\$ 26,852,621</u>

The payment of opened but unused letter of credit					
	Stage 1	Stage 2	Stage 3	Impairment difference recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets		
Products by category					
Corporate banking	\$ 3,870,866	\$ -	\$ -	\$ -	\$ 3,870,866
Total Book Value	3,870,866	-	-	-	3,870,866
Provision for impairment	( 8,629)	-	-	-	( 8,629)
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	( 4,226)	( 4,226)
Total	<u>\$ 3,862,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>( \$ 4,226)</u>	<u>\$ 3,858,011</u>

B. Credit quality analysis on investment of debt instruments

December 31, 2022

	Financial assets at fair value through other comprehensive profit or loss			
	Stage 1	Stage 2	Stage 3	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets	
Product category (Note)				
Investment grade bonds	\$ 40,103,103	\$ -	\$ -	\$ 40,103,103
Non-investment grade bonds	-	-	-	-
Total Book Value	40,103,103	-	-	40,103,103
Provision for impairment	( 27,120 )	-	-	( 27,120 )
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-
Total	\$ 40,075,983	\$ -	\$ -	\$ 40,075,983

	Financial assets on the basis of cost after amortization			
	Stage 1	Stage 2	Stage 3	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets	
Product category (Note)				
Investment grade bonds	\$ 54,515,788	\$ 1,402,240	\$ -	\$ 55,918,028
Non-investment grade bonds	-	-	8,380	8,380
Other (Central Bank NCD)	49,498,280	-	-	49,498,280
Total Book Value	104,014,068	1,402,240	8,380	105,424,688
Provision for impairment	( 22,742 )	( 15,100 )	( 8,380 )	( 46,222 )
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-
Total	\$ 103,991,326	\$ 1,387,140	\$ -	\$ 105,378,466

Note Bond rating is based on Moody's, Fitch, S&P and Taiwan Ratings, in order to obtain the current credit ratings.

The consolidated company's debt instruments are financial assets at fair value through other comprehensive income and financial assets measured at amortized cost:

	Measured at fair values through other comprehensive income	Measured on the basis of cost after amortization
Total Book Value	\$ 41,327,887	\$ 105,424,688
Loss allowance	( 27,120 )	( 46,222 )
Cost after amortization	41,300,767	105,378,466
Fair value adjustment	( 1,224,784 )	-
	\$ 40,075,983	\$ 105,378,466

The current credit risk evaluation approach of the Consolidated Company and the total carrying amount of debt instrument investments with various credit ratings are shown as below:

Credit rating	Definition	Basis for recognizing expected credit losses	Expected credit loss rate	Total book value of December 31, 2022	
				Measured at fair values through other comprehensive income	Measured on the basis of cost after amortization
Normal (Stage 1)	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0.00%~0.06 %	\$ 41,327,887	\$ 104,014,068
Abnormal (Stage 2)	Significant increase of credit risk after initial recognition	Lifetime expected credit loss (no credit impairment)	0.83%~1.32 %	-	1,402,240
Default (Stage 3)	Evidence of credit impairment	Lifetime expected credit loss (with credit impairment)	100%	-	8,380
Write-off	There is evidence that the debtor is facing serious financial difficulties and the consolidated company cannot reasonably expect recovery.	Direct write-off	-	-	-

With respect to the consolidated company's debt instrument investments at fair value through other comprehensive income and measured at amortized cost, the information regarding the changes in loss allowance based on credit risk ratings are summarized as follows:

	Credit rating		
	Normal (12-month expected credit loss)	Abnormal (lifetime expected credit loss and no credit impairment)	Breach of contract (lifetime expected credit loss and with credit impairment)
<u>Financial assets at fair value through other comprehensive profit or loss</u>			
Balance as of January 1, 2022	\$ 29,891	\$ -	\$ -
Changes to credit ratings of debt instruments recognized at the beginning of the year			
- Normal turns into Abnormal	-	-	-
- Abnormal turns into Default	-	-	-
- Default turns into Write-off	-	-	-
Purchase new debt instruments	639	-	-
de-recognition	( 1,657 )	-	-
Changes in model/risk parameters	-	-	-
Foreign exchange settlement and other changes	( 1,753 )	-	-
Loss allowance as of December 31, 2022	<u>\$ 27,120</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Financial assets on the basis of cost after amortization</u>			
Balance as of January 1, 2022	\$ 23,109	\$ -	\$ 7,554
Changes to credit ratings of debt instruments recognized at the beginning of the year			
- Normal turns into Abnormal	( 15,100 )	15,100	-
- Abnormal turns into Default	-	-	-
- Default turns into Write-off	-	-	-
Purchase new debt instruments	7,336	-	-
de-recognition	( 7,078 )	-	-
Changes in model/risk parameters	-	-	-
Foreign exchange settlement and other changes	14,475	-	826
Loss allowance as of December 31, 2022	<u>\$ 22,742</u>	<u>\$ 15,100</u>	<u>\$ 8,380</u>

December 31, 2021

	Financial assets at fair value through other comprehensive profit or loss			Total
	Stage 1	Stage 2	Stage 3	
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets	
Product category (Note)				
Investment grade bonds	\$ 44,322,406	\$ -	\$ -	\$ 44,322,406
Non-investment grade bonds	-	-	-	-
Total Book Value	44,322,406	-	-	44,322,406
Provision for impairment	( 29,891 )	-	-	( 29,891 )
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-
Total	<u>\$ 44,292,515</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,292,515</u>

Financial assets on the basis of cost after amortization

	Stage 1	Stage 2	Stage 3	Total
	Anticipated credit loss in 12 months	Credit loss within the perpetuity of financial assets	Credit loss within the perpetuity of financial assets	
Product category (Note)				
Investment grade bonds	\$ 46,331,317	\$ -	\$ -	\$ 46,331,317
Non-investment grade bonds	-	-	7,554	7,554
Other (Central Bank NCD)	<u>63,790,000</u>	-	-	<u>63,790,000</u>
Total Book Value	110,121,317	-	7,554	110,128,871
Provision for impairment	( 23,109 )	-	( 7,554 )	( 30,663 )
Required impairment recognized in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans"	-	-	-	-
Total	<u>\$ 110,098,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,098,208</u>

Note Bond rating is based on Moody's, Fitch, S&P and Taiwan Ratings, in order to obtain the current credit ratings.

The consolidated company's debt instruments are financial assets at fair value through other comprehensive income and financial assets measured at amortized cost:

	Measured at fair values through other comprehensive income	Measured on the basis of cost after amortization
Total Book Value	\$ 44,159,489	\$ 110,128,871
Loss allowance	( 29,891 )	( 30,663 )
Cost after amortization	44,129,598	110,098,208
Fair value adjustment	<u>162,917</u>	<u>-</u>
	<u>\$ 44,292,515</u>	<u>\$ 110,098,208</u>

The current credit risk evaluation approach of the Consolidated Company and the total carrying amount of debt instrument investments with various credit ratings are shown as below:

Credit rating	Definition	Basis for recognizing expected credit losses	Expected credit loss rate	Total book value of December 31, 2021	
				Measured at fair values through other comprehensive income	Measured on the basis of cost after amortization
Normal (Stage 1)	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0.00%~0.42%	\$ 44,159,489	\$ 110,121,317
Abnormal (Stage 2)	Significant increase of credit risk after initial recognition	Lifetime expected credit loss (no credit impairment)		-	-
Default (Stage 3)	Evidence of credit impairment	Lifetime expected credit loss (with credit impairment)	100%	-	7,554
Write-off	There is evidence that the debtor is facing serious financial difficulties and the consolidated company cannot reasonably expect recovery.	Direct write-off		-	-

With respect to the consolidated company's debt instrument investments at fair value through other comprehensive income and measured at amortized cost, the information regarding the changes in loss allowance based on credit risk ratings are summarized as follows:

	Credit rating		
	Normal (12-month expected credit loss)	Abnormal (lifetime expected credit loss and no credit impairment)	Breach of contract (lifetime expected credit loss and with credit impairment)
<u>Financial assets at fair value through other comprehensive profit or loss</u>			
Balance as of January 1, 2021	\$ 20,708	\$ -	\$ -
Changes to credit ratings of debt instruments recognized at the beginning of the year			
- Normal turns into Abnormal	-	-	-
- Abnormal turns into Default	-	-	-
- Default turns into Write-off	-	-	-
Purchase new debt instruments	11,833	-	-
de-recognition	( 1,341 )	-	-
Changes in model/risk parameters		-	-
Foreign exchange settlement and other changes	( 1,309 )	-	-
Loss allowance as of December 31, 2021	<u>\$ 29,891</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Financial assets on the basis of cost after amortization</u>			
Balance as of January 1, 2021	\$ 26,472	\$ -	\$ 7,668
Changes to credit ratings of debt instruments recognized at the beginning of the year			
- Normal turns into Abnormal	-	-	-
- Abnormal turns into Default	-	-	-
- Default turns into Write-off	-	-	-
Purchase new debt instruments	1,523	-	-
de-recognition	( 3,819 )	-	-
Changes in model/risk parameters	-	-	-
Foreign exchange settlement and other changes	( 1,067 )	-	( 114 )
Loss allowance as of December 31, 2021	<u>\$ 23,109</u>	<u>\$ -</u>	<u>\$ 7,554</u>

### 3. Liquidity risk

#### (1) Sources and definitions of liquidity risk

The consolidated company's current liability exceeds its current assets of NT\$86,616,667 thousand. The consolidated company currently has unused borrowing limit sufficient to meet all contractual obligations, so there is no liquidity risk with being unable to raise funds to perform contractual obligations.

Liquidity risks of the merged company mainly stem from Taichung Bank. The term "liquidity risks" refers to potential losses generated by the inability of Taichung Bank to acquire capital to fund increases in assets or repay liabilities as they come due (e.g., withdrawals by depositors, credit drawdowns, other interest or expenses, or cash outflows associated with off-balance sheet transactions); measures to replenish capital and increase liquidity include sufficient cash-on-hand, immediately realizable securities, spread deployment, absorbed deposits, or financing loan channels.

#### (2) Taichung Bank liquidity risk management policies may be described as follows: a

Taichung Bank develops capital movement strategies by adopting a conservative approach. It effectively spreads funding sources and deadlines, participates in the capital call market, maintains close contact with fund providers, and keeps fund-raising channels open to ensure a stable and reliable source of capital.

Taichung Bank has formulated relevant norms and regulations governing operating procedures for risk identification, measurement, monitoring, and reporting. The bank has established a limit monitoring mechanism and has set management indicators for liquidity ratios and cash flow gaps.



It maintains a firm grasp of potential warning signals and conducts regular stress tests. Analysis of crisis scenarios with assumed impacts on capital flows serves as a reference for the assessment of liquidity buffer levels. Response measures are adopted in a timely manner.

The Asset and Liability Management Committee (hereinafter referred to as “This Committee”) is the dedicated management unit of Taichung Bank for liquidity risks. The Committee must adopt monitoring procedures as required based on liquidity risk management policies to ensure adequate liquidity and sufficient capital under normal conditions and specific stress scenarios and thereby guarantee fulfillment of the bank’s payment obligations. The Committee must report regularly to the board of directors to ensure effective management of liquidity risks.

Non-derivative financial liabilities maturity analysis

The analysis on the cash outflow of the consolidated company’s non-derivative liabilities is based on the remaining period from the consolidated balance sheet date to the contract maturity date as follows: The amount in the statements is based on the contractual cash flow; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet.

December 31, 2022	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Due to Central Bank and other banks	\$8,702,273	\$ -	\$ 730	\$ 737	\$ -	\$8,703,740
Shot-term borrowings	3,038,505	6,529,428	5,146,764	2,589,083	1,753,930	19,057,710
Short-term notes payable	2,225,000	2,655,000	-	-	-	4,880,000
Long-term borrowings	76,000	24,300	133,825	1,211,414	6,772,764	8,218,303
Payables	10,092,547	1,171,129	794,437	343,950	260,582	12,662,645
Customer deposits and remittances	57,407,306	93,823,189	122,763,117	124,054,389	284,783,622	682,831,623
Financial bonds payable	-	-	-	71,967	16,500,000	16,571,967
Lease liabilities	17,448	35,022	50,106	97,533	853,218	1,053,327
Other matured capital outflow items	323,814	43,549	818,529	196,423	3,608,645	4,990,960

December 31, 2021	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Due to Central Bank and other banks	\$3,900,014	\$ -	\$ 730	\$ 52,956	\$ -	\$3,953,700
Bills and bonds sold under repurchase agreements	401,059	804,865	-	-	-	1,205,924
Shot-term borrowings	3,018,074	6,363,664	2,026,101	4,009,587	3,695,692	19,113,118
Short-term notes payable	2,395,000	1,350,000	550,000	-	-	4,295,000
Long-term borrowings	82,000	999,800	223,325	1,305,703	4,912,200	7,523,028
Payables	9,084,033	1,929,586	791,380	395,101	276,052	12,476,152
Customer deposits and remittances	44,500,411	77,736,118	76,585,695	150,354,178	309,647,427	658,823,829
Financial bonds payable	-	-	-	65,375	16,500,000	16,565,375
Lease liabilities	16,775	33,137	48,841	94,606	974,088	1,167,447
Other matured capital outflow items	1,140,491	50,311	41,499	233,960	819,573	2,285,834

Derivative financial liabilities maturity analysis

(1) Derivative instruments cleared and settled at net value

The consolidated company’s derivatives that are settled and cleared at net value include:

FX derivatives: FX forwards and options

It is concluded that the contractual maturity is the essential element to understand all derivative financial instruments listed on the consolidated balance sheet. The amount in the statements is based on the contractual cash flow; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet. Financial liabilities cleared and settled at net amount maturity analysis:

December 31, 2022	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Derivative financial liabilities at fair value through profit and loss						
Foreign exchange derivatives	\$ 58,272	\$ 125,454	\$ 116,544	\$ 85,040	\$ -	\$ 385,310
Total	\$ 58,272	\$ 125,454	\$ 116,544	\$ 85,040	\$ -	\$ 385,310

December 31, 2021	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Derivative financial liabilities at fair value through profit and loss						
Foreign exchange derivatives	\$ 20,678	\$ 50,214	\$ 67,220	\$ 77,111	\$ -	\$ 215,223
Total	\$ 20,678	\$ 50,214	\$ 67,220	\$ 77,111	\$ -	\$ 215,223

(2) Derivatives cleared and settled at total value

The consolidated company's derivatives that are settled at total value include:

Foreign exchange derivatives: Forward foreign exchange and foreign exchange swaps.

Illustrate the consolidated company's derivatives that are settled at total value in accordance with the remaining period from the consolidated balance sheet date to the contract maturity date. It is concluded that the contractual maturity is the essential element to understand all derivative financial instruments listed on the consolidated balance sheet. The amount in the statements is based on the contractual cash flow; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet. Financial liabilities cleared and settled at total value maturity analysis:

December 31, 2022	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Derivative financial liabilities at fair value through profit and loss						
Foreign exchange derivatives						
- Cash outflow	\$17,935,625	\$ 7,870,492	\$ 2,694,326	\$ 910,033	\$ -	\$29,410,476
- Cash inflow	17,720,731	7,598,820	2,595,045	863,855	-	28,778,451
Subtotal of cash outflow	17,935,625	7,870,492	2,694,326	910,033	-	29,410,476
Sub-total of cash inflow	17,720,731	7,598,820	2,595,045	863,855	-	28,778,451
Net cash flow	( \$ 214,894 )	( \$ 271,672 )	( \$ 99,281 )	( \$ 46,178 )	\$ -	( \$ 632,025 )

December 31, 2021	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Derivative financial liabilities at fair value through profit and loss						
Foreign exchange derivatives						
- Cash outflow	\$1,860,409	\$8,130,465	\$ 847,551	\$3,691,713	\$ -	\$14,530,138
- Cash inflow	1,845,858	8,057,050	831,979	3,615,157	-	14,350,044
Subtotal of cash outflow	1,860,409	8,130,465	847,551	3,691,713	-	14,530,138
Sub-total of cash inflow	1,845,858	8,057,050	831,979	3,615,157	-	14,350,044
Net cash flow	( \$ 14,551 )	( \$ 73,415 )	( \$ 15,572 )	( \$ 76,556 )	\$ -	( \$ 180,094 )

4. The maturity analysis of items not on the statement

The analysis on the maturity date of the items not on the consolidated company's balance sheet in accordance with the remaining period from the consolidated balance sheet date to the contract maturity date. For financial guarantee contracts issued, the earliest time period that maximum amounts of the guarantee may be requested for guarantee performance. The amount in the statements is based on the contractual cash flows; therefore, the amount of some items disclosed is not consistent with the respective items on the consolidated balance sheet.

December 31, 2022	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Undisbursed credit committee						\$186,368,356
The payment of opened but unused letter of credit					-	3,350,494
Receivable guarantees						27,269,501
Lease contract commitments						
Total						

December 31, 2021	0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Total
Undisbursed credit committee	\$10,420,397	\$16,346,728	\$27,465,124	\$61,833,906	\$44,497,984	\$160,564,139
The payment of opened but unused letter of credit	1,149,591	2,504,565	195,332	21,378	-	3,870,866
Receivable guarantees	6,880,119	6,232,979	1,557,578	3,017,885	9,462,023	27,150,584
Lease contract commitments	1,427,851	149,460	12,454	82,249	-	1,672,014
Total	\$19,877,958	\$25,233,732	\$29,230,488	\$64,955,418	\$53,960,007	\$193,257,603

5. Cash flow risk estimated under interest rate changes

The future cash flow of assets and liabilities estimated based on mobile interest rate held and borne by the Consolidated Company might fluctuate and even generate risk due to the market interest rate changes. However, upon evaluation, the Consolidated Company, in practice, tends to control the net liquidity gap to reduce the cash flow risk resulting from the interest rate changes.

43. Information on transfer of financial assets

Transferred financial assets not being removed in all

In the routine transaction of the consolidated company, financial assets did not qualified under all the conditions have been transferred. Most are debt securities with R/P agreement or equity securities lent under the securities lending agreement. The cash flows from the contract of the aforementioned transactions received by the consolidated company have been transferred to a third party and reflected related liabilities of the consolidated company in the responsibility of repurchasing the financial assets already transferred at fixed price in the future. For this type of transactions, the consolidated company cannot use, sell or pledge the financial assets already transferred within the effective period of the trade, but the consolidated company shall still assume interest risk and credit risk and is not being removed in whole. The table below shows the financial assets not qualified under all conditions and related financial liabilities:

December 31, 2021					
Category of financial assets	Book value of transferred financial assets	Book value of related financial liabilities	Fair value of transferred financial assets	Fair value of related financial liabilities	Net fair value position
Financial assets on the basis of cost after amortization R/P agreement	\$1,211,468	\$1,205,559	\$1,241,778	\$1,205,559	\$ 36,219

44. Offsetting of financial assets and liabilities

The consolidated company does not have transactions of offsetting financial instruments specified by IAS 32.42 as recognized by the FSC. The financial assets and liabilities related to such type of transactions are expressed in net on the balance sheet. The consolidated company has transactions that are or are similar to net settled master netting arrangements but do not meet the offsetting criteria. The above transactions are settled on a net basis after offsetting financial assets with financial liabilities if both parties of the transaction choose to use net settlement; the above transactions are settled on a gross basis if both parties do not choose to use net settlement. However, if one party breaches the contract, the counterparty can choose to use net settlement.

December 31, 2022

Financial Assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet		Net
				Financial instruments	Cash collateral pledged	
Reverse repurchase and securities borrowing agreement	<u>\$11,643,340</u>	<u>\$ -</u>	<u>\$11,643,340</u>	<u>\$11,258,439</u>	<u>\$ -</u>	<u>\$ -</u>

December 31, 2021

Financial Assets	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets presented in the balance sheet	Related amounts not offset in the balance sheet		Net
				Financial instruments	Cash collateral pledged	
Reverse repurchase and securities borrowing agreement	<u>\$11,258,439</u>	<u>\$ -</u>	<u>\$11,258,439</u>	<u>\$11,258,439</u>	<u>\$ -</u>	<u>\$ -</u>

Financial Liabilities	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets offset in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Related amounts not offset in the balance sheet		Net
				Financial instruments	Cash collateral pledged	
Repurchase and securities lending agreement	<u>\$1,205,559</u>	<u>\$ -</u>	<u>\$1,205,559</u>	<u>\$ 1,205,559</u>	<u>\$ -</u>	<u>\$ -</u>

45. Information to be disclosed pursuant to Article 16 of the “Regulations Governing the Preparation of Financial Reports by Public Banks”

(1) Asset quality

Type \ Item		December 31, 2022					December 31, 2021				
		NPL amount (Note 1)	Total amount	NPL rate (Note 2)	Allowance for bad debt	Allowance for bad debt coverage rate (Note 3)	NPL amount (Note 1)	Total amount	NPL rate (Note 2)	Allowance for bad debt	Allowance for bad debt coverage rate (Note 3)
Corporate banking	Secured	356,934	151,757,965	0.24%	1,742,917	488.30%	306,832	152,601,348	0.20%	1,829,338	596.20%
	Non-secured	26,809	98,766,960	0.03%	1,618,539	6,037.30%	117,494	83,104,653	0.14%	1,705,878	1,451.89%
Consumer banking	Residential mortgage loans (Note 4)	135,497	72,455,523	0.19%	1,086,696	802.01%	32,377	64,795,172	0.05%	968,109	2,990.11%
	Cash card	-	-	-	-	-	-	2	-	1	-
	Small credit loans (Note 5)	2,086	928,828	0.22%	12,337	591.42%	1,018	957,115	0.11%	13,211	1,297.74%
	Others (Note 6)										
	Secured	229,450	161,245,185	0.14%	1,706,989	743.95%	257,503	154,572,466	0.17%	1,642,831	637.99%
	Non-secured	31,468	34,355,388	0.09%	486,831	1,547.07%	28,535	29,060,838	0.10%	521,495	1,827.56%
Total amount		782,244	519,509,849	0.15%	6,654,309	850.67%	743,759	485,091,594	0.15%	6,680,863	898.26%

Type \ Item		December 31, 2022				December 31, 2021					
		NPL amount	Balance of receivable accounts	NPL rate	Allowance for bad debt	Allowance for bad debt coverage rate	NPL amount	Balance of receivable accounts	NPL rate	Allowance for bad debt	Allowance for bad debt coverage rate
Credit card		1,196	792,342	0.15%	27,284	2,281.27%	1,736	738,561	0.24%	27,274	1,571.08%
Non-recourse factoring (Note 7)		-	148,925	-	7,906	-	-	271,434	-	4,645	-

NPL or non-performing receivable accounts exempted from report

	December 31, 2022		December 31, 2021	
	Total NPL exempted from report	Total non-performing receivable accounts exempted from report	Total NPL exempted from report	Total non-performing receivable accounts exempted from report
Amount exempted from report upon debt negotiation and performance (Note 8)	682	502	1,157	627
Performance of debt clearance program and rehabilitation program (Note 9)	9,284	13,990	10,515	16,019
Total	9,966	14,492	11,672	16,646

- Note 1: The NPL amount is recognized according to "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans." The credit card NPL is recognized based on that provided under the Letter Jin-Guan-Yin (4) Zi No. 0944000378 dated July 6, 2005.
- Note 2: Non-performing loan ratio = Non-performing loan/total loan amount. Non-performing credit card ratio = Non-performing amount/accounts receivable balance
- Note 3: NPL Coverage Ratio = Allowance for bad debt appropriated for loans/Non-performing amount. Non-performing credit card receivables coverage ratio = Allowance for bad debt appropriated for credit card receivables/non-performing amount.
- Note 4: Borrowers apply for residential mortgage loans for the purpose of purchasing or building residences or decorating houses. The loans shall be secured by the residence purchased (owned) by the borrower himself/herself, or his/her spouse or minor children in full, and the mortgage shall be pledged to the financial institution.
- Note 5: Small credit loans mean those provided in the Letter under Jin-Guan-Yin (4) Zi No. 09440010950 dated December 19, 2005 and those other than small loans by credit cards/cash cards.
- Note 6: The "Other" consumer finance refers to the secured or unsecured consumer finance loans other than the "residential mortgage loans", "cash cards", and "small credit loans", excluding credit cards.
- Note 7: According to the Letter under Jin-Guan-Yin (5) Zi No. 094000494 dated July 19, 2005, factoring without recourse shall be recognized as NPL within three months after the factoring Consignee or insurance company confirms that no compensation should be granted.
- Note 8: Total NPL exempted from report upon debt negotiation and performance and the balance of total non-performing receivable accounts exempted from report upon debt negotiation and performance were disclosed pursuant to the Letter under Jin-Guan-Yin (1) Zi No. 09510001270 dated April 25, 2006.
- Note 9: The balance of total NPL exempted from report upon performance of debt clearance program and rehabilitation program and balance of total non-performing receivable accounts exempted from report upon performance of debt clearance program and rehabilitation program were disclosed pursuant to the Letter under Jin-Guan-Yin (1) Zi No. 09700318940 dated September 15, 2008, Jin-Guan-Yin-Fa (1) Zi No. 10500134790 dated September 20, 2016. (2) Status of credit risk concentration

(2) Status of credit risk concentration

December 31, 2022

Unit: NTD thousand

Rank (Note 1)	Business type of company or group (Note 2)	Total balance of loan (Note 3)	% of the total equity as of December 31, 2022
1	Group A 016700 Real estate development	\$ 5,021,523	7.25%
2	Group B 016700 Real estate development	3,790,746	5.48%
3	Group C 016700 Real estate development	2,619,968	3.78%
4	Group D 014290 Civil engineering	2,145,417	3.10%
5	Group E 012411 Iron and steel manufacturing	1,935,822	2.80%
6	Group F 016700 Real estate development	1,828,917	2.64%
7	Group G 010892 Noodle products manufacturing	1,806,030	2.61%
8	Group F 014100 Construction Engineering	1,800,380	2.60%
9	Group I 016499 Unclassified other financial service business	1,694,364	2.45%
10	Group J 012630 Printed circuit board manufacturing	1,677,686	2.42%

December 31, 2021

Unit: NTD thousand

Rank (Note 1)	Business type of company or group (Note 2)	Total balance of loan (Note 3)	December 31, 2021 Ratio of net worth
1	Group A 016700 Real estate development	\$ 4,547,089	7.17%
2	Group B 016700 Real estate development	2,920,143	4.60%
3	Group K 016700 Real estate development	2,604,314	4.10%
4	Group L 016700 Real estate development	2,171,767	3.42%
5	Group E 012411 Iron and steel manufacturing	2,114,558	3.33%
6	Group G 010892 Noodle products manufacturing	1,919,501	3.02%
7	Group D 014290 Civil engineering	1,791,518	2.82%
8	Group M 015510 Short-term accommodation service	1,716,097	2.70%
9	Group N 012699 other electronic parts and components manufacturing without classification	1,692,553	2.67%
10	Group O 015010 Vessel Carriers	1,607,055	2.53%

- Note 1: The top ten enterprises other than public or state enterprises were identified according to rank of the total balance of loans to these enterprises. If the account refers to a group, the loan to the group should be identified and summed up, and disclosed in the form of “code” and “business type.” In the case of group, the business type of the group with the maximum exposure should be disclosed. The business type shall be specified in “detailed item” according to the business classification defined by Directorate General of Budget, Accounting and Statistics (e.g. Company (Group) A, real estate development).
- Note 2: The enterprises mean those defined in Article 6 of “Supplementary Rules of TSEC’s Criteria for Reviewing Listing of Marketable Securities”.
- Note 3: The balance of total credit extension means the total balance of the various loans (including import negotiation, export negotiation, discount, overdraft, short-term loans, short-term secured loans, receivable securities financing, mid-term loans, mid-term secured loans, long-term loans, long-term secured loans, Delinquent loans), inward remittances, factoring without recourse, Acceptances receivable and guarantee payments.

## (3) Interest rate sensitivity information

## Interest rate sensitivity assets and liabilities analysis data (NTD)

December 31, 2022

Unit: NTD thousand, %

Item	1 day to 90 days (inclusive)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	533,316,870	13,603,764	13,332,755	97,341,828	657,595,217
Interest rate sensitivity liabilities	186,729,333	354,942,588	68,228,832	8,934,801	618,835,554
Interest rate sensitivity gap	346,587,537	( 341,338,824 )	( 54,896,077 )	88,407,027	38,759,663
Net value					69,229,626
Interest rate sensitivity assets and liabilities rate					106.26%
Interest rate sensitivity gap and net worth rate					55.99%

December 31, 2021

Unit: NTD thousand, %

Item	1 day to 90 days (inclusive)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	517,659,733	9,375,584	10,814,138	99,617,497	637,466,952
Interest rate sensitivity liabilities	138,013,894	358,827,497	95,835,145	12,243,899	604,920,435
Interest rate sensitivity gap	379,645,839	( 349,451,913 )	( 85,021,007 )	87,373,598	32,546,517
Net value					63,459,985
Interest rate sensitivity assets and liabilities rate					105.38%
Interest rate sensitivity gap and net worth rate					51.29%

Note: 1. The table specifies the amount in NTD (exclusive of foreign currencies) of Taichung Bank Head Office and local branches.

- Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
- Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
- Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets ÷ Interest-rate-sensitive liabilities (denominated in NT\$)

## Interest rate sensitivity assets and liabilities analysis data (USD)

December 31, 2022

Unit: USD thousand; %

Item	1 day to 90 days (inclusive)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	1,580,836	119,596	29,367	430,111	2,159,910
Interest rate sensitivity liabilities	994,087	1,111,779	290,778	9,590	2,406,234
Interest rate sensitivity gap	586,749	( 992,183 )	( 261,411 )	420,521	246,324 ( )
Net value					2,254,302
Interest rate sensitivity assets and liabilities rate					89.76%
Interest rate sensitivity gap and net worth rate					( 10.93% )



December 31, 2021

Unit:USD thousand; %

Item	1 to 90 days (including)	91 to 180 days (inclusive)	181 days to 1 year (inclusive)	Over 1 year	Total
Interest rate sensitivity assets	1,508,953	263,646	124,857	266,753	2,164,209
Interest rate sensitivity liabilities	658,739	1,373,881	184,159	40	2,216,819
Interest rate sensitivity gap	850,214	( 1,110,235 )	( 59,302 )	266,713	( 52,610 )
Net value					2,292,547
Interest rate sensitivity assets and liabilities rate					97.63%
Interest rate sensitivity gap and net worth rate					( 2.29% )

- Note: 1. This table reports the total amount, in US\$, held by the headquarters and domestic branches of Taichung Commercial Bank, its international financial business branches and overseas branches, excluding contingent assets and contingent liabilities.
2. Interest rate sensitivity assets and liabilities mean the assets and liabilities with interest of which the income or cost varies depending on the interest rate.
3. Interest rate sensitivity gap=Interest rate sensitivity assets - Interest rate sensitivity liabilities.
4. Ratio of interest-rate-sensitive assets to liabilities = Interest-rate-sensitive assets ÷ Interest-rate-sensitive liabilities (denominated in US\$)

(4) Profitability:

Unit: %

Item		December 31, 2022	December 31, 2021
Return on assets	Before Income Tax	0.83	0.73
	After Income Tax	0.69	0.64
ROE	Before Income Tax	9.76	9.03
	After Income Tax	8.06	7.94
Net profit rate		38.15	38.06

- Note: 1. ROA = Income before (after) taxation/Average total assets
2. ROE=Income before (after) taxation / Average net worth
3. Profit (loss) rate = Income after taxation/income-net
4. Income before (after) taxation means the income accumulated from January of the current year until the current quarter

(5) Analysis on maturity of assets and liabilities

Analysis of maturity structure of NTD  
December 31, 2022

Unit: NTD thousand

	Total	Remaining balance to maturity					
		0 to 10 days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	719,581,681	87,869,117	46,318,450	39,703,466	67,850,512	119,682,541	358,157,595
Main capital outflow upon maturity	869,931,286	35,110,040	41,863,762	102,458,862	163,273,569	162,255,702	364,969,351
Gap	( 150,349,605 )	52,759,077	4,454,688	(62,755,396 )	(95,423,057)	(42,573,161 )	( 6,811,756 )

December 31, 2021

Unit: NTD thousand

	Total	Remaining balance to maturity					
		0 to 10 days	11 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	690,862,419	79,528,105	64,951,354	35,311,526	55,348,265	107,707,741	348,015,428
Main capital outflow upon maturity	821,876,223	29,606,148	31,996,179	85,726,703	106,179,429	183,229,351	385,138,413
Gap	( 131,013,804 )	49,921,957	32,955,175	(50,415,177 )	(50,831,164 )	(75,521,610 )	( 37,122,985 )

Note: The table only specifies the amount in NTD (exclusive of foreign currencies) of Taichung Bank Head Office and local branches.

Analysis of maturity structure of USD  
December 31, 2022

Unit: USD thousand

	Total	Remaining balance to maturity				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	3,331,509	930,995	647,289	313,817	190,396	1,249,012
Main capital outflow upon maturity	3,952,581	1,007,088	1,124,128	547,858	907,992	365,515
Gap	( 621,072 )	( 76,093 )	( 476,839 )	( 234,041 )	( 717,596 )	883,497

December 31, 2021

Unit: USD thousand

	Total	Remaining balance to maturity				
		0 to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year
Main capital inflow upon maturity	2,789,842	602,590	472,159	278,131	385,425	1,051,537
Main capital outflow upon maturity	3,345,308	525,117	1,021,530	533,336	885,719	379,606
Gap	( 555,466 )	77,473	( 549,371 )	( 255,205 )	( 500,294 )	671,931

Note: 1. The table specifies the total amount in USD of Taichung Bank Head Office, local branches and International Banking Branch. Unless otherwise provided, it shall be stated at the Book Value, and it is not necessary to include any accounts that are not stated in the table (e.g. negotiable certificates of deposit, bonds or stocks scheduled to be issued).

2. Where offshore assets account for more than 10% of the Bank's total assets, it is necessary to provide supplementary disclosure.

#### 46. Capital risk management

The consolidated company manages capital to ensure the Group's enterprises to maximize shareholder's returns by optimizing the balance of debt and equity under the precondition of continuing operation.

The capital structure of the consolidated company consists of the net debt (borrowings less cash and cash equivalents) and the interests (equity, capital reserve, retained earnings and other equity items) of the Company's owners.

Among the merged companies, in addition to Taichung Commercial Bank Co., Ltd. and Taichung Bank Securities Co., Ltd. that has minimum capital requirements by law, the other companies are not required to comply with other external capital regulations. Taichung Bank and Taichung Bank Insecurities are qualified in terms of self-owned capital adequacy ratio in response to statutory capital requirements and meet the minimum statutory capital adequacy ratio. This is the fundamental objective of the capital management of the consolidated company. Relevant qualifications of self-owned capital and methods for calculating statutory capital are in accordance with provisions applicable to the competent authorities.

The management of the consolidated company re-examines the Group's capital structure on a quarterly basis, including considering various capital costs and the related risks. The consolidated company based on the suggestions of management has the overall capital structure balanced by paying dividends, issuing new shares, buying back shares and issuing new debts or paying back old debts.

#### 47. Information about foreign exchange of foreign currency financial assets and liabilities

The information about foreign currency financial assets and liabilities rendering material effect on the Consolidated Company:

	December 31, 2022						
	USD	RMB	JPY	AUD	EURO	Other foreign currencies	Total
<b>Foreign currency financial assets</b>							
Cash and cash equivalents	\$ 10,323,419	\$ 1,129,344	\$ 821,791	\$ 197,957	\$ 542,939	\$ 546,631	\$ 13,562,081
Due from Central Bank and lend to Banks	832,241	88,160	-	-	-	1,126,794	2,047,195
Financial assets at fair value through profit and loss	1,792,730	4,478	-	-	-	138,956	1,936,164
Financial assets at fair value through other comprehensive profit or loss	1,927,861	1,648,980	-	113,502	-	-	3,690,343
Discounts and loans	30,917,527	1,024,811	1,474,882	78,487	1,234,882	599,686	35,330,275
Accounts receivable	1,434,247	4,012,188	241,772	17,466	10,231	103,348	5,819,252
Assets measured on the basis of cost after amortization	22,068,806	4,053,954	-	1,419,170	-	868,909	28,410,839
Other assets	968,486	-	-	-	-	-	968,486
<b>Foreign currency financial liabilities</b>							
Funds borrowed from Central Bank and other banks	-	3,652,448	-	-	-	-	3,652,448
Customer deposits and remittances	71,102,367	3,121,409	1,775,057	1,784,323	681,192	1,707,104	80,171,452
Financial liabilities at fair value through profit and loss	828,637	-	-	-	-	138,956	967,593
Other financial liabilities	2,844,053	-	-	-	-	1,145,435	3,989,488
Payables	581,652	76,036	239,674	1,014	3,756	21,489	923,621
Lease liabilities	-	32,365	-	-	-	7,039	39,404
Liability reserve	27,730	-	-	-	-	-	27,730
Other liabilities	135,641	46,773	2,439	-	55,379	-	240,232
Taiwan Dollar exchange rates	30.71	4.41	0.23	20.82	32.71	-	-
December 31, 2021							
	USD	RMB	JPY	AUD	EURO	Other foreign currencies	Total
<b>Foreign currency financial assets</b>							
Cash and cash equivalents	\$ 6,133,538	\$ 819,384	\$ 344,755	\$ 178,519	\$ 150,270	\$ 1,119,525	\$ 8,745,991
Due from Central Bank and lend to Banks	1,181,979	86,880	-	140,560	-	225,289	1,634,708
Financial assets at fair value through profit and loss	1,203,661	-	-	-	1,098	5,439	1,210,198
Financial assets at fair value through other comprehensive profit or loss	1,373,965	1,938,370	-	117,670	-	-	3,430,005
Discounts and loans	32,874,107	874,568	1,234,805	75,300	1,215,774	615,252	36,889,806
Accounts receivable	2,415,327	3,327,170	109,965	10,772	11,751	33,762	5,908,747
Assets measured on the basis of cost after amortization	18,899,657	3,213,098	-	1,344,923	-	779,584	24,237,262
Other assets	301,792	-	-	-	-	896	302,688
<b>Foreign currency financial liabilities</b>							
Funds borrowed from Central Bank and other banks	-	2,803,782	-	-	-	-	2,803,782
Customer deposits and remittances	60,943,986	3,721,575	901,938	1,980,223	703,282	1,918,283	70,169,287
Financial liabilities at fair value through profit and loss	280,123	19,722	-	-	1,162	5,438	306,445
Payables	742,278	144,431	106,541	1,314	7,629	3,529	1,005,722
Lease liabilities	-	35,879	-	-	-	4,524	40,403
Liability reserve	22,520	-	-	-	-	-	22,520
Other liabilities	156,307	26,646	2,524	-	16,918	-	202,395
Taiwan Dollar exchange rates	27.68	4.34	0.24	20.08	31.32	-	-

The consolidated company's gain (loss) on foreign currency exchange (realized and unrealized) in 2022 and 2021 were NT\$(128,505) thousand and NT\$110,940 thousand, respectively. Due to the wide variety of foreign currency transactions, it is difficult to disclose all exchange gains or losses based impact significance.

## 48. Disclosures

### 1. Loans to others:

Unit: NTD thousand, unless otherwise noted

Item No. (Note 1)	Lender	Borrower	Transaction title (Note 2)	Are they related parties	Maximum Balance in Current Period (Note 3)	Balance - ending (Note 8)	The actual amounts disbursed	Interest Rate Collars	Nature of Loan (Note 4)	Amount of Business Transaction (Note 5)	Reasons necessary for offering short-term loan (Note 6)	Amount of allowance for bad debt	Collateral		Limit of loan to particular borrower (Note 7)	Total limit of financing (Note 7)	Remark
													Name	Value			
1	Taichung Commercial Bank Lease Enterprise	Megaful Co., Ltd.	Other receivables	No	\$51,018	\$ -	\$ -	4%-10%	Necessary for offering short-term loan	\$	Working capital	\$ -	Property	\$ 86,610	\$ 219,205	\$ 876,821	Note 9
1	Taichung Commercial Bank Lease Enterprise	DA FANG SKILL COLOR MARKETING CONSULTANT CO., LTD.	"	"	176,294	-	-	4%-10%	"	"	"	-	Property	180,000	219,205	876,821	"
1	Taichung Commercial Bank Lease Enterprise	TRYIIT CO., LTD.	"	"	174,424	117,528	117,528	4%-10%	"	"	"	1,175	Property	357,451	219,205	876,821	"
1	Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd. (B.V.I.)	Other receivable-related parties	Yes	10,766	10,263	10,263	-	"	"	"	103	N/A	-	219,205	876,821	"
2	Chou Chin Industrial Co., Ltd.	Noble House Glory	"	"	35,000	35,000	35,000	5%	"	"	"	-	"	-	411,449	822,898	Note 10
2	Chou Chin Industrial Co., Ltd.	Noble House Glory	"	"	43,000	-	-	2%	"	"	"	-	"	-	411,449	822,898	Note 10
3	Bomy Shanghai	Shanghai Bangyi International Trading Co., Ltd.	"	"	52,704	-	-	5%	"	"	"	-	"	-	378,489	378,489	Note 11
4	Deh Hsing Investment Co., Ltd.	Hsiang Fong Development Company (Note 13)	"	"	82,000	-	-	2%	"	"	"	-	"	-	326,460	724,920	Note 12

Note 1: The column for numbering is elaborated below:

- (1) Fill in 0 for the issuer.
- (2) The investees are sequentially numbered from 1 and so forth.

Note 2: The receivables-affiliates, receivables-related parties, shareholders accounts, prepayments, temporary payments and others as stated in book shall be filled in here if they are classified as financing.

Note 3: Maximum balance of financing a third party in current period.

Note 4: Specify if the nature of financing is for business transactions or short-term financing is necessary.

Note 5: If the nature of financing is for business transactions, specify the amount of business transactions. The amount of business transactions shall be the amount of business conducted between the lender and the beneficiary of financing.

Note 6: If it is necessary for short-term financing, specify the reasons and the beneficiary of financing and the use of the fund, such as: retirement of loans, procurement of equipment, and working capital.

Note 7: Specify the Procedure for Financing Third Parties and the upper limit of financing in favor of particular beneficiary and the total limit of financing in favor of particular beneficiary and the total limit of financing in the space provided in this field.

Note 8: For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-1 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", the amount approved by the Board but not yet being drawn shall still be included in the amount for announcement for the disclosure of risk being assumed. If the loans are being retired in the future, disclose the outstanding balance to reflect the adjustment of risk. For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-2 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" whereby the Board resolved to authorize the Chairman to effect the drawdown or in revolving credit in tranches within specific limit and in the year, the amount and the limit approved by the Board shall still be announced as the outstanding balance. In subsequent retirement of loans, repeated drawdown shall still be considered and the amount and the limit approved by the Board shall still be announced as the outstanding balance.

Note 9: The loaning of TCB Leasing Co., Ltd. to a particular enterprise shall be up to 10% of the net worth of the Company. The total amount of loaning of funds shall not exceed 40% of the net worth of TCB Leasing Co., Ltd.

Note 10: The total amount of funds lent by Chou Chin Industrial Co., Ltd. to a single enterprise must not exceed 20% of the net worth of Chou Chin. Total loan amounts must not exceed 40% of the net worth of Chou Chin.

Note 11: The total amount of funds lent by Shanghai Bomy Food to a single enterprise must not exceed 80% of the net worth of Shanghai Bomy Food. Total loan amounts must not exceed 80% of the net worth of Bomy Shanghai.

Note 12: The total amount of funds lent by Deh Hsing Investment Co., Ltd. to a single enterprise must not exceed 20% of the net worth of Deh Hsing. Total loan amounts must not exceed 40% of the net worth of Deh Hsing Investment Co., Ltd.

Note 13: Xiangfeng Co., Ltd. and the company underwent a parent and subsidiary merger on December 26, 2022, with the company as the remainder enterprise and Hsiang Fong Co., Ltd. as the elimination company.

2. Endorsements/guarantees to others:

Unit: NTD thousand, unless otherwise noted

Item No.	Name of Endorser/Guarantor	Endorsed/Guaranteed		Limit of endorsement/guarantee to a single enterprise (Note 1)	Maximum balance in current period (Note 3)	Balance-ending	The actual amounts disbursed	Endorsement/guarantee with collateral	Accumulated amount of endorsement/guarantee in proportion to the net worth stated in the financial statements of the most recent period	Upper limit of endorsement/guarantee (Note 2)	Guarantee and endorsement of parent company to subsidiary (Note 4)	Guarantee and endorsement by subsidiary to parent company (Note)	Guarantee and endorsement in Mainland China (Note)
		Company name	Affiliation										
1	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Subsidiary of Chou Chin Industrial Co., Ltd.	\$ 1,028,622	\$ 15,000	\$ 15,000	\$-	\$ -	0.73	\$ 2,057,244	—	—	—
2	Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd. (B.V.I.)	A subsidiary whose common stock is 100% directly owned by Taichung Bank Co., Ltd.	13,152,318	546,488	92,130	-	-	4.25	21,920,530	—	—	—
2	Taichung Commercial Bank Lease Enterprise	Taichung Commercial Bank Leasing (Suzhou) Ltd.	A wholly-owned subsidiary whose common stock is 100% indirectly owned by Taichung Bank Co., Ltd.	13,152,318	4,616,046		2,565,208	-	204.97	21,920,530	—	—	Y

Note 1: Chou Chin Industrial stipulated in its Operating Procedures for Endorsement Guarantee that its endorsement guarantee for an enterprise shall not exceed 50% of the net value of the latest financial statements. If the guarantee is for business transaction relationships, the amount shall not exceed the total transaction in the most recent year. Taichung Bank Leasing stipulated in its Operating Procedures for Endorsement Guarantee that its endorsement guarantee for an enterprise shall not exceed six times the net value of the latest financial statements.

Note 2: Chou Chin Industrial stipulated in its Operating Procedures for Endorsement Guarantee that its total endorsement guarantee shall not exceed the net value of the latest financial statements. Taichung Bank Leasing stipulated in its Operating Procedures for Endorsement Guarantee that its total endorsement guarantee shall not exceed ten times the net value of the latest financial statements.

Note 3: The highest balance of endorsements and/or guarantees in the current year.

Note 4: For guarantee and endorsement from parent company to subsidiaries, from subsidiaries to parent company, and to Mainland China, as in the case of TWSE/GTSW-listed companies, fill in Y.

## 3. Marketable securities held – end of year

Unit: thousand shares/ NTD thousand

Account Title	Type and Name of Securities	Holder of Securities	Affiliation with Securities Issuer	Ending				Remark	
				Quantity	Book Value	Shareholding %	Fair value		
Financial assets at fair value through profit or loss-current	<u>Shares traded on the Taiwan Stock Exchange or OTC exchange</u> <u>Taiwan Business Bank</u>	CHINA MAN-MADE FIBER CORPORATION	N/A	1	\$ 11	-	\$ 11		
	<u>Non listed (OTC) domestic stock</u> <u>EVERSOL CORP.</u>	"	N/A	35	-	1	-		
	<u>Beneficiary certificate</u> <u>Chinese Selected Growth Equity Fund</u>	"	Fund managed by Taichung Securities Investment Trust Co., Ltd.	1,754	21,642	-	21,642		
	<u>The RSIT Digital Fund</u>	"	"	1,000	50,110	-	50,110		
	<u>Taiwan Main Stream Small and Medium cap Fund</u>	"	"	1,600	46,560	-	46,560		
	<u>TCB Taiwan High Dividend Fund A (TWD)</u>	"	"	2,264	25,194	-	25,194		
	<u>Beneficiary certificate</u> <u>Taiwan Main Stream Small and Medium cap Fund</u>	Pan Asia Chemical Corporation	Fund managed by Taichung Securities Investment Trust Co., Ltd.	250	7,275	-	7,275		
	<u>TAROBO Robotics Quantitative Chinese Fund</u>	"	"	400	6,817	-	6,817		
	<u>The RSIT Digital Fund</u>	"	"	150	7,516	-	7,516		
	<u>Beneficiary certificate</u> <u>The RSIT Enhanced Money Market Fund</u>	Taichung Securities Investment Trust Co., Ltd.	Fund managed by Taichung Securities Investment Trust Co., Ltd.	1,563	18,950	-	18,950		
	<u>Dah-Fa Fund</u>	"	"	30	1,220	-	1,220		
	Financial assets at fair value through profit or loss-current	<u>The RSIT Digital Fund</u>	Taichung Securities Investment Trust Co., Ltd.	Fund managed by Taichung Securities Investment Trust Co., Ltd.	23	\$ 1,140	-	\$ 1,140	
		<u>Chinese Selected Growth Equity Fund</u>	"	"	1,102	13,602	-	13,602	
<u>Taiwan Main Stream Small and Medium cap Fund</u>		"	"	37	1,087	-	1,087		
<u>TCB GAMMA Quantitative Multi-Asset Fund A (USD)</u>		"	"	988	8,850	-	8,850		

(Continued on next page)

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Account Title	Type and Name of Securities	Holder of Securities	Affiliation with Securities Issuer	Ending				Remark
				Quantity	Book Value	Shareholding %	Fair value	
Equity instrument investments measured at fair value through other comprehensive income-non-current	Shares traded on the Taiwan Stock Exchange or OTC exchange <u>Hua Nan Financial Holding</u>	CHINA MAN-MADE FIBER CORPORATION	CHINA MAN-MADE FIBER CORPORATION is its corporate director.	72,437	\$ 1,626,214	1	\$ 1,626,214	1,148 thousand shares pledged
	<u>Maxigen Biotech Inc.</u>	"	N/A	615	29,312	1	29,312	15,000 thousand shares pledged
	<u>Taiwan Tea Corporation</u>	"	Chou Chin Industrial Co., Ltd., a subsidiary of China Man-Made Fiber Corporation	20,130	427,762	3	427,762	
	<u>Bank of Kaohsiung Preferred Stock A</u>	"	N/A	1,200	26,520	3	26,520	
	<u>Tonlin Department Store Co., Ltd.</u>	"	"	895	27,073	-	27,073	
	Non listed (OTC) domestic stock <u>Sunny Bank</u>	"	N/A	3,112	29,911	-	29,911	
	<u>Formosa Imperial Wineseller Corp.</u>	"	Affiliate	1,900	-	10	-	CHINA MAN-MADE FIBER CORPORATION is its corporate director.
	<u>Taiwan Silk &amp; Filament Weaving Development Co. (common shares)</u>	"	CHINA MAN-MADE FIBER CORPORATION is its corporate director.	10,878	24,150	19	24,150	
	Taiwan Silk and Filament Weaving Development Co. (Preferred shares)	CHINA MAN-MADE FIBER CORPORATION	CHINA MAN-MADE FIBER CORPORATION is its corporate director.	266	\$ 589	8	\$ 589	
	<u>Minchali Metal Industrial Co., Ltd.</u>	"	N/A	7,193	116,164	3	116,164	
Equity instrument investments measured at fair value through other comprehensive income-non-current	<u>TWSE</u>	"	"	1,820	158,653	-	158,653	
	<u>Everterminal Co., Ltd.</u>	"	"	149	3,977	-	3,977	
	<u>China Trade and Development Corp.</u>	"	"	756	-	1	-	
	<u>Chia Hsin Food and Synthetic Fiber Co., Ltd.</u>	"	"	103	-	-	-	
	<u>Taitung Business Bank</u>	"	"	4,027	-	1	-	
	Non-listed (OTC) overseas stock <u>UNFON CONSTRUCTION CO., LTD (Hong Kong)</u>	"	Affiliate	3,250	7,833	18	7,833	
	Shares traded on the Taiwan Stock Exchange or OTC exchange <u>CHINA MAN-MADE FIBER CORPORATION</u>	Deh Hsing Investment Co., Ltd.	Parent company of Deh Hsing Investment Co., Ltd.	11,620	100,044	1	100,044	
	<u>Pan Asia Chemical Corporation</u>	"	A SUBSIDIARY OF CHINA MAN-MADE FIBER CORPORATION	-	2	-	2	
	<u>Taiwan Tea Corporation</u>	"	Chou Chin Industrial Co., Ltd., a subsidiary of China Man-Made Fiber Corporation	13,177	280,011	2	280,011	

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Account Title	Type and Name of Securities	Holder of Securities	Affiliation with Securities Issuer	Ending				Remark
				Quantity	Book Value	Shareholding %	Fair value	
Equity instrument investments measured at fair value through other comprehensive income- non-current	Non listed (OTC) domestic stock							
	Formosa Imperial Wineseller Corp.	"	Affiliate	2,000	-	10	-	
	Wan Tai Lease Co., Ltd.	"	N/A	628	-	3	-	
	Chung Chien Recreation Investment Co., Ltd.	"	Affiliate	90	900	18	900	
	Shares traded on the Taiwan Stock Exchange or OTC exchange							
	CHINA MAN-MADE FIBER CORPORATION	Pan Asia Chemical Corporation	Parent company of Pan Asia Chemical Corporation	261,501	\$ 2,251,522	16	\$ 2,251,522	77,954 thousand shares pledged
	Taiwan Tea Corporation	"	Chou Chin Industrial Co., Ltd., a subsidiary of China Man-Made Fiber Corporation	12,394	263,372	2	263,372	
	Non listed (OTC) domestic stock							
	TWSE	"	N/A	376	32,811	-	32,811	
	Chung Chien Investment Co., Ltd.	"	Affiliate	12,000	35,280	18	35,280	
	Chung Shing Textile Co., Ltd.	"	N/A	120	-	-	-	
	Non listed (OTC) domestic stock							
	Taiwan Futures Exchange	Taichung Securities Investment Trust Co., Ltd.	N/A	1,675	170,709	-	170,709	
Shares traded on the Taiwan Stock Exchange or OTC exchange								
Taiwan Business Bank	Chou Chin Industrial Co., Ltd.	N/A	1,141	14,781	-	14,781		
Taichung Commercial Bank Co.	"	A SUBSIDIARY OF CHINA MAN-MADE FIBER CORPORATION	9,569	122,484	-	122,484	2,000 thousand shares pledged	
CHINA MAN-MADE FIBER CORPORATION	"	Ultimate parent of Chou Chin Industrial Co., Ltd.	61,488	529,410	4	529,410	45,000 thousand shares pledged	
Hua Nan Financial Holding	"	CHINA MAN-MADE FIBER CORPORATION is its corporate director.	28,339	636,203	-	636,203	26,500 thousand shares pledged	
Taiwan Tea Corporation	"	Chou Chin Industrial Co., Ltd., a subsidiary of China Man-Made Fiber Corporation	21,215	450,819	3	450,819	15,200 thousand shares pledged	
Equity instrument investments measured at fair value through other comprehensive income- non-current								
Non listed (OTC) domestic stock								
Sunny Bank	Chou Chin Industrial Co., Ltd.	N/A	1,556	\$ 14,955	-	\$ 14,955		
Shares traded on the Taiwan Stock Exchange or OTC exchange								
Taichung Commercial Bank Co.	Chou Chang Corporation	A SUBSIDIARY OF CHINA MAN-MADE FIBER CORPORATION	16,521	211,475	-	211,475	10,000 thousand shares pledged	

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Account Title	Type and Name of Securities	Holder of Securities	Affiliation with Securities Issuer	Ending				Remark	
				Quantity	Book Value	Shareholding %	Fair value		
Debt instrument investments measured at fair value through other comprehensive income-non-current	CHINA MAN-MADE FIBER CORPORATION	"	Ultimate parent of Chou Chin Industrial Co., Ltd.	9,618	82,807	1	82,807	Note	
	Non listed (OTC) domestic stock Hsin Tung Yang	"	N/A	64	691	-	691		
	Chou Chin Industrial Co., Ltd.	"	The investor evaluating Chou Chang Corporation under equity method	514	2,603	1	2,603		
							\$ 7,679,037		\$ 7,679,037
	Domestic corporate bonds Taichung Commercial Bank	CHINA MAN-MADE FIBER CORPORATION	A SUBSIDIARY OF CHINA MAN-MADE FIBER CORPORATION	110,000	\$ 110,000	-	\$ 110,000		
	"	Pan Asia Chemical Corporation	"	200,000	201,000	-	201,000		
	"	Chou Chin Industrial Co., Ltd.	"	850,000	853,255	-	853,255		NT\$790,000 thousand pledge
"	Chou Chang Corporation	"	350,000	356,797	-	356,797	NT\$ 350,000 thousand pledge		
				\$ 1,521,052			\$ 1,521,052	Note	

Note: Taichung Commercial Bank and its subsidiaries are exempt from disclosure due to that they are in the financial, insurance and securities businesses.

4. Cumulative amount of the same marketable securities purchased or sold reaching NT\$300 million or more than 20% of the Paid-in shares capital. Unit: NTD thousand/thousand shares

Buyer/Seller	Type and Name of Securities	Account Title	Trading Counterpart	Affiliation	Beginning		Bought		Sold				End of period (Note 1)	
					Quantity (Thousand Shares)	Amount	Quantity (Thousand Shares)	Amount	Quantity (Thousand Shares)	Amount	Cost	Gain (loss) from disposal	Quantity (Thousand Shares)	Amount
Hammock (Hong Kong) Company Limited	Hebei Hanoshi Contact Lens Co., Ltd. common shares	Investments adopting the equity method / consolidated and individual	Bomy Shanghai	Affiliated enterprises	15,000	\$ 346,411 (RMB78,126 )	-	\$ -	-	\$ -	\$ -	\$ -	15,000	\$ 338,654 (RMB76,827 ) (Note 2)
CHINAMAN-MADE FIBER CORPORATION	Taichung Commercial Bank common stocks	Investments adopting the equity method / consolidated and individual	Taichung Commercial Bank Co.	Subsidiaries	987,604	13,837,165	44,801	479,411	-	-	-	-	1,077,786 (Note 3)	14,877,447 (Note 3)

Note 1: It is adjustments to the investment framework among the groups. The original acquisition agreement price is US\$18,000 thousand, the adjusted price is US\$16,000 thousand, a total of 15,000 thousand shares. Due to the need to conform to review by local legislations, official announcement is to be made after the State Administration of Foreign Exchange completed all procedures for the review and approval. After the payment is completed for the full amount, Bomy Shanghai can officially take over the management rights of Hebei Hanoshi. Bomy Shanghai had paid US\$15,000 thousand. The remaining balance was cleared on January 11th, 2022 and has obtained the management rights of Hebei Hanoshi.

Note 2: End of period amount includes the recognized amount for the investment profit and loss, and exchange effects for the current period.

Note 3: The number of shares at the end of period includes stock dividends allocated in the period. The amount at the end of period includes the profit and loss and the other comprehensive income of subsidiaries, associate companies and joint venture adopting the equity method.

5. Acquisition amount of real estate reaching NT\$300 million or more than 20% of the Paid-in shares capital:

Unit: NTD thousand, unless otherwise noted

Real-estate acquired by companies	Descriptions of assets	Date of event	Transaction price	Payment	Trading Counterpart	Affiliation	Prior acquisition information of the transacting related party				Reference basis for price determination	Purpose of acquisition and status of utilization	Other covenants
							Owner	Affiliation with issuer	Date of transfer	Amount			
Taichung Commercial Bank Lease Enterprise	Land and buildings	2022.7.11	\$560,000	have been paid up.	Shang Tsan Trade Enterprise Co., Ltd.	N/A	-	-	-	\$ -	Refer to the market conditions and price estimation reports.	For rental use	According to contract terms.

Note 1: The contract states that the appraisal result should be noted in the “Reference Basis for Price Determination” column if the acquired assets are required to be appraised per regulations.

Note 2: The term “paid-in capital” is used to describe the parent company’s paid-in capital. If the issuer’s shares have a par value of less than NT\$10 per share, or if there is no par value at all, then the 10% of paid-in capital requirement must be met using 10% of the equity attributable to the owner of the parent company as shown on the balance sheet.

Note 3: Date of occurrence, refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of boards of directors resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier;

6. Amount on disposal of real estate reaching NT\$300 million or more than 20% of the Paid-in shares capital. (None)

7. Amount on purchase from and sale to related parties reaching NT\$100 million or more than 20% of the Paid-in shares capital

Unit: NTD thousand

Purchaser/Seller	Trading Counterpart	Affiliation	Status				Distinctive terms and conditions of trade and the reasons		Receivable (payable) accounts/notes		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount %	Duration	Unit Price	Duration	Balance	Percentage in total receivable (payable) accounts/notes %	
CHINA MAN-MADE FIBER CORPORATION	Nan Chung Petrochemical Corp.	China Man-made Fiber Corporation’s invested company through an equity investment strategy.	Purchase	\$ 1,946,821	22%	30-60 days	Not applicable	Not applicable	( \$ 281,658 )	( 32% )	
				( 835,889 )	( 10% )	30-60 days	“	“	263,275	14%	
				835,889	54%	30-60 days	“	“	( 263,275 )	( 90% )	
CHINA MAN-MADE FIBER CORPORATION	Pan Asia Chemical Corporation	A SUBSIDIARY OF CHINA MAN-MADE FIBER CORPORATION	Sale	( 1,411,926 )	( 45% )	Payment terms of 120 days per month	“	“	151,439	46%	Note
				1,411,926	73%	Payment terms of 120 days per month	“	“	( 151,439 )	( 76% )	
Pan Asia Chemical Corporation	CHINA MAN-MADE FIBER CORPORATION	Parent company of Pan Asia Chemical Corporation	Purchase								“
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Subsidiary of Chou Chin Industrial Co., Ltd.	Sale								“
GREENWORLD FOOD CO., LTD.	Chou Chin Industrial Co., Ltd.	Parent company of GREENWORLD FOOD CO., LTD.	Purchase								“

Note: The above transactions have been written off in the consolidated statement.

8. Accounts receivable-related party reaching NT\$100 million or more than 20% of the Paid-in shares capital.

Unit: NTD thousand

Company of receivables on book	Trading Counterpart	Affiliation	Balance of receivables with related party	Turnover Rate	Overdue receivables with related party		Receivables with related party after period collection	Amount of allowance for bad debt
					Amount	Mode of Processing		
CHINA MAN-MADE FIBER CORPORATION Chou Chin Industrial Co., Ltd. Chou Chin Industrial Co., Ltd.	Pan Asia Chemical Corporation GREENWORLD FOOD CO., LTD. GREENWORLD FOOD CO., LTD.	A SUBSIDIARY OF CHINA MAN-MADE FIBER CORPORATION A subsidiary of Chou Chin Industrial Co., Ltd. A subsidiary of Chou Chin Industrial Co., Ltd.	\$ 263,275	4.25	\$ -	-	\$ 118,629	\$ -
			151,439	7.86	-	-	151,439	-
			115,538	(Note 1)	-	-	115,538	-

Note 1: Primarily other receivables not applicable for computation of turnover days. Mainly due to other accounts receivables not applicable to the computation using number of turnover days.

Note 2: The above transactions have been written off in the consolidated statement.

9. Transactions in engaging in derivative financial instruments. (Note 8)

10. Other: Business relationship and main dealings between the parent and its subsidiaries

Unit: NTD thousand

Item No. (Note 1)	Trader's name	Counterparty	Relationship with trader (Note 2)	Transactions			
				Title	Amount (Note 3)	Terms and conditions	Percentage in consolidated total revenue or total assets (Note 4)
0	2022 CHINA MAN-MADE FIBER CORPORATION	Pan Asia Chemical Corporation	1	Sales revenue	\$ 835,889	No significant difference from the general customer	2%
0	CHINA MAN-MADE FIBER CORPORATION	Pan Asia Chemical Corporation	1	Accounts receivable	263,275	"	-
0	CHINA MAN-MADE FIBER CORPORATION	Taichung Commercial Bank Co.	1	Cash and cash equivalents	126,235	"	-
1	Taichung Commercial Bank Co.	Taichung Commercial Bank Insurance Broker Co., Ltd.	3	Customer deposits and remittances	1,499,512	"	-
1	Taichung Commercial Bank Co.	Taichung Commercial Bank Insurance Broker Co., Ltd.	3	Income from handling fees	200,000	"	1%
1	Taichung Commercial Bank Co.	Taichung Commercial Bank Securities Co., Ltd.	3	Customer deposits and remittances	110,098	"	-
1	Taichung Commercial Bank Co.	Taichung Commercial Bank Lease Enterprise	3	Customer deposits and remittances	511,012	"	-
1	Taichung Commercial Bank Co.	Taichung Bank Venture Capital Co., Ltd.	3	Customer deposits and remittances	110,223	"	-
2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Sales revenue	1,411,926	"	4%
2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Royalty revenue	171,152	"	-

2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Accounts receivable	151,439	"	-
2	Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	3	Other receivables	115,538	"	-
3	GREENWORLD FOOD CO., LTD.	Chou Chin Industrial Co., Ltd.	3	Lease liabilities	62,450	"	-

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

1. 0 is for the Parent Company.

2. Subsidiaries are numbered from number 1.

Note 2: The relationship with the trade party is classified into three categories as follows:

1. Parent Company to subsidiaries.

2. Subsidiaries to Parent Company.

3. Subsidiaries to subsidiaries.

Note 3: Written-off upon consolidation.

Note 4: For computing the ratio of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

Note 5: Major transactions refer to those reaching NT\$60,000 thousand and shall be disclosed.

## 11. Information about the investee's name, location Unit: NT\$ thousand

Investor	Investor	Location	Major Business Lines	Initial Investment Amount		Equity Ownership by the Company			Current period net gain (loss) of the investee	Investment gain (loss) recognized in current period	Remark
				Current period-ending	Previous period-ending	Quantity	Percentage %	Book Value			
CHINA MAN-MADE FIBER CORPORATION	Taichung Commercial Bank	Taichung City	Banking business	\$ 7,649,576	\$ 7,170,165	1,077,786	21	\$14,877,447	\$ 5,344,205	\$ 1,161,645	521,350 thousand shares pledged
	Pan Asia Chemical Corporation	Taipei City	Petrochemical business	968,472	968,472	156,575	44	1,601,427	402,097	178,532	
	Nan Chung Petrochemical Corp.	Yunlin County	Petrochemical business	1,000,002	1,000,002	100,000	50	1,076,723	( 107,710)	( 53,855)	
	Deh Hsing Investment Co., Ltd.	Taipei City	General investment business	790,000	1,800,000	79,000	100	923,241	24,722	24,722	
	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	14,400	14,400	922	3	13,216	( 17,458)	( 515)	
	Chou Chin Industrial Co., Ltd.	Changhua County	Manufacturing and trading	195,262	195,262	38,759	47	696,560	129,404	60,574	
	Melasse	Taipei City	Cosmetics and cleaning appliances manufacturing	-	14,500	-	-	-	( 20)	( 10)	
Pan Asia Chemical Corporation	Taichung Commercial Bank	Taichung City	Banking business	1,674,702	1,551,763	276,387	6	3,814,552	5,344,205	297,913	
	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	15,738	15,738	979	3	14,067	( 17,458)	( 548)	
	Melasse	Taipei City	Cosmetics and cleaning appliances manufacturing	-	14,500	-	-	-	( 20)	( 10)	
Taichung Commercial Bank	Taichung Commercial Bank Lease Enterprise	Taipei City	Leasing industry	1,800,000	1,800,000	207,983	100	2,192,053	140,441	140,441	
	Taichung Bank Insurance Agency Co., Ltd.	Taichung City	Insurance agency	6,000	6,000	128,600	100	1,977,256	282,793	282,793	
	Taichung Commercial Bank Securities Co., Ltd.	Taichung City	Securities business	1,500,000	1,500,000	162,450	100	1,701,553	( 95,374)	( 95,374)	
	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	120,000	120,000	12,000	38	172,301	( 17,458)	( 6,716)	
Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd. (B.V.I)	British Virgin Islands	Financing, leasing and investments.	893,373	893,373	30,000	100	902,507	59,926	59,926	
Taichung Commercial Bank Securities Co., Ltd.	Taichung Bank Venture Capital Co., Ltd.	Taipei City	Venture Investment	210,000	210,000	21,000	100	203,070	( 5,524)	( 5,524)	
Deh Hsing Investment Co., Ltd.	Taichung Commercial Bank	Taichung City	Banking business	86,575	86,017	14,672	-	205,256	5,344,205	16,011	4,500 thousand

Investor	Investor	Location	Major Business Lines	Initial Investment Amount		Equity Ownership by the Company			Current period net gain (loss) of the investee	Investment gain (loss) recognized in current period	Remark
				Current period-ending	Previous period-ending	Quantity	Percentage %	Book Value			
IOLITE COMPANY Ltd.	Taichung Securities Investment Trust Co., Ltd.	Taipei City	Securities investment trust business	20,162	20,162	1,716	6	24,639	( 17,458)	( 960)	d shares pledged
	Chou Chang Corporation	Taichung City	Distribution and warehousing of beverages	44,000	44,000	4,060	15	53,016	11,706	1,730	
	Chou Chin Industrial Co., Ltd.	Changhua County	Manufacturing and trading	10,243	10,243	2,071	1	52,735	129,404	3,236	
	Xiang-Feng Development	Taipei City	General investment business	-	313,000	-	-	-	( 1,213)	( 1,213)	
	Wei-Kang International IOLITE COMPANY Ltd.	Taipei City	Retail	5,000	5,000	300	30	1,675	( 10,220)	( 3,080)	
		Samoa	General investment business	152,853	595,750	3,000	100	116,207	( 1,406)	( 1,406)	
	Storm Model Management	Taipei City	General Advertising Services	4,800	8,000	152	22	5,345	( 3,465)	( 964)	
	Hammock (Hong Kong) Company Limited	Hong Kong	General investment business	-	470,685	-	-	-	( 3)	( 3)	
	Precious Wealth International Limited	Samoa	General investment business	10,969	10,969	USD 375	100	8,709	( 1,264)	( 1,264)	
Xiang-Feng Development	Tou-Ming Industry	Taipei City	Real estate trading and leasing industry	-	251,900	-	-	-	( 189)	( 189)	
Tou-Ming Industry	Jin Bang Ge Industrial Company Limited.	Taipei City	Real estate trading and leasing industry	-	172,000	-	-	-	( 126)	( 126)	
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Taichung City	Food manufacturing, and distribution and warehousing of beverages	\$ 233,530	\$ 233,530	17,567	90	\$ 187,276	\$ 39,446	\$ 36,456	
	Chou Chang Corporation	Taichung City	Distribution and warehousing of beverages	308,796	308,796	13,339	49	174,211	11,706	5,685	
	Bomy Enterprise	British Virgin Islands	General investment business	205,092	223,248	10,000	49	173,085	( 10,644)	( 5,180)	
	Yuju Universal Corporation	Samoa	General investment business	52,090	24,573	1,760	95	20,663	( 9,686)	( 9,215)	
	BONWELL PARISE Co., Ltd.	Samoa	International trade	3,218	3,218	104	40	632	( 35)	( 14)	
Yuju Universal Corporation	Noble House Glory	Japan	Short-term accommodation service	24,345	24,345	1,800	100	19,803	( 9,215)	( 9,215)	
GREENWORLD FOOD CO., LTD.	Chou Chang Corporation	Taichung City	Distribution and warehousing of beverages	1,470	1,470	52	-	328	11,706	22	
	Bomy Enterprise	British Virgin Islands	General investment business	52,306	52,306	2,650	13	45,884	( 10,644)	( 1,373)	

Investor	Investor	Location	Major Business Lines	Initial Investment Amount		Equity Ownership by the Company			Current period net gain (loss) of the investee	Investment gain (loss) recognized in current period	Remark
				Current period-ending	Previous period-ending	Quantity	Percentage %	Book Value			
Chou Chang Corporation	GREENWORLD FOOD CO., LTD.	Taichung City	Food manufacturing, and distribution and warehousing of beverages	11,224	11,224	1,133	6	14,544	39,446	2,294	

12. Information on main shareholders

December 31, 2022

Name of Principle shareholder	Stock	
	Quantity of Shares	Shareholding
Pan Asia Chemical Corporation	261,500,828	15.51%

(3) Information about investment in Mainland China:

1. Name of the investee company in the Mainland Area, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area.

Unit: NTD thousand and foreign currency thousand

Investee	Major Business Lines	Paid-in capital	Mode of investment	Amount remitted from Taiwan in accumulation at beginning of the present term	Investment Remittance or Regain during the current period		Amount remitted from Taiwan in accumulation at ending of the present term	Investee Net income	The Company's Direct or Indirect Investment Holding Ratio %	Investment gain (loss) recognized in current period (Note 3)	Book Value of Investment at the End of the Period	Investment return already remitted back as of the present term
					Remittance	Regain						
Bomy Shanghai	OEM, production and marketing of canned vegetable and fruit juice and beverages	\$ 645,000 ( USD 20,000 )	Invested through the third area	\$ 638,972 ( USD 19,850 )	\$ -	\$ -	\$ 638,972 ( USD 19,850 )	( \$ 10,607 ) ( USD 356 )	28% (Note 1)	( \$ 2,988 ) ( USD 100 ) (2)C	\$ 100,654 ( USD 3,278 )	\$ -
Shanghai Bomy Consultancy Management Co., Ltd.	Consultation service	-	Self-owned capital investment of Shanghai Bomy Foodstuff Co., Ltd.	-	-	-	-	-	28% (Note 2)	-	-	-
Shanghai Bangyi International Trading Co., Ltd.	International trade	4,305 ( RMB1,000 )	"	-	-	-	-	( 421 ) ( RMB 95 )	28% (Note 2)	( 120 ) ( RMB 27 ) (2)C	725 ( RMB 164 )	-
Chou Chin Shanghai	Manufacturing, processing and sale of modern, PC, computer shell and related metal stamping, interface, main frame and fiber optical system appliances	30,355 ( USD 1,001 )	Invested through the third area	14,486 ( USD 450 )	-	-	14,486 ( USD 450 )	-	49% (Note 3)	-	-	-
Hebei Hanoshi Contact Lens Co., Ltd.	Manufacturing and trading	470,685 ( USD 15,000 )	"	470,685 ( USD 15,000 )	-	-	470,685 ( USD 15,000 )	( 5,744 ) ( RMB1,299 )	28%	( 1,608 ) ( RMB 364 ) (2)C	94,823 ( RMB 21,512 )	-
Qian Teng PR Planning (Shanghai), Co., Ltd.	Exhibition design, corporate marketing consultation, and advertising copy planning	7,408 ( USD 250 )	"	3,147 ( USD 100 )	-	-	3,147 ( USD 100 )	5 ( RMB 1 )	40% (Note 4)	2 ( RMB 0.4 ) (3)	742 ( RMB 168 )	-
Taichung Bank Leasing (Suzhou)	Financing Leasing and investments	893,373 ( RMB186,329)	"	893,373 ( RMB 186,329 )	-	-	893,373 ( RMB 186,329 )	58,611 ( RMB13,264 )	29% (Note 5)	16,998 ( RMB3,847 ) (2)B	246,955 ( RMB 56,024 )	-
Shanghai Nianjia Cultural Diffusion Co., Ltd.	Culture and art exchanges and PR activity planning	419 ( RMB 100 )	Investment in the Chinese company was made with Qian Teng PR Planning (Shanghai)'s own funds	-	-	-	-	( 7 ) ( RMB 2 )	40%	( 3 ) ( RMB 0.8 ) (3)	32 ( RMB 7 )	-



Amount accumulated, remitted from Taiwan for investment in Mainland China at the end of the current term	Investment Amount Approved by Investment Commission of MOEA	Mainland China Investment Ceiling As Regulated by Investment Commission of MOEA (Note 4)
\$ 2,020,663 (US\$ 35,400 and RMB\$ 186,329)	\$ 2,204,953 (US\$ 41,400 and RMB\$ 186,329)	\$ 3,138,102

Note 1: The consolidated shareholding calculated based on the reinvestment by Chou Chin Industrial Co., Ltd. and GREENWORLD FOOD CO., LTD. through Bomy Enterprise.

Note 2: The comprehensive shareholding ratio of Bomy International Co., Ltd. And Shanghai Bomy Foodstuff Co., Ltd. Calculated based on the reinvestment method.

Note 3: The consolidated shareholding calculated based on the reinvestment by Chou Chin Industrial Co., Ltd. and Chou Chang Corporation through a third area.

Note 4: Percentage of comprehensive cross holding of Chou Chin Industrial Co., Ltd. through investment in companies in the third region.

Note 5: Percentage of comprehensive cross holding of Taichung Bank Leasing through investment in companies in the third region.

Note 6: Recognized as gains or losses on investment in current period:

(1) Please note if the investee is still under preparation and there was no investment gain or loss.

(2) The basis of recognition of investment income is classified into following three types, which should be marked out:

A. Financial statements audited and audited and attested by an international accounting firm that has a cooperative relationship with a certified public accounting firm registered in the Republic of China.

B. Financial statements audited and attested by the independent accounts of the parent company.

C. Others: conducts analytical procedures based on the provisions of the Standards on Auditing No. 20 regarding the determination of key composition.

(3) Not audited by a CPA

Note 7: The ceiling calculated by the applicant, Chou Chin Industrial Co., Ltd., Taichung Commercial Bank Lease Enterprise and Deh Hsing Investment Co., Ltd. according to the "Regulations Governing the Review of Investment or Technical Cooperation in Mainland China" of Investment Commission, MOEA.

Note 8: The foreign currency, if any, has been translated into NTD (USD1=NT\$30.71, USD1=NT\$29.81, CNY1=NT\$4.41, CNY1=\$4.42) at the foreign exchange rate-ending and average foreign exchange rate prevailing on the date of the financial statement.

Note 9: Any financing with investee companies in mainland China, either directly or indirectly through a third area: please see Schedule 1.

Note 10: Any endorsement, guarantee or security with investee companies in mainland China, either directly or indirectly through a third area: please see Schedule 2.

2. The following significant transactions and their price, payment terms and unrealized gains and losses with the invested company in Mainland China through third regions directly or indirectly: (Refer to page 228 for detail)

(1) Input amounts, percentages, balance and percentages of relevant payable at end of the term.

(2) Sales amounts, percentages, balance, & percentages of relevant receivables at end of the term.

(3) Amount of property transaction and amount of the profit and/or loss so incurred.

(4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term.

(5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term.

(6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g., provision or acceptance of services.

49. Segment information

(1) Revenues and operating results of segments

Revenues and operating results of the consolidated company's continuing units are analyzed in accordance with segments to be reported, which are summarized as follows:

	Department income		Gain (loss) from operation	
	2022	2021	2022	2021
Chemical Industry Dept.	\$ 7,063,412	\$ 9,177,083	( \$ 1,750,930 )	( \$ 594,631 )
Chemical Fiber Department Bank departments	2,680,612	3,070,571	( 569,339 )	( 306,859 )
Other Depts.	19,826,689	16,689,729	6,600,643	5,569,209
Total	<u>4,547,435</u>	<u>4,109,141</u>	<u>( 173,909 )</u>	<u>3,709</u>
	<u>\$34,118,148</u>	<u>\$33,046,524</u>	<u>\$ 4,106,465</u>	<u>\$ 4,671,428</u>

Revenues reported above are generated from transactions with external customers. There were no inter-departmental sales generated on 2022 and 2021.

Interests of department refer to profits earned by each department, excluding the amounts from associate companies or joint venture recognized by using the equity method, rental income, interest income, disposal of real property, plant and equipment, income from disposal of investments, exchange income, valuation income of financial products, interest expense and income tax expenses. The measured figures are provided for main decision makers to allocate resources to segments and evaluate the performance of each segment.

(2) Departmental total assets

<u>Segment assets</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Chemical Industry Dept.	\$ 3,454,741	\$ 3,784,395
Chemical Fiber Department Construction Dept. Bank departments	1,204,542	1,298,345
Others	2,772,783	2,043,503
Total segment assets	<u>807,962,828</u>	<u>772,678,393</u>
	<u>20,307,067</u>	<u>21,333,619</u>
	<u>\$ 835,701,961</u>	<u>\$ 801,138,255</u>

(3) Information by region

The consolidated company's revenue information listed by location is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Taiwan	\$ 29,110,832	\$ 26,279,402
Asia	3,235,230	5,296,417
Others	1,772,086	1,470,705
	<u>\$ 34,118,148</u>	<u>\$ 33,046,524</u>

(4) Information of key customers

In 2022 and 2021, a single client's contribution to total business revenues has not reached 10%. Therefore, there is no information available regarding major clients.

## V. Individual financial statements and summary of notes for the most recent fiscal year audited and validated by a certified public accountant

### Independent Auditor's Audit Report

To CHINA MAN-MADE FIBER CORPORATION:

#### **Auditor's opinions**

We have audited the accompanying individual balance sheet of China Man-Made Fiber Co., Ltd. and subsidiary as of December 31, 2022 and 2021, and the related individual statement of income, individual statement of changes in shareholders equity, individual statement of cash flows, and Note of the individual financial statements (including major accounting policy) for the years then ended.

In my opinion, the financial statements as referred to, on the basis of my audit findings and the audit reports compiled by other certified public accountants, present fairly, in all material aspects, the financial position of China Man-Made Fiber Co., Ltd. as of December 31, 2022 and 2021, and the results of its operation and cash flows for the year then ended in conformity to the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **The basis for opinions**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and auditing standards. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the separate financial statements. We are independent of China Man-Made Fiber Co., Ltd. in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of China Man-Made Fiber Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matter**

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the individual financial statements of China Man-Made Fiber Co., Ltd. in 2022. These matters were addressed in the content of our audit of the individual financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on those matters.

Key audit procedures of the individual financial statements of China Man-Made Fiber Co., Ltd. in 2022 included:

#### Authenticity of specific sales revenue

Notes to key audit matters

China Man-made Fibers Co., Ltd. recognizes sales income after the client obtains product control and assumes product risks. The accountant analyzed the sales income in 2022, taking into account sales amounts, gross profits, and other factors, to identify specific clients whose sales incomes are highlighted as key authenticity inspection items.

Please refer to Note 4 (14) of the financial statements for the accounting policies on sales revenue recognition.

Audit response

1. Awareness of the design and implementation of the internal control systems related to the recognition of sales revenues.
2. The efforts to obtain details of the sales revenues account for specific customers in Year 2022 and select samples to check the shipping-related forms and documents to test the authenticity of the sales facts.
3. Verify the reasonableness of sales income recognition by mailing to specific clients to inquire about their sales transactions and by reviewing payment collection after the balance sheet date.

### Adopt the equity method to assess the impairment of discounting and advances.

#### Notes to key audit matters

As stated in Note 13 of the standalone financial statements, the amount of investment in Taichung Commercial Bank by China Man-Made Fiber adopting the equity method was NT\$14,877,447 thousand, accounting for 38% of the total assets as of December 31, 2022. Therefore, the financial performance of Taichung Commercial Bank will significantly impact China Man-Made Fiber's number in subsidiaries, affiliates and joint ventures by equity method.

For discounts and balances of the loans, Taichung Commercial Bank Co., Ltd. amortized the anticipated credit losses in the Year 2022 in the amounts of NT\$514,112,826 thousand and NT\$969,901 thousand, respectively. In comprehensive consideration for a decision to determine the loss from impairment by Taichung Commercial Bank Co., Ltd. involves the major estimate and judgment by its management, including the probability of default and the default loss rates where that Bank should faithfully comply with the laws and regulations concerned of the competent authority(ies) and the specifications of their decrees and letters. The outcome of the impairment evaluation would significantly affect the financial performance by Taichung Commercial Bank Co., Ltd. Accordingly, we, the certified public accountant, determine to take the anticipated credit loss for the Bank's discount and loans as the very key points in audit.

#### Audit response

1. Understand and test the internal control system adopted by Taichung Commercial Bank for assessing the expected credit loss from discounting and advances. The appropriated amount was inspected to check if it meets the requirements of related laws and regulations of the competent authority.
2. Focusing on Taichung Commercial Bank's discount and loan granting, an overall assessment of anticipated credit loss is conducted in order to comprehend and re-compute the important parameters of the impairment model (likelihood of default and default loss rate), thereby deriving an assessment of the reasonableness of anticipated credit loss.

#### **Other information**

The financial statements of investees included in the standalone financial statements of China Man-Made Fiber adopting the equity method have not been audited by us. They are audited by other accountants. Therefore, we refer to the audited reports of other accountants in expressing our opinions in the standalone statement regarding the investments by equity method and subsidiaries, affiliates, joint ventures and other comprehensive gains and losses. The investments adopting the equity method in the other auditors' reports for years ended December 31, 2022 and 2021 are NT\$1,076,723 thousand and NT\$1,128,072 thousand, respectively. The gains and losses from subsidiaries, affiliates and joint ventures and other sources adopting the equity method in the other auditors' reports for 2022 and 2021 are NT\$(51,348) thousand and NT\$24,638 thousand, respectively. Meanwhile, certain information related to the re-investees' business disclosed under Note 34 of the individual financial statement is, as well, disclosed based on the audit reports of other certified public accountants.

#### **Responsibilities of Management and Those in Charge with Governance of the Individual Financial Statements**

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

In preparing the individual financial statements, the management is responsible for assessing the ability of China Man-Made Fiber Co., Ltd. as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate China Man-Made Fiber Co., Ltd. or to create operations, or has no realistic alternative but to do so.

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of China Man-Made Fiber Co., Ltd..

#### **Auditor's Responsibilities for the Audit of the Individual Financial Statements**

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

Upon auditing in accordance with the auditing regulations, we exercised professional judgment and professional skepticism. We also perform the following works:

1. Identify and assess the risks of material misstatement of the individual financial statements, whether or not due to fraud or error, design and perform audit procedures responsive to those risks and obtain 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 internal control effective in China Man-Made Fiber Co., Ltd..
3. Evaluate the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by the management.
4. Conclude the appropriateness of the use of the going concern basis of accounting by the management, and, based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on China Man-Made Fiber Co., Ltd. and its ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosures are inappropriate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause China Man-Made Fiber Co., Ltd. to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the individual statements, including related notes, whether the individual statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of business entities within the China Man-Made Fiber Co., Ltd. in order to express an opinion on the individual financial statements. The independent auditor is responsible for guiding, supervising, and implementing the audit of the China Man-Made Fiber Co., Ltd.; also, is responsible for forming an opinion on the audit of the China Man-Made Fiber Co., Ltd..

We communicate with those in charge of 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 in charge of 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 in charge of governance, we determine those matters that were of most significance in the audit of the individual financial statements of China Man-Made Fiber Co., Ltd. of 2022 and are therefore the key audit matters. We describe these matters in our auditor's 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 communications.

Deloitte and Touche  
CPA: Su-Huan You

Owen-P Wang, CPA

Securities and Futures Commission Approval No.  
Tai-Cai-Zheng (6) No. 0920123784

To Financial Supervisory Commission Approval No.  
Ching-Kuan-Cheng-Shen-Tze No. 1100356048

March 8, 2023

CHINA MAN-MADE FIBER CORPORATION  
Individual Balance Sheets  
December 31, 2022 and 2021

Unit: NTD thousand

Code	Assets	December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note 4, 6 and 29)	\$ 1,521,494	4	\$ 1,433,954	4
1110	Financial assets through profit and/or loss with measuring for the faire values-current (Note 4 and 7)	143,517	-	240,629	1
1150	Notes receivable (Note 4 and 10)	45,196	-	135,693	-
1170	Accounts receivable (Note 4 and 10)	837,840	2	1,682,749	4
1180	Accounts receivable - non-related parties (Note 4, 10 and 29)	263,275	1	130,201	-
1200	Other receivable (Note 4, 10 and 29)	48,085	-	30,753	-
1220	Current income tax asset (Notes 4 and 25)	1,042	-	1,081	-
130X	Inventory (Note 4 and 11)	1,269,151	3	1,228,413	3
1410	Prepaid (Note 12)	1,232,185	3	605,696	2
1470	Other current assets (Note 18 and 30)	147,148	1	133,331	-
11XX	Total current assets	<u>5,508,933</u>	<u>14</u>	<u>5,622,500</u>	<u>14</u>
	Non-Current assets				
1517	Financial assets at fair value through other comprehensive income- non-current (Note 3, 8 and 30)	2,588,158	6	2,300,736	6
1550	Investment by equity method (Note 4, 13 and 30)	19,188,614	49	18,882,429	48
1600	Real estates, plant and equipment - net (Notes 4, 14 and 30)	8,725,528	22	9,173,654	24
1755	Right-of-use assets (Note 4 and 15)	7,389	-	2,690	-
1760	Real estate investments - net (Note 4, 16 and 30)	2,772,783	7	2,043,503	5
1780	Intangible assets – net (Note 4 and 17)	-	-	-	-
1840	Deferred income tax assets – net (Note 4 and 25)	651,865	2	651,043	2
1990	Other current non-assets (Note 18)	67,746	-	238,701	1
15XX	Total non-current assets	<u>34,002,083</u>	<u>86</u>	<u>33,292,756</u>	<u>86</u>
1XXX	Total assets	<u>\$ 39,511,016</u>	<u>100</u>	<u>\$ 38,915,256</u>	<u>100</u>
	Liabilities and equity				
	Current liabilities				
2100	Short-term loans (Note 19 and 30)	\$ 7,567,585	19	\$ 6,548,247	17
2110	Short-term bills payable (Note 19)	847,840	2	848,431	2
2150	Payable notes	927	-	2,629	-
2160	Payable notes - related parties (Note 2)	-	-	5,587	-
2170	Accounts payable	533,735	1	689,548	2
2180	Accounts payable - related parties (Note 29)	281,658	1	361,746	1
2219	Other accounts payable (Note 20)	227,587	-	297,793	-
2280	Lease liabilities – current (Note 4 and 15)	5,879	-	1,531	-

2320	Long-term liability due in one year or one business cycle (Note 19 and 30)	1,047,528	3	1,869,028	5
2399	Other current liabilities	<u>35,248</u>	<u>-</u>	<u>37,722</u>	<u>-</u>
21XX	Total of current liabilities	<u>10,547,987</u>	<u>26</u>	<u>10,662,262</u>	<u>27</u>
	Non-current liabilities				
2540	Long-term loans (Note 19 and 30)	5,935,000	15	3,822,200	10
2550	Liability reserve (Note 4 and 21)	202,778	1	214,929	1
2570	Deferred tax liabilities (Note 4 and 25)	866,019	2	866,019	2
2580	Lease liabilities – non-current (Note 4 and 15)	1,595	-	1,188	-
2670	Other liabilities (Note 4 and 22)	<u>1,864</u>	<u>-</u>	<u>21,574</u>	<u>-</u>
25XX	Total non-current liability	<u>7,007,256</u>	<u>18</u>	<u>4,925,910</u>	<u>13</u>
2XXX	Total liabilities	<u>17,555,243</u>	<u>44</u>	<u>15,588,172</u>	<u>40</u>
	Equity (Note 23)				
3110	Common stock capital	16,862,097	43	16,862,097	44
3200	Capital surplus	1,715,804	4	1,656,687	4
	Retained earnings				
3310	Legal reserve	949,064	3	946,448	2
3320	Special reserve	1,934,645	5	1,934,645	5
3350	Undistributed earnings	910,638	2	2,256,427	6
	Other equity				
3410	Exchange differences from the translation of financial statements of foreign operations	( 96,538 )	-	( 112,220 )	-
3420	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss	816,865	2	919,802	2
3500	Treasury stock	<u>( 1,136,802 )</u>	<u>( 3 )</u>	<u>( 1,136,802 )</u>	<u>( 3 )</u>
3XXX	Total equity	<u>21,955,773</u>	<u>56</u>	<u>23,327,084</u>	<u>60</u>
	Total Liabilities and Equity	<u>\$ 39,511,016</u>	<u>100</u>	<u>\$ 38,915,256</u>	<u>100</u>

The notes attached shall constitute an integral part of this individual financial statement.  
(Refer to Auditor's Report presented by Deloitte & Touche dated March 8, 2023)

Chairman Kuei-Shiang Wang

Manager: Chieh-Yi Wang

Accounting Supervisor: Tzu Wei Huang



CHINA MAN-MADE FIBER CORPORATION

Individual Income Statement

January 1 to December 31, 2022 and 2021

Unit: NTD Thousand, except for earnings (losses) per share in NTD

Code		2022		2021	
		Amount	%	Amount	%
4000	Operating income (Note 4 and 29)	\$ 8,331,419	100	\$ 10,685,164	100
5000	Operating expenses (Note 4, 11, 24 and 29)	( 10,556,636 )	( 127 )	( 11,447,894 )	( 107 )
5900	Gross losses	( 2,225,217 )	( 27 )	( 762,730 )	( 7 )
5910	Unrealized gain on the subsidiary, affiliated company and joint ventures (Note 4)	-	-	( 960 )	-
5920	Realized gain on the subsidiary, affiliated company and joint ventures (Note 4)	27	-	13	-
5950	Realized gross losses	( 2,225,190 )	( 27 )	( 763,677 )	( 7 )
	Operating expenses (Note 4, 10 and 24)				
6100	Marketing expenses	( 409,815 )	( 5 )	( 383,568 )	( 4 )
6200	Administrative and general affairs expenses	( 141,041 )	( 1 )	( 147,776 )	( 1 )
6450	Expected credit reversal benefit (loss)	22,681	-	( 1,022 )	-
6000	Total operating expenses	( 528,175 )	( 6 )	( 532,366 )	( 5 )
6900	Operating losses	( 2,753,365 )	( 33 )	( 1,296,043 )	( 12 )
	Non-operating revenues and expenses				
7070	Amounts of profit and/or loss of subsidiaries recognized in equity method, associates and the share of the profit or loss of joint ventures (Note 4)	1,371,093	16	1,345,350	13
7100	Interest revenues (Note 4 and 29)	9,919	-	8,037	-
7130	Dividend income (Note 4)	65,842	1	28,510	-
7190	Other gains and losses (Note 24 and 29)	41,583	-	84,138	1
7215	Capital gain from disposition of investment property (Note 16)	70,820	1	-	-
7230	Foreign exchange gain (loss) – net	149,084	2	( 31,651 )	-
7235	Gain (loss) on financial assets and liabilities at fair value through profit and loss (Note 4 and 24)	( 73,650 )	( 1 )	57,437	-
7610	Gain (loss) in disposal of real estate, plant buildings, equipment & facilities	( 91 )	-	915	-
7673	Impairment (Note 4, 14 and 24)	( 28,272 )	-	( 44,244 )	( 1 )
7510	Financial cost (Note 4 and 24)	( 196,062 )	( 2 )	( 146,750 )	( 1 )
7000	Total non-operating revenues and expenses	1,410,266	17	1,301,742	12

7900	Income (loss) before tax from continuing operations	( 1,343,099 )	( 16 )	5,699	-
7950	Income tax expenses (Note 4 and 25)	( 9,154 )	-	-	-
8200	Net income (loss) of the current year	( 1,352,253 )	( 16 )	5,699	-
	Other comprehensive profit or loss				
	The items that are not re-classified as profit or loss				
8311	Determined Benefit Plan Reevaluation (Note 4 and 21)	( 4,110 )	-	( 2,645 )	-
8316	Unrealized valuation of the capital gain/loss from equity instrument at fair value through comprehensive income statement as other comprehensive income	211,250	3	324,684	3
8330	The proportion of other comprehensive incomes from subsidiaries, associates, and equity joint-ventures accounted for under the equity method – not reclassified as profit and loss	34,016	-	231,140	2
8349	Income tax related to titles without reclassification (Notes 4 and 25)	822	-	529	-
8310		<u>241,978</u>	<u>3</u>	<u>553,708</u>	<u>5</u>
	Items that may be re-classified subsequently under profit or loss				
8361	Exchange differences from the translation of financial statements of foreign operations	15,682	-	4,021	-
8380	The proportion of other comprehensive income of subsidiaries, associates, and equity joint ventures accounted for under the equity method – may be reclassified as profit and loss.	( 336,814 )	( 4 )	( 63,126 )	-
8360		( 321,132 )	( 4 )	( 59,105 )	-
8300	Other comprehensive income of the current year (net amount after taxation)	( 79,154 )	( 1 )	494,603	5
8500	Total amount of comprehensive income of the current year	( \$ 1,431,407 )	( 17 )	\$ 500,302	5
	Earnings (losses) per share (Note 26)				
9750	Basic earnings per share (losses)	( \$ 1.01 )		\$ -	
9850	Diluted earnings per share (losses)	( \$ 1.01 )		\$ -	

The notes attached shall constitute an integral part of this individual financial statement.  
(Refer to Auditor's Report presented by Deloitte & Touche dated March 8, 2023)

Chairman Kuei-Shiang Wang

Manager: Chieh-Yi Wang

Accounting Supervisor: Tzu Wei Huang

CHINA MAN-MADE FIBER CORPORATION  
Individual Statements of Changes in Shareholders' Equity  
January 1 to December 31, 2022 and 2021

Unit: NTD thousand

Code		Capital stock		Retained earnings			Other equity		Treasury stock	Total equity
		Common stock	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss		
A1	Balance as of January 1, 2021	\$ 16,213,672	\$ 1,663,531	\$ 855,476	\$ 1,940,822	\$ 3,125,590	( \$ 116,241 )	\$ 451,962	( \$ 1,136,802 )	\$ 22,998,010
	The 2020 appropriation and distribution of earnings									
B1	Legal reserve appropriated	-	-	90,972	-	( 90,972 )	-	-	-	-
B5	Cash dividends	-	-	-	-	( 162,106 )	-	-	-	( 162,106 )
B9	Stock dividends	648,425	-	-	-	( 648,425 )	-	-	-	-
B17	Reversal of special reserve	-	-	-	( 6,177 )	6,177	-	-	-	-
C7	Changes of the associates and joint ventures recognized under the Equity Method	-	-	-	-	606	-	( 463 )	-	143
D1	110 Profit	-	-	-	-	5,699	-	-	-	5,699
D3	Other comprehensive net income in 2021 (after tax)	-	-	-	-	( 3,187 )	4,021	493,769	-	494,603
D5	Total comprehensive profit and loss in 2021	-	-	-	-	2,512	4,021	493,769	-	500,302
M1	Dividends distributed to the subsidiaries adjusted to the additional paid-in capital	-	15,826	-	-	-	-	-	-	15,826
M7	Changes in the ownership equity on a subsidiary	-	( 22,670 )	-	-	( 2,421 )	-	-	-	( 25,091 )
Q1	Disposal of equity instrument investments measured at fair value through other comprehensive income:	-	-	-	-	25,466	-	( 25,466 )	-	-
Z1	Balance as of December 31, 2021	16,862,097	1,656,687	946,448	1,934,645	2,256,427	( 112,220 )	919,802	( 1,136,802 )	23,327,084
	The 2021 appropriation and distribution of earnings									
B1	Legal reserve appropriated	-	-	2,616	-	( 2,616 )	-	-	-	-
C7	Changes of the associates and joint ventures recognized under the Equity Method	-	-	-	-	( 305 )	-	3,532	-	3,227
D1	Net income (loss) in 2022	-	-	-	-	( 1,352,253 )	-	-	-	( 1,352,253 )

D3	Other comprehensive net income in 2022 (after tax)	-	-	-	-	20,649	15,682	( 115,485 )	-	( 79,154 )
D5	Total comprehensive profit and loss in 2022	-	-	-	-	( 1,331,604 )	15,682	( 115,485 )	-	( 1,431,407 )
M7	Changes in the ownership equity on a subsidiary	-	59,117	-	-	( 2,248 )	-	-	-	56,869
Q1	Equity instrument at fair value through other comprehensive income statement	-	-	-	-	( 9,016 )	-	9,016	-	-
Z1	Balance as of December 31, 2022	<u>\$ 16,862,097</u>	<u>\$ 1,715,804</u>	<u>\$ 949,064</u>	<u>\$ 1,934,645</u>	<u>\$ 910,638</u>	<u>( \$ 96,538 )</u>	<u>\$ 816,865</u>	<u>( \$ 1,136,802 )</u>	<u>\$ 21,955,773</u>

The notes attached shall constitute an integral part of this individual financial statement.  
(Refer to Auditor's Report presented by Deloitte & Touche dated March 8, 2023)

Chairman Kuei-Shiang Wang  
Supervisor: Tzu Wei Huang

Manager: Chieh-Yi Wang

Accounting

CHINA MAN-MADE FIBER CORPORATION  
Individual Statements of Cash Flow  
January 1 to December 31, 2022 and 2021

Code	2022	Unit: NTD thousand 2021
Cash flow from operating activities		
A10000	( \$ 1,343,099 )	\$ 5,699
	Profits and loss	
A20100	570,325	587,305
A20300	( 22,681 )	1,022
A23900	( 27 )	947
A20400	73,650	( 57,437 )
	and loss	
A20900	196,062	146,750
A21200	( 9,919 )	( 8,037 )
A21300	( 65,842 )	( 28,510 )
A22400	( 1,371,093 )	( 1,345,350 )
	ventures under the equity method	
A22500	91	( 915 )
	Gain (loss) in disposal of real estate, plant buildings, equipment & facilities	
A22700	( 70,820 )	-
	Capital gain from disposition of investment property	
A23700	120,159	51,676
	Loss in impairment of non-financial assets	
	Net change in operating assets and liabilities	
A31115	23,462	217,086
	Financial assets mandatorily measured at fair value through profit or loss	
A31180	830,261	( 1,131,963 )
	Accounts receivable	
A31200	( 132,625 )	( 401,271 )
	Inventory	
A31230	( 618,467 )	( 112,253 )
	Prepayments	
A31240	( 2,756 )	826
	Other current assets	
A32180	( 315,957 )	321,681
	Payables	
A32200	( 10,992 )	-
	Liability reserve	
A32230	( 21,684 )	( 6,722 )
	Other current liabilities	
A32240	( 5,269 )	( 6,955 )
	Net determined benefit liability	
A33000	( 2,177,221 )	( 1,766,421 )
	Cash generated from operating activities	
A33100	11,089	9,060
	Interest received	
A33200	352,208	284,662
	Dividends received	
A33300	( 193,501 )	( 146,273 )
	Interest payment	
A33500	( 9,115 )	572
	(Payment) Refunded income tax	
AAAA	( 2,016,540 )	( 1,618,400 )
	Net cash outflow from operating activities	
Cash flow from investing activities		

B00010	Acquisition of financial assets at fair value through other comprehensive profit or loss	( 88,413 )	( 59,925 )
a	Disposal of financial assets at fair value through other comprehensive profit or loss	2,014	12,622
B00030	De-capitalization refunded monies of financial assets at fair value through other comprehensive profit or loss (decrease)	1,211	12,187
B01800	Acquisition of investment under the equity method	( 479,411 )	( 617,998 )
B01900	Disposal of long-term equity investments under the equity method	10,711	34,015
B05000	Cash outflow resulting from merger	( 761,912 )	-
B02400	Capital returned due to capital reduction by investee using the equity method	1,010,000	-
B02700	Acquisition of property, plant and equipment	( 116,482 )	( 172,796 )
B02800	Disposal of property, plant and equipment	46	1,669
B03700	Decrease in Refundable deposits	85,362	1,280
B05400	Acquisition of investment property	( 82,062 )	( 194,797 )
B05500	Disposition of investment property	140,161	-
B06800	Decrease in other assets	85,593	85,592
B09900	Decrease (increase) in restricted assets	( 7,704 )	1,192
BBBB	Net cash outflow from investing activities	( 200,886 )	( 896,959 )
Cash flow from financing activities			
C00200	Increase of short-term loans	1,019,338	2,234,558
C00500	Increase (decrease) in short-term notes and bills payable	( 591 )	99,607
C01600	Proceeds from long-term loan	5,691,540	3,285,000
C01700	Re-payments of long-term borrowings	( 4,400,240 )	( 3,040,584 )
C03100	Decrease in guarantee deposits	( 500 )	( 497 )
C04020	Repayment of rental principal	( 4,581 )	( 10,057 )
C04500	Cash dividend released	-	( 162,106 )
CCCC	Net cash inflow from financing activities	<u>2,304,966</u>	<u>2,405,921</u>
EEEE	Net increase (decrease) in cash and cash equivalents	87,540	( 109,438 )
E00100	Cash and cash equivalents balance – beginning of year	<u>1,433,954</u>	<u>1,543,392</u>
E00200	Cash and cash equivalents balance – end of year	<u>\$ 1,521,494</u>	<u>\$ 1,433,954</u>

The notes attached shall constitute an integral part of this individual financial statement.  
(Refer to Auditor’s Report presented by Deloitte & Touche dated March 8, 2023)

Chairman Kuei-Shiang Wang

Manager: Chieh-Yi Wang

Accounting Supervisor: Tzu Wei Huang

## Notes to the Individual Financial Statements

January 1 to December 31, 2022 and 2021  
(In Thousands of New Taiwan Dollars, Unless Otherwise Noted)

### 1. Company Profile

- (1) The Company was founded on May 11, 1955 in accordance with the Company Act and other related regulations. The Company was approved to be traded on the TWSE on December 2, 1963. Over the years after several rounds of increase and decrease in cash capital, the paid-in capital as of December 31, 2022 is NT\$16,862,097 thousand.
- (2) The Company is primarily engaged in the following business lines:
  1. Manufacture, processing and trading of artificial fiber, glass paper, polyamine fiber, polyester fiber, chemical products and raw materials thereof;
  2. Development, manufacture and trading of the machines referred to in the preceding paragraph;
  3. Manufacture and trading of ethylene glycol, ethylene oxide, nonylphenol, ethylene, LGP and petrochemical industry-related products;
  4. Lease and sale of national housing and commercial buildings constructed by commissioned contractors;
  5. Distribution, sorting, handling and storage of various products;
  6. Management of supermarkets, trading of fresh foods, vegetables, fish, dried merchandise and various seasonings;
  7. Production and sale of steam and industrial power generated by cogeneration (no power may be sold to energy users);
  8. Agency and distribution of cogeneration and pollution-prevention equipment, and contract of installation work;
  9. Manufacture and trading of oxygen, liquid oxygen, nitrogen, argon, liquid argon, CO<sub>2</sub> and compressed air;
  10. Gas station.
- (3) This parent company only financial statement is denominated in NT Dollar, the functional currency of the Bank.

### 2. Financial reporting date and procedures

The individual financial statements were approved for publication by the board of directors on March 8, 2023.

### 3. Application of new and revised standards and interpretation

- (1) The Company has applied the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) Interpretations (abbreviated collectively as “IFRSs”) endorsed and published by the Financial Supervisory Commission (abbreviated as “the FSC” in the following context) for the first time.

The IFRSs to which the amendment is applicable and recognized and promulgated to take effect by the Financial Supervisory Commission, R.O.C. (Taiwan) will not cause major changes in the company’s accounting policy.

- (2) Applicable FSC-approved IFRSs as of 2023

<u>The new / amended / revised standards or interpretation</u>	<u>Effective Date per IASB</u>
IAS 1 amended “Disclosure of accounting policies.”	January 1, 2023 (Note 1)
IAS 8 amended “Definition of accounting estimations.”	January 1, 2023 (Note 2)
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023 (Note 3)

Note 1: This amendment will be applicable for annual reporting periods beginning after January 1, 2023.

Note 2: This amendment is applicable for changes in accounting estimation and accounting policy occurring during the annual reporting period after January 1, 2023.

Note 3: Except for temporary differences recognized under deferred income taxes between leases and ex-service obligations as of January 1, 2022, this amendment applies to transactions occurred after January 1, 2022.

1. IAS 1 amended “Disclosure of accounting policies.”

The said amendment expressly stipulates that the Company should determine the significant accounting policy information that should be disclosed based on the definition of materiality. If the accounting policy information can be reasonably expected to affect the main users of financial statements for general purpose who use the said financial statements as the basis for making decisions. Amendment and Clarification:

- The accounting policy information related to non-significant transactions, other issues or circumstances is attributed as non-significant and the Company is not required to disclose such information.
- The Company may judge and determine that the relevant accounting policy information is significant as a result of the attribute of the transaction, other issues or circumstances even if the amount is not significant.
- All accounting policy information not related to major transactions, other matters, or situations is considered major.

In addition, the amendment also cites examples to explain if the accounting policy information is related to major transactions or others matters or situations and that the following situations occur, the said information may be considered major:

- (1) The Company changed its accounting policy during the reporting period where such change resulted in a significant change in the financial statement information;
  - (2) The Company selects its own applicable accounting policy from the provided options allowed by the standard;
  - (3) Amidst the inadequate specific standards, the Company has established accounting policies in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors;”
  - (4) The Company discloses relevant accounting policies where it shall adopt significant judgments or assumptions to determine; or
  - (5) Involves complex accounting disposal regulations and financial statement users’ dependence on information on the said information to understand major transactions, or other matters or situations.
2. IAS 8 amended “Definition of accounting estimations.”

The said amendment expressly specifies that the accounting estimate refers to the monetary amount affected by measurement uncertainty amidst the financial statements. Where the Company is subject to the accounting policies, it might possibly be required to measure financial statement items with monetary amounts that cannot be directly observed and must be estimated instead. Accordingly, it is necessary to use measurement techniques and input values to establish accounting estimates to accomplish such purpose. Where the impact of changes in measurement technology or input values on accounting estimates is not a correction toward a preceding error, these changes are attributed to changes in accounting estimates.

Further to the above effects, the assessment of Company on other IFRSs as of the day this individual financial statement was approved for release did not cause significant influence on the financial position and consolidated financial performance.

- (3) The IFRSs released by the IASB but not yet approved and announcement effective by the Financial Supervisory Commission

<u>The new / amended / revised standards or interpretation</u>	<u>IASB publication effective date (Note 1)</u>
Amendment to IFRS 10 and IAS 28, “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and Investment in Associates.”	Undefined
Amendments to IFRS 16, “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendment to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024



Note 1: Unless otherwise specified, the aforementioned newly corrected/amended standards or interpretations come to effect during the annual reporting period starting after respective dates.

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

The Company continues to assess the effect of the revision of other IFRSs on the financial position and performance as of the date this individual financial report was approved and released. Information on related influence will be disclosed on completion of the assessment.

#### 4. Summary of important accounting policies

##### (1) Statement of Compliance

The individual financial statements were prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers.”

##### (2) Basis of Preparation

Except for the financial instruments on the basis of fair value and the recognition of net defined benefit liabilities on the basis of the present value of net defined benefit obligation net of the fair value of planned assets, this individual financial statement was compiled on the basis of historical cost.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input: Referred to as those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).
3. Level 3 input value: the unobservable input value of asset or liability.

##### (3) Current and non-current assets and liabilities

Current assets including:

1. Assets held mainly for trading purpose;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including those that are limited to exchange or repay liabilities exceeding 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading purposes;
2. The liabilities to be liquidated upon due within 12 months after the balance sheet date (those with long-term refinancing or payment term rearrangement completed from the balance sheet date to the financial reports approved and published date are also classified as current liabilities), and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date. Where the liabilities might be paid off at the discretion of the other party through the tools of the issuance equity, the classification would remain unaffected.

For those that are not current assets or liabilities above are classified as non-current assets or liabilities.

Notwithstanding, given that the Company is engaged in the operating period thereof is more than one year, the assets and liabilities related to construction projects were classified into current and non-current items according to the operation period.

##### (4) Foreign currencies

In the process of compiling the parent company only financial statement, all transactions conducted other than the functional currency of the Bank shall be converted into the functional currency for bookkeeping as of the exchange rate effective on the transaction date.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive profit or loss, the exchange difference is recognized in the other comprehensive profit or loss.

The foreign non-currency items measured at historic cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

Upon preparation of the Individual Financial Report, the assets and liabilities of the Company's and overseas operating institutions (including the subsidiaries, associates, joint ventures or branches in the countries of business operation or those using currencies different from the Company's) were converted to New Taiwan Dollars based on the exchange rate quoted on every balance sheet date. The profits and losses are translated in accordance with the current average exchange rates, and the exchange differences resulted is booked in other comprehensive profit and loss and attributable to the Company's shareholders and non-controlling equity respectively.

When liquidating an offshore operating entity and which also results in losing control or with critical impact to said offshore operating entity, equity related to said offshore operating entity that can be classified to company owner's equity will be reclassified as loss or gain.

(5) Inventories

Inventories include raw materials, supplies, work-in-progress, products contracted to be processed, finished goods and products. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. Net realizable value refers to the estimated sale price under normal circumstances net of the estimated cost needed to complete the project and the estimated expenses needed to complete the sale. Inventory cost is determined by the weighted-average method.

The construction inventories were stated at the cost invested actually. The cost for available-for-sale housing and land was amortized based on weighted-average building coverage method, and stated at the lower of cost or net realizable value at the end of period.

(6) Investment under the equity method

The Company has the investment in subsidiaries and affiliated companies handled in accordance with the equity method.

1. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, investments were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the subsidiaries and other comprehensive profit or loss. In addition, for the changes in the affiliated company's equity, the Company is entitled to have it recognized proportionately to the shareholding.

When the Company's change in the ownership of the subsidiary does not result in loss of control, it is treated as an equity transaction. The difference between the book amount of the investment and the fair value of the consideration paid or received shall be directly recognized as equity.

If the company's loss share amount to a subsidiary equals to or exceeds said subsidiary's equity (including the subsidiary's book value amount using the equity method and said subsidiary's other long-term equity in its investment makeup portion tangibly belonging to the company), it pertains to continuing to recognize as a loss by shareholding ratio.

Acquisition costs in excess of the Company's share of net identifiable assets and liabilities (i.e. fair value) in a subsidiaries on the date of acquisition are recognized as goodwill. This goodwill includes book value of the investment and is not amortized. Share of net identifiable assets and liabilities (i.e. fair value) in subsidiaries that exceeds acquisition cost on the date of acquisition is recognized as gains for the current year. In the acquisition of a subsidiary that does not constitute business undertakings, the acquisition cost is allocated to identifiable assets acquired where appropriate (including intangible assets), as well as the share of liabilities assumed, without producing goodwill or current benefits.

In assessing impairment, the Company based on the cash drivers of the financial statements and compared the recoverable amount and book value. If the amount of recoverable assets increased in the future, the reversal of impairment shall be recognized as income. The book

value of the reversal of impaired assets shall not exceed the book value before recognition for impairment net of amortization. Subsequent reversal of impairment loss is not allowed.

In the event of loss of control over the subsidiary, the Company shall measure the fair value of the residual investment in the subsidiary on the date loss of control over the subsidiary. The difference between the fair value of the residual investment and the amount of disposal and the book amount of the investment on the date loss of control over the subsidiary is recognized in the profit and loss of the year. In addition, the accounting treatment for the amounts recognized in the other consolidated gains and losses that are related to the subsidiary is same as the accounting principle to be complied with while the Company directly disposing the relevant assets or liabilities.

The unrealized concurrent trade between the company and the subsidiaries stated in the financial statement of individual entities shall be removed. The profit or loss resulting from the countercurrent, and side-stream transactions between the Company and the subsidiary are recognized in the individual financial statement within the range irrelevant with the Company's interest in the subsidiary.

## 2. Investments in the affiliated company

The company has a significant influence on an affiliated company that is not a subsidiary or joint venture.

The Company adopts equity method for investment in associates.

Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive profit or loss. In addition, the changes in the equity of affiliates shall be recognized in proportion to the proportion of shareholding.

When the invested company is a related enterprise, the treasury stock method is utilized to determine the investment gain or loss.

When associates issue new shares, if the Company fails to subscribe stock share proportionally to their shareholding, resulting in changes in shareholding ratio and thus causing changes in net equity investment, the increase or decrease amount should be adjusted to the additional paid-in capital – recognizing changes in net equity of associates, and joint under the equity method and investment under equity method. If the Consolidated Company' did not subscribe to the new shares pro rata to the shareholding percentages and led to a decrease of the shareholding percentages subscribed to or obtained from the associate, nevertheless, the amount of other comprehensive income so recognized was reclassified pro rata to the decrease ratio in the associate. The accounting management was on the grounds same as the grounds the associate must comply with if it directly disposed assets or liabilities. If the aforementioned adjustment must be debited into capital reserve where the balance of capital reserve yielded by the investment in equity method, the difference was debited as retained earnings.

In the event that the Company's shares of loss in the associates equal to or exceed its equity in the associates (including the book value of investment in the associates in equity method and other long-term interest of the Consolidated Company' in the investment composition of the associates), the Company' discontinued recognition of the further losses. The Company' recognized extra losses and liabilities only in the event of occurrence of legal obligations, presumed obligations or within the scope that the Consolidated Company' had made payment on behalf of the associate.

When the Company performs an impairment evaluation, the overall carrying amount of the investments are treated as one single asset, and then the impairment test performed to compare its recoverable amount with the carrying amount. The recognized impairment loss will not be allocated to any asset that causes the components of the carrying amount of investments. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

Besides, all relevant amounts relevant to the associates recognized in other comprehensive income were managed on the accounting grounds same as the grounds which it should comply with if the associates directly disposed the relevant assets or liabilities.

The profit or loss resulting from the countercurrent, downstream and side-stream transactions between the Company and the affiliated company is recognized in the individual financial statement within the range that is irrelevant to the Company's interest in the affiliated company.

(7) Property, plant and equipment

Real property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation and accumulated impairment afterwards.

Those real estate, plant buildings, equipment & facilities under construction were recognized at the amount of the costs after deducting the loss in the accumulated impairment. Costs include professional service expanses and loan costs that meet the capitalization conditions. When such assets are completed and reach expected use status, such assets will be classified to proper items under real property, plant and equipment and the provision of depreciation shall begin.

Except for self-owned land, the property, plant, and equipment are depreciated by significant parts over their useful lives on a straight-line basis. The Company shall review the estimation of life span, residual value and depreciation method at least once a year and extend the effect of changes in applicable accounting policy.

In the case of delisting real estate, plants, and equipment, the difference between the net disposal price and the book value of the asset is recognized in profit or loss.

(8) Investment property

Investment property is the real property held for purpose of earning of rental income or appreciation or both. Investment property includes lands held at present without determination of future use.

Investment property is measured on the basis of initial cost (including transaction cost) and subsequent measurement shall be based on the subtraction of accumulated depreciations and accumulated impairment from cost. The Company has depreciation appropriated in accordance with the straight-line method

In removing investment property, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(9) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets shall be subject to amortization under the straight-line method during its life span, and the estimation of life span, residual value and depreciation method shall be subject to review at least once a year and extend the effect of changes in applicable accounting policy.

2. de-recognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(10) The impairment of real estate, plants and equipment, right-of-use assets, and intangible assets (except goodwill)

The company evaluates whether there are any signs of impairment in real estate, plants and equipment, right-of-use assets and intangible assets (other than goodwill) on every balance sheet date. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the Company is to estimate the recoverable amount of the respective cash-generating unit. The common asset is amortized to each cash-generating unit in accordance with a consistent and reasonable sharing basis.

The intangible asset with indefinite useful lives and not yet available for use should be tested for impairment at least annually or should be tested when there is an indication of impairment.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

When the impairment loss was reversed subsequently, the book amount of the asset or cash-generating unit is increased to the adjusted recoverable amount, but the increased book amount

may not exceed the book amount of the asset or cash-generating unit without recognizing the impairment loss in prior periods (net of amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(11) Financial instruments

When the Company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the individual balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial Assets

The customary transaction of financial assets is recognized and de-recognized in accordance with the trade date accounting.

(1) Classification of measurement

The financial assets held by the Company are financial assets at fair value through income statements, financial assets on the basis of cost after amortization, investment of debt instruments at fair value through other comprehensive income statements, and equity instruments at fair value through other comprehensive income.

A. Financial assets at fair value through profit and loss

Financial assets measured at fair value through profits or losses are financial assets that are mandatorily measured at fair value through profits or losses. Financial instruments designated at fair value through income statements included the investment of equity instruments not designated at fair value through other comprehensive income and those not conforming to the standard of debt instruments on the basis of cost after amortization or at fair value through other comprehensive income.

The financial assets measured at fair value through profit or loss is measured at fair value; also, the profit or loss of revaluation (including any dividends or interest arising from the financial asset) is recognized in the profit and loss. Please refer to Note 28 for the determination of fair value.

B. Financial assets on the basis of cost after amortization

If the financial assets of the Company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

- a. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contracts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents, notes receivable on the basis of cost after amortization, accounts receivable and other receivables) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Interest income will be the product of effective interest rate and total book value of financial assets except under the following two conditions:

- a. The interest income of financial assets procured or initiated under credit impairment will be the product of the effective interest rate after credit adjustment and the cost of financial assets after amortization.
- b. Financial asset that has subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

The term "credit-impaired financial assets" refers to financial assets whose active market has disappeared due to significant financial difficulty or breach of contract of

the issuer or borrower, possible declaration of bankruptcy or other financial reorganization of the borrower, or any other financial difficulty.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

- C. Debt instrument investments measured at fair value through other comprehensive income

If the investment of debt instruments by the Company met both the two conditions below, classify as financial instruments at fair value through comprehensive income:

- a. Financial assets held under the particular mode of operation and the purpose of holding being for collection of cash flow from contracts; and
- b. Cash flow generated on particular dates deriving from the contracts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Other investment of debt instruments at fair value through comprehensive income should be measured at fair value. Changes in the book value shall be recognized as income under the calculation of interest income under the effective interest rate method, and exchange gain and loss and impairment or reversal benefits shall be recognized as income. Other changes shall be recognized as other comprehensive income and reclassified as income at the disposition of investment.

- D. Equity instrument investments measured at fair value through other comprehensive income

The Company may make an irrevocable choice at the time of initial recognition for designating the investment of equity instruments not available-for-sale and not recognized by the consolidated acquirer under corporate acquisition or with consideration at fair value through other comprehensive income for measurement.

The investment of equity instruments at fair value through other comprehensive income is measured at fair value. Subsequent changes in fair value will be recognized as other comprehensive income and accumulated into other equity. In the disposition of assets, accumulated gains or loss shall be directly transferred to retained earnings without classification as income.

The dividends of the investment of equity instruments at fair value through other comprehensive income shall be recognized as income when the right of the Company in the collection of dividends is ascertained, unless the dividend is obviously representing the recovery of the cost of investment in part.

- (2) Impairment of financial assets

The company measures its amortized financial assets (including accounts receivable) measured by cost and other general loss or gain by fair value on investments' impairment loss measured by debt instruments with anticipated credit loss assessment on every balance sheet date.

Notes receivable and receivable accounts shall be recognized for provisions for loss on the basis of anticipated credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

For internal credit risk management purpose, the Company, without considering the collateral, determines the following circumstances indicating that a default has occurred on the financial instrument:

- A. There is internal or external information indicating that the debtor is no longer able to pay off a debt.

- B. Payments are overdue for more than 90 days, unless there are reasonable and supporting information showing that the delayed default benchmark is more appropriate.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account. However, the provision for loss of investment of debt instruments at fair value through comprehensive income shall be recognized as other comprehensive income without the reduction of its book value.

- (3) The de-recognition of financial assets

The Company's financial assets are de-recognized only when the contractual rights from the cash flows of a financial asset becomes invalid, or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

Derecognition of financial asset measured at amortized costs in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When particular debt instruments measured at fair value through comprehensive income is entirely removed, the total sum of any other accumulated gains or loss of the difference between book value and consideration recognized as other comprehensive income shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely removed, the accumulated gains or loss shall be directly transferred to retained earnings without being classified as income.

2. Financial Liabilities

- (1) Subsequent measurement

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

- (2) De-recognition of financial liabilities

When de-recognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

- (12) Provision for liabilities

The recognized liability reserve amount is with the risk and uncertainty of the obligation considered, and it is the optimum estimate of the expenditure required to settle the obligations on the balance sheet date. Provision for liabilities shall be measured based on the discount value of the estimated cash flow for the settlement of obligation.

- (13) Treasury stock

Treasury stock was stated at cost and shown as a deduction in shareholders' equity when the Company repurchased the stock, while it was stated at fair value if it was donation accepted by the Company.

The gains resulting from disposal of the treasury stock, if any, were higher than the book value, the difference thereof was stated under "capital surplus - treasury stock". If gains were lower than the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, should be debited to retained earnings.

When the Company retired treasury stock, the treasury stock was written off, and against the "capital surplus - stock premium" and "capital stock" on a pro rata basis. When the book value of the treasury stock exceeded the total of the "capital stock" and "capital surplus-capital stock premium", the difference was charged to capital surplus generated from the same class of treasury stock transactions and to retained earnings for any remaining amount. When the book value was lower than the total, the difference was credited to capital surplus arising from the same class of treasury stock transactions.

- (14) Recognition of revenue

The Company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

Contracts of which the time interval between the transfer of goods or services and the consideration is less than one year shall not have its major financial components, such as transaction price, adjusted.

1. Revenue through sale of products

When income on goods sold having had a price and utilization right defined by the customer and who also shoulders the primarily resale liability, and who also assumes the goods' shelving and dating risk, the company recognizes the income and accounts receivable at said timing point.

When the material is supplied for processing, the ownership of the processed product is not transferred; therefore, the income is not recognized when the material is supplied.

2. Interest revenue

Interest income of financial assets is recognized when the economic benefit is likely to flow to the Company and the amount of revenues can be measured reliably. Dividend revenues are recognized by the outstanding capital by the passage of time and the applicable effective interest rate on an accrual basis.

For a single or a group of similar financial asset that is reduced due to impairment losses, the subsequently recognized interest income is calculated in accordance with the interest rate that is used for the discounting of future cash flow when measuring the impairment loss.

3. Labor revenue

Labor service income is recognized at the time the service is provided.

Revenues yielded by the labor services rendered in accordance with the contract were recognized based on the progress degrees set forth under the contract.

4. Dividends income

Dividend income from investments is recognized when the shareholders' right to receive payment is established; however, it is under the pre-conditions that the economic benefits associated with the transaction system are likely to flow into the Company and the amount of revenues can be measured reliably.

(15) Leasing

The Company assesses whether or not the arrangement is (or includes) a lease arrangement on the agreement date

1. The Company is the lessor

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases. All lease agreements of the Company are currently operating leases.

Lease payments for operating leases upon deduction of lease incentives are recognized as income on a straight-line basis in relevant lease periods.

When leases include both land and building elements, the Company assesses whether or not different element categories are finance or operating leases based on whether almost all risks and returns associated with the ownership rights pertaining to each element have been transferred to the lessee. Lease payments are allocated proportionally to land and buildings based on the fair value of lease rights for land and buildings on the date of contract conclusion. If lease payments can be allocated to these two elements in a reliable manner, each element shall be handled in accordance with the applicable lease category. If lease payments cannot be allocated to these two elements in a reliable manner, the entire lease shall be classified as a finance lease. However, if it is evident that these two elements meet the operating lease standards, the entire lease shall be classified as an operating lease.

2. The Company is the lessee.

Except for recognizing low-value asset leases applying to exemption and lease payments for short-term leases being recognized as an expense on a straight-line basis over the lease term, other leases will be recognized as right-of-use assets and lease liabilities at lease commencement date.

The right-of-use asset is measured at cost (including the amount equal to the lease liability at its initial recognition, lease payments made before the commencement of the lease less any received, any incurred by the lessee, and an estimate of costs to be incurred by the restoring the underlying asset to the condition required) less any depreciation and any accumulated impairment losses. Additionally, the cost is subsequently adjusted for any . Right-of-use assets are separately expressed on the individual balance sheet.



The right-of-use assets were depreciated on a straight-line basis over the period from the commencement date of the lease to expiration of its useful life or expiration of the lease term, whichever date is earlier.

Lease liabilities are measured initially based on the present value of lease payments (incl. fixed payments, in-substance fixed lease payments, and variable lease payments determined by indices or rates). If the implied interest rate of the lease is easily determined, the lease payments will be discounted to their present value using that interest rate. If such interest rate is not easily determined, the incremental borrowing rate will be used.

Subsequently, the lease liabilities are measured at amortized cost using effective interest method and the interest expenses are amortized over the lease term. If changes in indices or rates utilized to determine lease payments lead to changes in future lease payments, the Company should remeasure lease liabilities and adjust right-of-use assets correspondingly. However, if right-of-use asset carrying amounts have already dropped to zero, remaining remeasurement amounts are recognized as profit or loss. Lease liabilities are separately expressed on the individual balance sheet.

(16) Borrowing cost

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

The income of a temporary investment with a specific loan that has not yet met the essential requirement of capital expenditure is deducted from the loan cost that meets the essential requirement of capitalization.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(17) Governmental subsidies

The government subsidies shall only be recognized, provided that it can be reasonably convicted the company will comply with the supplementary terms for government subsidies and that the subsidies can be received.

If the government subsidies are used for compensating expenses or losses that have already incurred, or if the purpose is to provide the company with immediate financial support and if there are no related costs in the future, they shall be recognized as profit or loss during the collection period.

(18) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

The determined cost of benefit for determined benefit retirement plan (including the cost of service, net interest, and reevaluation) is based on the actuary of projected unit method. The net interest arising from the cost of services (including current service costs and net defined benefit liabilities) is recognized as an employee benefits expense when incurred. The value of second measurement (including the profits and loss under actuary and the return on assets of the plan net or interest) shall be recognized as other comprehensive incomes and as retained earnings, if realized. No reclassification as profits and loss in subsequent periods.

Net defined benefit liability (asset) is the appropriation deficit (surplus) of the defined benefit pension plan. Net determined benefit asset shall not exceed the refund of the appropriated fund or decrease the present value of appropriation of fund in the future.

(19) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

Based on the regulations set by each income tax reporting jurisdiction, the company shall determine the current income (loss), based on which the payable (recoverable) income tax is calculated.

Additional income tax on unappropriated earnings is calculated in accordance with the provisions of the Income Tax Act of the Republic of China, to be recognized in the year of the shareholder resolution meeting.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Income tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are recognized when there is a likelihood to have taxable income available for income tax credit resulting from the expenses of deductible temporary differences and tax loss carryforwards.

The taxable temporary differences related to the investment in the equities of the subsidiaries, affiliates, and joint ventures are recognized as deferred income tax liabilities, except for those that the Company can control the timing of reversing the temporary difference and the temporary difference is unlikely reversible in the foreseeable future. The deferred income tax asset arising from deductible temporary differences associated with such investment and equity is recognized within the range of earnings that are with sufficient taxable income to realize temporary differences and are expected to be reversed in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax effect resulting from the book amount of the assets and liabilities expected to be recovered or liquidated at the balance sheet date.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity. If the current period's income tax or deferred income tax is incurred from acquiring a subsidiary, the income tax impact sum is streamlined into the invested subsidiary's accounting processing.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

When the accounting policies stated in Note 4 adopted by the company, for the information that is hard to collect from other sources, the management should have the relevant judgments, estimates, and assumptions made in accordance with the historical experience and other relevant factors. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If the amendment affects only the current estimates, it is recognized in the current period. If the amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods.

Estimates and assumptions with regard to the main source of uncertainty  
Impairment of real property, plant and equipment

The evaluation of real-estate, plant, and equipment impairment is based on the recoverable amount of the said equipment (i.e. the fair value of the said assets deducted by sales costs and higher value of use). The market price or changes in future cash flow will affect the recoverable amount of the said assets, which may result in the company's need to recognize impairment costs or reverse recognized impairment losses.

6. Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 407	\$ 603
Bank checks and demand deposits	<u>1,521,087</u>	<u>1,433,351</u>
	<u>\$ 1,521,494</u>	<u>\$ 1,433,954</u>

The market interest rate interval of bank deposit on the balance sheet date was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank deposits	0%~1.05%	0%~0.05%

7. Financial instrument at fair value through profit and loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets - current</u>		
Measured at fair value through income under compulsion		
Non-derivative financial assets		
- Shares traded on the Taiwan Stock Exchange or OTC exchange	\$ 11	\$ 8
- Beneficiary certificate	<u>143,506</u>	<u>240,621</u>
	<u>\$ 143,517</u>	<u>\$ 240,629</u>

8. Financial assets at fair value through other comprehensive profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Equity investment	\$ 2,478,158	\$ 2,190,736
Debt instrument	<u>110,000</u>	<u>110,000</u>
	<u>\$ 2,588,158</u>	<u>\$ 2,300,736</u>

(1) Equity investment

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Listed stocks – domestic and emerging stock	\$ 2,136,881	\$ 1,890,380
Domestic non-listed (OTC) stocks	333,444	292,849
Foreign TSEC/GTSM unlisted shares	<u>7,833</u>	<u>7,507</u>
	<u>\$ 2,478,158</u>	<u>\$ 2,190,736</u>

1. The Company invested in the aforementioned common shares of companies in line with its long-term investment strategic objective with the anticipation of return from long-term investment. The management of the Company holds that the short-term fluctuation in the fair value of these investments shall be recognized as income or loss and is not congruent with the aforementioned long-term investment plan, therefore they chose to designate these investments as financial assets at fair value through other comprehensive income.

2. For more information on pledge of equity instrument investments measured at fair value through other comprehensive gains and losses, please refer to Note 30.

(2) Debt instrument

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Domestic investment		
Bank debentures of Taichung Commercial Bank	<u>\$ 110,000</u>	<u>\$ 110,000</u>

Refer to Note 9 for further information on investment of debt instruments measured at fair value through other comprehensive income and related risk management and evaluation of impairment.

9. Credit risk management for investment in debt instruments

The company has invested of debt instruments are classified as financial assets measured by fair value under other general loss or gain.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total Book Value	\$ 110,000	\$ 110,000
Loss allowance	<u>-</u>	<u>-</u>
Cost after amortization	110,000	110,000
Fair value adjustment	<u>-</u>	<u>-</u>
	<u>\$ 110,000</u>	<u>\$ 110,000</u>

The company has adopted of policy for merely investing in debt instruments with an investment grade or higher (inclusive) and with loss assessment being low in credit risk. Bonds are classified in accordance with the initial credit rating classification from MOODY'S, FITCH, S&P and Taiwan Ratings. The company would continue to follow up on external assessment information, through which to monitor the credit risk fluctuations on its invested debt instruments, and also monitors the bond yield ratio curve and creditors' critical information among other information, to assess whether the debt instruments' credit risk has apparently increased following the initial recognition.

The company takes into consideration of outside assessment entities-supplied various levels of history default loss ratios, debtors' current financial standing and the industries' future forecasts, to measure the debt instrument investment's 12-month expectant credit loss or expectant credit loss during the sustaining period.

The current credit risk evaluation approach of the Company and the total carrying amount of debt instrument investments with various credit ratings are shown as below:

<u>Credit rating</u>	<u>Definition</u>	Basis for recognizing expected credit losses	Expected credit loss rate	Total book value of December 31, 2022
Normal	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0%~0.5%	<u>\$ 110,000</u>
<u>Credit rating</u>	<u>Definition</u>	Basis for recognizing expected credit losses	Expected credit loss rate	Total book value of December 31, 2021
Normal	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows.	Anticipated credit loss in 12 months	0%~0.5%	<u>\$ 110,000</u>

10. Notes receivable, accounts receivable and other receivables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
Measured on the basis of cost after amortization		
Notes receivable	\$ 45,196	\$ 135,693
Less: Allowance for losses	<u>-</u>	<u>-</u>
	<u>\$ 45,196</u>	<u>\$ 135,693</u>
<u>Accounts receivable</u>		
Measured on the basis of		

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
cost after amortization		
Accounts receivable	\$ 950,429	\$ 1,818,019
Accounts receivable - related parties	263,275	130,201
Less: Allowance for losses	( <u>112,589</u> )	( <u>135,270</u> )
	<u>\$ 1,101,115</u>	<u>\$ 1,812,950</u>
<u>Other receivables</u>		
Receivable tax refund	\$ 10,364	\$ 12,769
Other receivable - related parties	204	204
Others	39,449	19,712
Less: Allowance for losses	( <u>1,932</u> )	( <u>1,932</u> )
	<u>\$ 48,085</u>	<u>\$ 30,753</u>

(1) Accounts receivable and notes receivable

The company's average credit period on goods sold falls between 30-90 days, with no interest calculated on accounts receivable, and if exceeding the credit term of 30 days, the unpaid balance has the interest calculated at the annual interest rate of 3%. The company has adopted of policy pertains to merely conducting transactions with subjects surpassing company internal credit check, and would cease to ship the goods or obtain a guarantee check under necessary circumstances, through which to mitigate the risk of financial loss incurred due to overdue payment. The Company will use other publicly available financial information and historical transaction records to rate major customers. The company would continue to monitor credit exposure and the transaction opponents' credit rating, and would also spread transaction amounts to varied customers with satisfactory credit rating; in addition, company management would manage credit exposure per approved empowerment on revalidation and approving the transaction opponents' line of credit.

To mitigate credit risk, company management has assigned designated personnel to be responsible for determining the line of credit, credit approval and other monitoring procedures, through which to ascertain that adequate action has been taken on recalling overdue payments receivable. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the Company's credit risk is significantly reduced.

The Company adopts the preparation matrix to measure the allowance loss for notes and accounts receivable (including related party) as follows:

	<u>December 31, 2022</u>					<u>Total</u>
	<u>Not overdue</u>	<u>Overdue 1 to 30 days</u>	<u>Overdue 31 to 60 days</u>	<u>Overdue 61 to 120 days</u>	<u>Overdue over 120 days</u>	
Expected credit loss rate	0%-10%	20%-50%	50%-100%	75%-100%	100%	
Total Book Value	\$931,310	\$270,348	\$ 57,242	\$ -	\$ -	\$1,258,900
Allowance for loss (expected credit loss of the given duration)	( <u>29,898</u> )	( <u>54,070</u> )	( <u>28,621</u> )	-	-	( <u>112,589</u> )
Cost after amortization	<u>\$901,412</u>	<u>\$216,278</u>	<u>\$ 28,621</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,146,311</u>

December 31, 2021

	Not overdue	Overdue 1 ~ 30 days	Overdue 31 to 60 days	Overdue 61 to 120 days	Overdue over 120 days	Total
Expected credit loss rate	0%~10%	20%~50%	50%~100%	75%~100%	100%	
Total Book Value	\$ 1,569,347	\$ 465,099	\$ 49,467	\$ -	\$ -	\$ 2,083,913
Allowance for loss (expected credit loss of the given duration)	( <u>17,517</u> )	( <u>93,020</u> )	( <u>24,733</u> )	-	-	( <u>135,270</u> )
Cost after amortization	<u>\$ 1,551,830</u>	<u>\$ 372,079</u>	<u>\$ 24,734</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,948,643</u>

Loss allowance of receivables (including related party) as follows:

	2022	2021
Balance - beginning	\$ 140,140	\$ 139,118
Add: Impairment loss appropriated in current period	-	1,022
Reduction: Impairment reversal benefits in the current year	( <u>22,681</u> )	-
Balance - ending	<u>\$ 117,459</u>	<u>\$ 140,140</u>

The foresaid receivables' loss reserve includes loss reserve for notes receivable, accounts receivable, other receivables and collection.

11. Inventory

	December 31, 2022	December 31, 2021
Merchandise	\$ 398,365	\$ 505,774
Finished goods	427,430	359,112
Work in process	51,479	114,860
Raw materials	359,229	229,004
Supplies	32,648	19,663
Available-for-sale housing	-	-
	<u>\$ 1,269,151</u>	<u>\$ 1,228,413</u>

- (1) The inventories of finished goods included the finished goods, by-products, supplies in transit by the Company, primarily the finished goods produced by Kaohsiung petrification plant, ethylene glycol, and the finished goods of the polyester plant, polyester silk, i>et al.
- (2) The company's building/land available for sale on December 31, 2022 and 2021 are both are NT\$65,775 thousand, which pertains to the He Ti co-development case located in Sanchung District, New Taipei City, in a three-way joint collaboration among the company, Hung Chou Fiber Industrial Co., Ltd. and San Feng Construction Co., Ltd. in 1997, which has been completed in 2000 and provided as allowance for bad debt in whole.
- (3) The Company's cost of goods sold related to inventory in 2022 and 2021 were NT\$10,556,636 thousand and NT\$11,447,894 thousand, respectively. Cost of goods sold include inventory losses of NT\$91,887 thousand and NT\$7,432 thousand, respectively, and the loss from work stoppage were NT\$990,993 thousand and NT\$702,062 thousand, respectively.
- (4) As of December 31, 2022 and 2021, the allowance inventory loss accounted for NT\$329,556 thousand and \$237,669 thousand, respectively.

12. Prepayments

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Pre-paid expenses	\$ 346,677	\$ 329,173
Pre-paid material purchases	630,770	83,550
Tax credit	<u>254,738</u>	<u>192,973</u>
	<u>\$ 1,232,185</u>	<u>\$ 605,696</u>

Prepayments are typically used to purchase catalyst and coal.

13. Investment under the equity method

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Investment in subsidiaries	\$ 18,111,891	\$ 17,754,357
Investments in the affiliated company	<u>1,076,723</u>	<u>1,128,072</u>
	<u>\$ 19,188,614</u>	<u>\$ 18,882,429</u>

(1) Investment in subsidiaries

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Listed (OTC) company		
Taichung Commercial Bank	\$ 14,877,447	\$ 13,837,165
Pan Asia Chemical Corporation	1,601,427	1,487,752
Non-listed (OTC) company		
Deh Hsing Investment Co., Ltd.	923,241	1,778,230
Chou Chin Industrial Co., Ltd.	696,560	627,825
Taichung Securities Investment Trust Co., Ltd.	13,216	12,664
Melasse	-	10,721
	<u>\$ 18,111,891</u>	<u>\$ 17,754,357</u>

The Company's ownership and voting rights in the equity of the subsidiary at the balance sheet date is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Taichung Commercial Bank	21%	22%
Pan Asia Chemical Corporation	44%	44%
Deh Hsing Investment Co., Ltd.	100%	100%
Chou Chin Industrial Co., Ltd.	47%	47%
Taichung Securities Investment Trust Co., Ltd.	3%	3%
Melasse	-	50%

1. The above ratio is indicated by individual shareholding percentage.
2. In September of 2021, the company participated in the capital increase of Technic Investment (International) Limited, investing an additional NT\$250,000 thousand to purchase 25,000 thousand additional shares. In addition, the capital reduction and return of payment of shares were resolved on May, July, and August, 2022, decreasing by 25,000 thousand shares, 26,000 thousand shares and 50,000 thousand shares, respectively. The investment costs decreased by NT\$250,000 thousand, NT\$260,000 thousand and NT\$500,000 thousand respectively.
3. In 2022 and 2021, the company participated in the capital increase of Taichung Commercial Bank, an additional investment of 40,801 thousand shares and 33,004 thousand shares, respectively. The investment costs amounted to NT\$479,411 thousand and \$367,998 thousand, respectively. Refer to Note 29(5).
4. The shareholders resolved to dissolve Melasse Co., Ltd. on December 6, 2021, and the company formally requested the approval on December 14, 2021. The liquidation base date

was March 14, 2022. The declaration of business income tax liquidation was completed on March 25, 2022.

5. The 2022 and 2021 profit or loss and other comprehensive profit or loss of the subsidiary under the equity method was recognized in accordance with the audited financial statements during the same period of the subsidiary.
  6. 7. For the disclosure of the Company's disposal of subsidiary of indirect control, please refer to the Company's 2022 Consolidated Financial Statements, Note 37 and 35.
  7. With regard to the Group's operational planning involving the company, Jin-Bang-Ge Industry Co., Ltd. (henceforth Jingbangge) and Xiangfeng Development Co., Ltd. (henceforth Xiangfeng), the parent-subsidiary merger proposal was approved by the boards of both sides on June 2022 and December 2022. The company is the remainder enterprise; Jinbangge and Xiangfeng are the elimination enterprises. The merger base dates are June 20, 2022 and December 26, 2022, respectively.
  8. For subsidiaries the company invests in by designated mortgage lien as the loan guarantee, please refer to Note 30.
- (2) Investments in the affiliated company

1. The balance the company investing in affiliated enterprises is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
A major affiliated company		
Nan Chung Petrochemical Corp.	\$ <u>1,076,723</u>	\$ <u>1,128,072</u>

2. A major affiliated company

<u>Company name</u>	<u>Nature of the operations</u>	<u>Main places of business operations</u>	<u>Shareholding and voting right ratio</u>	
			<u>December 31, 2022</u>	<u>December 31, 2021</u>
Nan Chung Petrochemical Corp.	Petrochemical business	Yunlin County	50%	50%

Summary financial information of Nan-Chung Petrochemical:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total assets	\$ 3,098,812	\$ 3,157,477
Total Liabilities	( <u>945,366</u> )	( <u>901,334</u> )
Equity	2,153,446	2,256,143
The company's shareholding ratio	<u>50%</u>	<u>50%</u>
Book value of investment	\$ <u>1,076,723</u>	\$ <u>1,128,072</u>
	<u>2022</u>	<u>2021</u>
Operating income - current	\$ <u>4,055,325</u>	\$ <u>6,326,962</u>
Net income or loss for current period	( \$ <u>107,710</u> )	\$ <u>51,560</u>
Current period other comprehensive profit or loss	\$ <u>5,014</u>	( \$ <u>2,285</u> )

The 2022 and 2021 profit or loss and other comprehensive profit or loss of the affiliated company under the equity method was recognized in accordance with the audited financial statements during the same period of the affiliated company.

3. For the share amount on affiliated enterprises the company designating mortgage lien as the loan guarantee, please refer to Note 30.



14. Property, plant and equipment

	<u>December 31, 2022</u>					<u>December 31, 2021</u>	
The book amount of each category							
Land			\$	2,926,476		\$	2,926,476
House and Building				922,995			977,364
Machine and Equipment				4,560,057			5,001,812
Transportation Equipment				6,124			5,668
Office Equipment				118,087			125,361
Construction in process and prepayment for machinery purchase				<u>191,789</u>			<u>136,973</u>
			\$	<u>8,725,528</u>		\$	<u>9,173,654</u>
						<u>Uncompleted construction and equipment pending inspection</u>	
	<u>Land</u>	<u>House and Building</u>	<u>Machine and Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>pending inspection</u>	<u>Total</u>
<u>Cost</u>							
Balance as of January 1, 2022	\$2,926,476	\$2,346,060	\$ 11,121,285	\$ 18,946	\$ 191,097	\$ 136,973	\$ 16,740,837
Increase in current period	-	857	56,288	1,540	1,090	56,707	116,482
Decrease in current period	-	-	( 90,095)	-	( 150)	-	( 90,245)
Reclassification	-	-	-	-	1,891	( 1,891)	-
Balance as of December 31, 2022	<u>\$2,926,476</u>	<u>\$2,346,917</u>	<u>\$ 11,087,478</u>	<u>\$ 20,486</u>	<u>\$ 193,928</u>	<u>\$ 191,789</u>	<u>\$ 16,767,074</u>
<u>Accumulated depreciation</u>							
Balance as of January 1, 2022	\$ -	\$ 983,043	\$ 5,592,842	\$ 12,104	\$ 59,427	\$ -	\$ 6,647,416
Increase in current period	-	55,226	498,033	1,084	10,128	-	564,471
Decrease in current period	-	-	( 89,378)	-	( 23)	-	( 89,401)
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 1,038,269</u>	<u>\$ 6,001,497</u>	<u>\$ 13,188</u>	<u>\$ 69,532</u>	<u>\$ -</u>	<u>\$ 7,122,486</u>
<u>Accumulated impairment</u>							
Balance as of January 1, 2022	\$ -	\$ 385,653	\$ 526,631	\$ 1,174	\$ 6,309	\$ -	\$ 919,767
Increase in current period	-	-	-	-	-	-	-
Decrease in current period	-	-	( 707)	-	-	-	( 707)
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 385,653</u>	<u>\$ 525,924</u>	<u>\$ 1,174</u>	<u>\$ 6,309</u>	<u>\$ -</u>	<u>\$ 919,060</u>
Net amount - January 1, 2022	<u>\$2,926,476</u>	<u>\$ 977,364</u>	<u>\$ 5,001,812</u>	<u>\$ 5,668</u>	<u>\$ 125,361</u>	<u>\$ 136,973</u>	<u>\$ 9,173,654</u>
Net amount - December 31, 2022	<u>\$2,926,476</u>	<u>\$ 922,995</u>	<u>\$ 4,560,057</u>	<u>\$ 6,124</u>	<u>\$ 118,087</u>	<u>\$ 191,789</u>	<u>\$ 8,725,528</u>
<u>Cost</u>							
Balance as of January 1, 2021	\$2,926,476	\$2,339,577	\$ 11,013,859	\$ 20,816	\$ 191,609	\$ 85,897	\$ 16,578,234
Increase in current period	-	6,483	112,232	2,330	675	51,076	172,796
Decrease in current period	-	-	( 4,806)	( 4,200)	( 1,187)	-	( 10,193)
Balance as of December 31, 2021	<u>\$2,926,476</u>	<u>\$2,346,060</u>	<u>\$ 11,121,285</u>	<u>\$ 18,946</u>	<u>\$ 191,097</u>	<u>\$ 136,973</u>	<u>\$ 16,740,837</u>
<u>Accumulated depreciation</u>							
Balance as of January 1, 2021	\$ -	\$ 925,658	\$ 5,088,998	\$ 15,365	\$ 50,650	\$ -	\$ 6,080,671
Increase in current period	-	57,385	507,860	939	9,964	-	576,148
Decrease in current period	-	-	( 4,016)	( 4,200)	( 1,187)	-	( 9,403)
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 983,043</u>	<u>\$ 5,592,842</u>	<u>\$ 12,104</u>	<u>\$ 59,427</u>	<u>\$ -</u>	<u>\$ 6,647,416</u>
<u>Accumulated impairment</u>							
Balance as of January 1, 2021	\$ -	\$ 385,478	\$ 482,988	\$ 784	\$ 6,309	\$ -	\$ 875,559
Increase in current period	-	175	43,679	390	-	-	44,244
Decrease in current period	-	-	( 36)	-	-	-	( 36)
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 385,653</u>	<u>\$ 526,631</u>	<u>\$ 1,174</u>	<u>\$ 6,309</u>	<u>\$ -</u>	<u>\$ 919,767</u>
Net amount - January 1, 2021	<u>\$2,926,476</u>	<u>\$1,028,441</u>	<u>\$ 5,441,873</u>	<u>\$ 4,667</u>	<u>\$ 134,650</u>	<u>\$ 85,897</u>	<u>\$ 9,622,004</u>
Net amount - December 31, 2021	<u>\$2,926,476</u>	<u>\$ 977,364</u>	<u>\$ 5,001,812</u>	<u>\$ 5,668</u>	<u>\$ 125,361</u>	<u>\$ 136,973</u>	<u>\$ 9,173,654</u>

- (1) As mentioned in Note 32, the company adjusted the 2021 capacity based on market conditions. The company anticipates reduced future economic benefits from plants and equipment. As a result, the recoverable amount will fall below the book value. The 2021 recognized impairment loss amounted to NT\$44,244 thousand. The impairment loss has been included under other income and expenses in the consolidated income statement.

The company determines the recoverable amount of plants and equipment after deducting the fair value from cost of disposal. Relevant fair values are determined through comprehensive evaluation using the cost method and market approach. The main assumptions include replacement cost under cost method, market approach functionality, economic loss, and other necessary adjustments, which fall under Level 3 fair value measurement.

- (2) Property, plant and equipment are depreciated in accordance with the straight-line method over the following respective useful years:

House and Building	
Buildings	20 to 60 years
Renovation engineering	8 to 30 years
Machine and Equipment	2 to 47 years
Transportation Equipment	5 to 15 years
Miscellaneous equipment	3 to 30 years

- (3) On December 31, 2022 and 2021, the company's uncompleted construction and equipment pending inspection mainly include: low-temperature waste heat recovery system engineering for steam power plants.
- (4) In 2022 and 2021, the company's real-estate, factories, and equipment capital financial costs include: NT\$6,226 thousand and NT\$5,448 thousand, with the capitalized annual interest rates of 1.27%~1.95% and 1.27%~1.52%, respectively.
- (5) Buildings belonging to the Company are leased out as operating leases for a period of 1–2 years. The lessee has no preferential purchase option with regard to the asset when the lease period ends. Total receivable lease payments for operating leases are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
First year	\$ 4,002	\$ 4,028
Second year	<u>13,620</u>	<u>419</u>
	<u>\$ 17,622</u>	<u>\$ 4,447</u>

- (6) Please see Note 30 for the status on property, plant and equipment provided as pledge collaterals.

#### 15. Lease Agreements

- (1) Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of the right-of-use asset		
Land	\$ -	\$ 22
Transportation Equipment	<u>7,389</u>	<u>2,668</u>
	<u>\$ 7,389</u>	<u>\$ 2,690</u>
	<u>2022</u>	<u>2021</u>
Addition of right-of-use assets	<u>\$ 9,336</u>	<u>\$ -</u>
Depreciation expense of the right-of-use asset		
Land	\$ 22	\$ 360
Transportation Equipment	<u>4,615</u>	<u>9,579</u>
	<u>\$ 4,637</u>	<u>\$ 9,939</u>

## (2) Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amount of the lease liabilities		
Current	\$ <u>5,879</u>	\$ <u>1,531</u>
Non-current	\$ <u>1,595</u>	\$ <u>1,188</u>

The range of discount rates for lease liabilities is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Land	-	1.53%
Transportation Equipment	1.80%~3.00%	1.65%~1.85%

## (3) Main lease activities and provisions

The Company has leased different types of transportation equipment for production and operations for an original period of 2–3 years. The lease agreement does not stipulate renewal of the lease or purchase options at the time of expiry of the lease.

## (4) Other lease-related information

For more details on operating lease agreements for self-owned buildings and investment property of the Company, please refer to Note 14 and 16.

	<u>2022</u>	<u>2021</u>
Short-term lease expense	\$ <u>5,799</u>	\$ <u>18,169</u>
Low-value asset lease expense	\$ <u>232</u>	\$ <u>252</u>
Total cash of leases outflow	( \$ <u>10,798</u> )	( \$ <u>28,589</u> )

The Company chose the machinery and transportation equipment qualifying for short-term lease and office equipment qualifying for low-value asset lease to apply the recognition exemption, and did not recognize such leases as related right-of-use assets and lease liabilities.

16. Investment property

	<u>Land at Chihsing Section, Wanhua, Taipei City</u>	<u>Land in Yunlin Spinning Industrial Park</u>	<u>Real estate at Toulou Section, Yunlin</u>	<u>House and land at Erh Chung Pu Section, Sanchung District, New Taipei City</u>	<u>Land in Xiaogang, Kaohsiung</u>	<u>Buildings in Xiaogang, Kaohsiung</u>	<u>Total</u>
<u>Cost</u>							
Balance as of January 1, 2022	\$ 156,712	\$ 34,943	\$ 18,094	\$1,418,195	\$ 390,563	\$ 45,824	\$2,064,331
Increase in current period	152,154	-	-	101,271	-	-	253,425
Acquisition of a subsidiary through merger	546,413	-	-	-	-	-	546,413
Decrease in current period	-	-	-	( 69,341 )	-	-	( 69,341 )
Balance as of December 31, 2022	\$ <u>855,279</u>	\$ <u>34,943</u>	\$ <u>18,094</u>	\$ <u>1,450,125</u>	\$ <u>390,563</u>	\$ <u>45,824</u>	\$ <u>2,794,828</u>
<u>Accumulated depreciation</u>							
Balance as of January 1, 2022	\$ -	\$ -	\$ -	\$ 1,057	\$ -	\$ 1,677	\$ 2,734
Increase in current period	-	-	-	99	-	1,118	1,217
Balance as of December 31, 2022	\$ -	\$ -	\$ -	\$ <u>1,156</u>	\$ -	\$ <u>2,795</u>	\$ <u>3,951</u>

	Land at Chihsing Section, Wanhua, Taipei City	Land in Yunlin Spinning Industrial Park	Real estate at Toulou Section, Yunlin	House and land at Erh Chung Pu Section, Sanchung District, New Taipei City	Land in Xiaogang, Kaohsiung	Buildings in Xiaogang, Kaohsiung	Total
<u>Accumulated impairment</u>							
Balance as of January 1, 2022	\$ -	\$ -	\$ 18,094	\$ -	\$ -	\$ -	\$ 18,094
Increase in current period	-	-	-	-	-	-	-
Balance as of December 31, 2022	\$ -	\$ -	\$ 18,094	\$ -	\$ -	\$ -	\$ 18,094
Net amount - January 1, 2022	<u>\$ 156,712</u>	<u>\$ 34,943</u>	<u>\$ -</u>	<u>\$ 1,417,138</u>	<u>\$ 390,563</u>	<u>\$ 44,147</u>	<u>\$ 2,043,503</u>
Net amount - December 31, 2022	<u>\$ 855,279</u>	<u>\$ 34,943</u>	<u>\$ -</u>	<u>\$ 1,448,969</u>	<u>\$ 390,563</u>	<u>\$ 43,029</u>	<u>\$ 2,772,783</u>
<u>Cost</u>							
Balance as of January 1, 2021	\$ 156,712	\$ 34,943	\$ 18,094	\$ 1,223,398	\$ 390,563	\$ 45,824	\$ 1,869,534
Increase in current period	-	-	-	194,797	-	-	194,797
Balance as of December 31, 2021	<u>\$ 156,712</u>	<u>\$ 34,943</u>	<u>\$ 18,094</u>	<u>\$ 1,418,195</u>	<u>\$ 390,563</u>	<u>\$ 45,824</u>	<u>\$ 2,064,331</u>
<u>Accumulated depreciation</u>							
Balance as of January 1, 2021	\$ -	\$ -	\$ -	\$ 957	\$ -	\$ 559	\$ 1,516
Increase in current period	-	-	-	100	-	1,118	1,218
Balance as of December 31, 2021	\$ -	\$ -	\$ -	\$ 1,057	\$ -	\$ 1,677	\$ 2,734
<u>Accumulated impairment</u>							
Balance as of January 1, 2021	\$ -	\$ -	\$ 18,094	\$ -	\$ -	\$ -	\$ 18,094
Increase in current period	-	-	-	-	-	-	-
Balance as of December 31, 2021	\$ -	\$ -	\$ 18,094	\$ -	\$ -	\$ -	\$ 18,094
Net amount - January 1, 2021	<u>\$ 156,712</u>	<u>\$ 34,943</u>	<u>\$ -</u>	<u>\$ 1,222,441</u>	<u>\$ 390,563</u>	<u>\$ 45,265</u>	<u>\$ 1,849,924</u>
Net amount - December 31, 2021	<u>\$ 156,712</u>	<u>\$ 34,943</u>	<u>\$ -</u>	<u>\$ 1,417,138</u>	<u>\$ 390,563</u>	<u>\$ 44,147</u>	<u>\$ 2,043,503</u>

Investment property is leased out for a period of 1–2 years. Upon closure of the leasehold duration, the lessee was not entitled to preferential leasehold power over the real estate.

As of December 31, 2022 and 2021, total receivable lease payments for operating leases of investment property are as follows:

	December 31, 2022	December 31, 2021
First year	\$ 258	\$ 86
Second year	24	-
	<u>\$ 282</u>	<u>\$ 84</u>

The Company has adopted general risk management policies to reduce residual asset risks of leased out investment property at the time of lease expiry.

Investment property of the appreciated in accordance with the straight line method over the useful years as follows:

House and Building	
Buildings	30 to 60 years
Renovation engineering	2 to 29 years

- (1) The company paid a total of N\$175,699 and NT\$370,714 to acquire a portion of the land number on Wenhua Zhixing Road Section in June 2022 and in December 2022, respectively, as a result of a parent-subsidiary merger between the parent company and the subsidiary.
- (2) In September 2021, the company sold a number of parcels of land in the Stanching District of New Taipei City. The transaction was finalized in January 2022. Disposal benefits totaled NT\$70,820 thousand off a sales price of NT\$140,192 thousand after deducting NT\$31 thousand in costs associated with the sale.
- (3) The fair values of the company's investment real estate amounted to NT\$3,533,405 thousand and NT\$2,642,403 thousand on December 31, 2022 and 2021 respectively. In particular, the amounts not evaluated by independent evaluators were NT\$735,795 thousand and NT\$634,504 thousand. The remaining was evaluated by an independent evaluation company using the level 3 input value in on December 31, 2022 and 2021. The evaluation is in reference to the market proof of real estate trading prices. The important assumptive and evaluated fair values are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Asset earning power	10%~20%	15%~22%
The overall capital interest rate during development	1.81%	1.17%

- (4) All investment properties of the Company are self-owned assets. For the amounts of the Company's investment in real estate, which had been pledged by the Consolidated Company' to collateralize loans, please refer to Note 30.

#### 17. Intangible asset

Intangible assets, was incurred because the Company entered into the patent license agreement for Shell EO/EG Method with Shell Research Limited to acquire the relevant patented technology to build the ethylene glycol plant. The patent license period was valid from the date of agreement and expired after five years. Notwithstanding, in consideration of the environment protection issue about the construction site, the progress of the ethylene glycol plant project was behind the schedule badly. Though Shell Research Limited agreed to continue licensing the patent, the Company still stated the royalty as impairment in whole upon evaluation.

#### 18. Other assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Restricted assets	\$ 138,582	\$ 130,878
Refundable deposit	32,083	117,445
Others	44,229	123,709
Collections - Net	<u>-</u>	<u>-</u>
	<u>\$ 214,894</u>	<u>\$ 372,032</u>
Current	\$ 147,148	\$ 133,331
Non-current	<u>67,746</u>	<u>238,701</u>
	<u>\$ 214,894</u>	<u>\$ 372,032</u>

The collection detail is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Delinquent Accounts	\$ 2,938	\$ 2,938
Less: loss reserve – collection	( <u>2,938</u> )	( <u>2,938</u> )
	<u>\$ -</u>	<u>\$ -</u>

- (1) Restricted current assets are earmarked for Customs Office clearance procedures and pledged collateral for short-term loans – please refer to Note 30.

(2) For loss allowances for non-accrual loans, please refer to Note 10.

19. Borrowing

(1) Shot-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured loans</u>		
Bank loan	\$ 2,860,000	\$ 1,700,000
<u>Unsecured loans</u>		
Credit loan	2,615,000	2,105,000
Material procurement loan	<u>2,092,585</u>	<u>2,743,247</u>
	<u>4,707,585</u>	<u>4,848,247</u>
	<u>\$ 7,567,585</u>	<u>\$ 6,548,247</u>

1. The bank loan interest rate in 2022 and 2021 are at between 1.54%~2.13% and 1.10%~1.50% respectively.
2. For the foresaid loan collateral information, please refer to Note 30.

(2) Short-term notes payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payable commercial paper	\$ 850,000	\$ 850,000
Less: Discount of short-term notes and bills payable	( <u>2,160</u> )	( <u>1,569</u> )
	<u>\$ 847,840</u>	<u>\$ 848,431</u>

The commercial notes payable's interest rate as of December 31, 2022 and 2021 are at between 2.14%~2.29% and 1.07%~1.10% respectively.

(3) Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Secured loans</u>		
Bank loan	\$ 6,482,528	\$ 5,291,228
<u>Unsecured loans</u>		
Credit loan	500,000	400,000
Less: Amount due in one year	( <u>1,047,528</u> )	( <u>1,869,028</u> )
Long-term borrowings	<u>\$ 5,935,000</u>	<u>\$ 3,822,200</u>

1. Mizuho Bank provided the company with a NT\$300,000 thousand long-term loan at a loan interest rate of 1.22% on December 31, 2021; the loan was paid in full by August 2022.
2. The company's long-term loan from Taiwan Cooperative Bank on December 31, 2021 amounted to NT\$1,721,500 thousand, the interest rate for the loan was between 1.80% and 1.85%. The loan was paid in full in June 2022. The company's factory land and buildings in the Kaohsiung factory were pledged as collateral for the loan.
3. The company's Taiwan Business Bank intermediate- and long as of December 31, 2022 and 2021 are at \$181,200 thousand and \$198,400 thousand respectively, with loan interest rate currently at 1.74%, with repayment by period per the loan contact in each year, with \$181,200 thousand becoming due in the future one year, where said loan pertains to posting company headquarters and related land and building as the collateral.
4. As of December 31, 2022 and 2021, CMFC had long-term borrowings from Land Bank of Taiwan at NT\$175,000 thousand, with the borrowing interest rate currently at 1.70%, paid by monthly. The contract is renewed every three months. The land and buildings of headquarters in Taipei are used as the collateral for the borrowing.
5. As of December 31, 2022 and 2021, the Company had intermediate-term borrowings from Union Bank of Taiwan at NT\$700,000 thousand and NT\$450,000 thousand, respectively, with the borrowing rate currently at 1.89~1.93%. The Company has repaid the borrowings periodically based on the loan agreement and a total of \$162,500 will be due in the next year. The shares of Taichung Commercial Bank are used as the collateral for the borrowing.
6. The company's long-term borrowing from the Bank of Panhsin as of December 31, 2022 and 2021 amounted to NT\$798,828 thousand and NT\$728,828 thousand. The borrowing rate of

interest is currently 1.70%–2.10%. The borrowing is to be repaid on schedule every year according to the loan contract. Within the next year, NT\$498,828 thousand will mature within one year. The land and buildings in Sanzhong District, New Taipei City are provided as borrowing collateral.

7. The long-term borrowing of China Man-Made Fiber Corporation from the Sunny Bank as of December 31, 2022 and 2021 amounted to NT\$600,000 thousand. The borrowing rate of interest is currently 1.82%, paid by monthly. The contract is renewed every year. 95,000,000 shares of the Taichung Commercial Bank Co., Ltd. shall be provided as borrowing collateral.
  8. The long-term borrowing of China Man-Made Fiber Corporation from the Jih Sun International Bank as of December 31, 2022 and 2021 amounted to NT\$1,025,000 thousand. The borrowing rate of interest is currently 1.76%, paid by monthly. The contract is renewed every year. 130,000 thousand shares of the Taichung Commercial Bank Co., Ltd. and 150,000 thousand shares of the Taiwan Tea Corporation shall be provided as borrowing collateral.
  9. The borrowing of China Man-Made Fiber Corporation from the Shanghai Commercial Bank as of December 31, 2022 and 2021 amounted to NT\$677,500 thousand and NT\$392,500 thousand. The borrowing rates of interest currently stand at 1.88%–1.93%, with repayment by period per the loan contract in each year. NT\$115,000 thousand will mature within one year. China Man-Made Fiber Corporation's 55,550 thousand shares from the Taichung Commercial Bank Co., Ltd. and the land and building premises in Xiaogang District, Kaohsiung City are provided as borrowing collateral.
  10. The company's long-term borrowing from the Sunny Bank as of December 31, 2022 and 2021 amounted to NT\$600,000 thousand and NT\$100,000 thousand. The borrowing rate of interest is currently 1.59%~1.88%, paid by monthly. The contract is renewed every three months to one year. The 67,800 thousand shares of Taichung Commercial Bank Co., Ltd. are provided as borrowing collateral.
  11. The company's long-term loan from the Shin Kong Commercial Bank on December 31, 2022 amounted to NT\$1,575,000 thousand. The interest rate for the loan was between 1.73% and 1.77%. The interest was paid monthly, and term-based payments were made beginning December 2022. Due the following year was a total of 50,000 thousand. The land and buildings in Dashe, Kaohsiung were pledged as collateral for the loan.
  12. The company's loan from Taiwan Cooperative Bank on December 31, 2022 amounted to NT\$650,000 thousand. The interest rate for the loan was between 1.70% and 1.85%. Interest was paid monthly, and the contract was renewed once a year. Due the following year was a total of 40,000 thousand. The land and buildings in Dashe, Kaohsiung were pledged as collateral for the loan.
  13. Please refer to Note 30 for the collateral of the long-term borrowings:
20. Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payable salary & bonus	\$ 96,588	\$ 118,531
Payable repair and maintenance expense	21,408	25,718
Payable export expense	16,095	25,699
Payable unloading fee	16,898	25,665
Payable insurance premium	8,544	8,623
Payable utilities expense	4,045	6,304
Payable pension	5,219	5,099
Others	58,790	82,154
	<u>\$ 227,587</u>	<u>\$ 297,793</u>

21. Provision for liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Net determined benefit liability	\$ 148,862	\$ 150,021
Pending litigation reserve (Note 31)	53,916	64,908
	<u>\$ 202,778</u>	<u>\$ 214,929</u>

(1) Defined contribution plan

The pension system of the “Labor Pension Act” that is applicable to the Company is a defined contribution pension plan subject to government management with an amount equivalent to 6% of the monthly salary appropriated and contributed to the personal account with the Bureau of Labor Insurance. In 2022 and 2021, the company allocated NT\$17,552 thousand and NT\$17,584 thousand, respectively, for recognition in the Consolidated Profit and Loss Statement in accordance with the proportion specified in the confirmed allocation plan.

(2) Defined benefit plan

The Company’s pension system under the “Labor Standards Act” of the R.O.C. is a defined benefit pension plan. Pension payment is calculated in accordance with the years of service and the average salary six months prior to the authorized retirement date. The company has a pension appropriated for an amount equivalent to 2% of the monthly salary and the proceeds are deposited in the designated account with Taiwan Bank in the name of the Labor Pension Reserve Commission. If the account balance before yearend is expected to be insufficient for paying the retiring employees of the year, the amount of difference should be appropriated in a lump sum before the end of March in the following year. The special account has been commissioned to the Bureau of Labor Fund of the Ministry of Labor Affairs for management. The Company contained in the financial statements exercises no influence on the right of the bureau in its investment management strategy.

The amount of determined benefit plan recognized in the individual balance sheet is shown below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of the defined benefit obligations	\$ 229,897	\$ 252,308
The fair value of plan assets	( <u>81,035</u> )	( <u>102,287</u> )
Appropriation shortage	<u>148,862</u>	<u>150,021</u>
Net determined benefit liability	\$ <u>148,862</u>	\$ <u>150,021</u>

Change in net determined benefit liability is shown below

	<u>Present value of the defined benefit obligations</u>	<u>The fair value of plan assets</u>	<u>Net determined benefit liability</u>
January 1, 2021	\$ <u>256,823</u>	( <u>\$ 102,492</u> )	\$ <u>154,331</u>
Service cost			
Current service cost	2,433	-	2,433
Interest expenses (revenues)	<u>899</u>	( <u>371</u> )	<u>528</u>
Recognized in the profit or loss	<u>3,332</u>	( <u>371</u> )	<u>2,961</u>
Reevaluation			
Return on plan assets	-	( 1,409 )	( 1,409 )
Actuarial loss – change in the assumption of the census	11,347	-	11,347
Actuarial gain – change in financial assumptions	( 7,878 )	-	( 7,878 )
Actuarial loss – adjustment through experience	<u>585</u>	<u>-</u>	<u>585</u>
Recognized in the other comprehensive profit or loss	<u>4,054</u>	( <u>1,409</u> )	<u>2,645</u>
Employer appropriation	-	( 6,551 )	( 6,551 )
Benefits paid	( 8,536 )	8,536	-
Company account payment	( <u>3,365</u> )	<u>-</u>	( <u>3,365</u> )
December 31, 2021	<u>252,308</u>	( <u>102,287</u> )	<u>150,021</u>
Service cost			
Current service cost	2,443	-	2,443
Interest expenses (revenues)	<u>1,892</u>	( <u>792</u> )	<u>1,100</u>
Recognized in the profit or loss	<u>4,335</u>	( <u>792</u> )	<u>3,543</u>
Reevaluation			



	Present value of the defined benefit obligations	The fair value of plan assets	Net determined benefit liability
Return on plan assets	-	( 7,911 )	( 7,911 )
Actuarial gain – change in financial assumptions	( 11,097 )	-	( 11,097 )
Actuarial loss – adjustment through experience	<u>23,118</u>	<u>-</u>	<u>23,118</u>
Recognized in the other comprehensive profit of loss	<u>12,021</u>	( <u>7,911</u> )	<u>4,110</u>
Employer appropriation	\$ -	( \$ 6,563 )	( \$ 6,563 )
Benefits paid	( 36,518 )	36,518	-
Company account payment	( <u>2,249</u> )	<u>-</u>	( <u>2,249</u> )
December 31, 2022	<u>\$ 229,897</u>	( <u>\$ 81,035</u> )	<u>\$ 148,862</u>

The pension fund system of the company contained in the financial statements is exposed to the following risks due to the “Labor Standards Act:”

1. Investment risk: The Bureau of Labor Fund of the Ministry of Labor Affairs uses the labor pension fund for investment in domestic and foreign equity securities and debt securities, and as bank deposits through proprietary trade or commissioned third parties. However, the amount attributable to the planned asset of the Company contained in the financial statements shall not fall below the interest rate offered by the banks in the regions or countries of investment for 2-year time deposit as return.
2. Interest risk: the decline of the interest rate for government/corporate bonds will cause an increase in the present value of determined benefit obligation. However, the ROI of the debt of the planned assets will also increase accordingly. The effect of the two on net determined benefit liability is mutually offsetting.
3. Salary risk: the calculation of the present value of determined benefit obligation is based on the salaries of the members in the plan of the future. As such, an increase of the salaries of the members of the plan is bound to increase the present value of determined benefit obligation.

The determined benefit obligation of the company contained in the financial statements is based on the actuarial calculation of the actuary and the major assumption as of the evaluation day is shown below:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.40%	0.75%
The expected rate of increase in salaries	2%	2%

In case of reasonable and possible change in the major actuarial assumptions, and other assumptions remained unchanged, the amount of increase (decrease) in the present value of determined benefit obligation will be:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate		
Increase by		
0.25%	( <u>\$ 4,355</u> )	( <u>\$ 5,017</u> )
Decrease by		
0.25%	<u>\$ 4,493</u>	<u>\$ 5,183</u>
The expected rate of increase in salaries		
Increase by		
0.25%	<u>\$ 4,323</u>	<u>\$ 4,963</u>
Decrease by		
0.25%	( <u>\$ 4,211</u> )	( <u>\$ 4,830</u> )

Actuarial assumptions may be inter-related. The possibility of change in specific assumption is not high. The aforementioned sensitivity analysis may not be able to reflect the actual change in the present value of determined benefit obligation.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Amount projected for appropriation in 1 year	\$ 6,564	\$ 6,551
Average maturity of determined benefit obligation	9 years	9 years

22. Other liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deferred loan item	\$ -	\$ 19,210
Deposits received	<u>1,864</u>	<u>2,364</u>
	<u>\$ 1,864</u>	<u>\$ 21,574</u>

Deferred loan item pertains to the company and its second subsidiary company's downstream trading's deferred unearned profit, with relevant details as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Jin Bang Ge Industrial Company Limited.	\$ -	\$ 19,210

23. Equity

(1) Paid-in capital

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Authorized number of shares (thousand shares)	<u>2,100,000</u>	<u>2,100,000</u>
Authorized capital	\$ <u>21,010,000</u>	\$ <u>21,010,000</u>
Number of shares issued with fully paid-in capital (thousand shares)	<u>1,686,210</u>	<u>1,686,210</u>
Outstanding capital	\$ <u>16,862,097</u>	\$ <u>16,862,097</u>

Common stock shares issued at NTD 10 Par and each share is entitled to one voting right and dividends.

On July 29th, 2021, the shareholder meeting resolved to recapitalize the undistributed earnings of NT\$648,425 thousand to 64,843 thousand shares, at a par value of NT\$10 per share, all of which were common stocks. As of December 31, 2021, the paid-in capital of the Company has increased to NT\$16,862,097 thousand, consisting of 1,686,210 thousand shares of common stock at a par value of NT\$10 per share.

(2) Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
For covering loss carried forward, payment in cash or capitalization as equity shares (Note)		
Shares issued in excess of par value	\$ 590,001	\$ 590,001
Assets received	2,129	2,129
Treasury stock transactions	772,194	772,194
Invalid ESO	2,600	2,600
<u>For covering loss carried forward only.</u>		
Changes in the ownership equity on a subsidiary	179,678	120,561
Transaction of treasury stock (cash dividends paid to subsidiaries)	<u>169,202</u>	<u>169,202</u>
	<u>\$ 1,715,804</u>	<u>\$ 1,656,687</u>

Note: Such additional paid-in capital can be used to make up for losses; also, when the company is without any loss, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

(3) Retained earnings and Dividend Policy

According to the Articles of Incorporation, the policy for the distribution of earnings stated that if there is a surplus after account settlement of the fiscal year, the company shall pay applicable taxes and cover loss carried forward, followed by the allocation of 10% of the remainder as legal reserve, and appropriate for special reserve or reverse special reserve. If there is still a balance, it will be pooled up with the undistributed earnings carried forward from previous years for distribution as shareholder dividends under a proposal prepared by the Board subject to the final approval of the General Meeting of Shareholders. The policy of remuneration to employees and Directors and Supervisors to the Articles of Incorporation is elaborated in Note 24 (7) to the financial statement, on Remuneration to Employees and Directors and Supervisors.

The Company's dividend policy shall be drafted subject to the Company's future investment environment and long-term financial planning, and also takes the shareholders' equity into consideration. The dividends shall be allocated in the form of cash dividend as the first priority per year, and may be allocated in the form of stock dividend, provided that the ratio of allocation of stock dividends shall be no more than 95% of the total dividends.

The Company has a special reserve appropriated and reversed in accordance with FSC.Certificate.Issue.Tzi No. 1010012865 Letter, FSC.Certificate.Issue.Tzi No. 1010047490 Letter, and "Special reserve appropriation Q&A after the adoption of International Financial Reporting Standards (IFRSs)." If the amount debited to the other shareholders' equity is reversed subsequently, the reversed amount can be distributed.

The legal reserve should be contributed until its balance reaches the Company's total paid-in capital. The legal reserve may be applied to make up loss. If there is no loss, the amount of legal reserve in excess of the paid-in capital by 25% could be allocated as capital stock and paid out as cash dividend.

The Company held General Shareholders Meetings on June 16, 2022 and July 29, 2021, which adopted resolutions with regard to the 2021 and 2020 surplus distribution proposals as follows:

	Earnings Distribution Proposal		Dividends Per Share (NTD)	
	2021	2020	2021	2020
Legal reserve	\$ 2,616	\$ 90,972		
Special reserve	-	( 6,177 )		
Cash dividends	-	162,106	\$ -	\$ 0.1
Stock dividends	-	648,425	-	0.4

The Company had resolved in the board meeting the earnings distribution of 2022 on March 8, 2023 as follows:

	Earnings	Dividends Per Share (NTD)
	Distribution Proposal	
Special reserve	\$ 2,721	\$ -

The proposal for the distribution of earnings in 2022 is pending on the resolution of the General Meeting of shareholders scheduled to be held in June 2023.

For more information on the proposal approved by the board of directors of the Company and the surplus distribution proposal adopted by resolution of the General Shareholders Meeting, please refer to the TWSE Market Observation Post System.

(4) Other equity

1. Exchange differences from the translation of financial statements of foreign operations

	2022	2021
Balance - beginning	( \$ 112,220 )	( \$ 116,241 )
Subsidiaries' conversion differential amount adopting the equity method	<u>15,682</u>	<u>4,021</u>
Balance - ending	( \$ <u>96,538</u> )	( \$ <u>112,220</u> )

2. Unrealized gain or loss on financial assets at fair value through other comprehensive profit or loss

	<u>2022</u>	<u>2021</u>
Balance - beginning	\$ 919,802	\$ 451,962
Accrued in current year		
Unrealized gain or loss		
Debt instruments	( 336,814 )	( 63,126 )
Equity instruments	221,329	556,895
Recognized share of the subsidiary adopting the equity method.	3,532	( 463 )
The accumulated gain/loss from the disposition of equity instruments will be transferred to retained earnings.	<u>9,016</u>	( <u>25,466</u> )
Balance - ending	<u>\$ 816,865</u>	<u>\$ 919,802</u>

(5) Treasury stock

The statement and changes of the Company's treasury stock in 2022 and 2021:

Cause	Transfer of shares to employees (Thousand shares)	Shares of parent company held by subsidiaries (in thousand shares)	Total (thousand shares)
Number of shares as of January 1, 2022	304	344,226	344,530
Increase in current period	-	-	-
Decrease in current period	-	-	-
Number of shares as of December 31, 2022	<u>304</u>	<u>344,226</u>	<u>344,530</u>
Number of shares on January 1, 2021	304	330,985	331,289
Increase in current period	-	13,241	13,241
Decrease in current period	-	-	-
Number of shares as of December 31, 2020	<u>304</u>	<u>344,226</u>	<u>344,530</u>

1. As of December 31, 2022 and 2021, relevant information on company shares held by its subsidiaries is as follows:

Name of Subsidiary	Ratio of Shareholdings %	Number of shares held (thousand shares)	Book Value	Market Value
<u>December 31, 2022</u>				
Pan Asia Chemical Corporation	44%	261,501	\$ 879,074	\$ 999,676
Deh Hsing Investment Co., Ltd.	100%	11,619	25,787	100,044
Chou Chin Industrial Co., Ltd.	50%	61,488	195,060	251,099
Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.)	38%	<u>9,618</u>	<u>35,136</u>	<u>31,129</u>
		<u><u>344,266</u></u>	<u><u>\$ 1,135,057</u></u>	<u><u>\$ 1,381,948</u></u>
<u>December 31, 2021</u>				
Pan Asia Chemical Corporation	44%	261,501	\$ 879,074	\$ 1,178,479
Deh Hsing Investment Co., Ltd.	100%	11,619	25,787	117,938
Chou Chin Industrial Co., Ltd.	50%	61,488	195,060	307,744
Chou Chang Corporation (subsidiary of Chou Chin Industrial CO., LTD.)	38%	<u>9,618</u>	<u>35,136</u>	<u>36,697</u>
		<u><u>344,266</u></u>	<u><u>\$ 1,135,057</u></u>	<u><u>\$ 1,640,858</u></u>

2. The company's Treasury stock may not be pledged in accordance with the Security and Exchange Law; moreover, it is without the privilege of dividend and voting right. Company shares held by its subsidiaries are deemed as shares held in vault in processing, and besides regulations set forth under the Corporate Law article 167 and article 179, the rest of which are the same as general shareholders' entitlements.

24. Business units in continuing operation income

Income from continuing operations department includes the following items

- (1) Other income and earnings and expense and loss

	<u>2022</u>	<u>2021</u>
Income derived from sales of substandard goods and scraps	\$ 2,493	\$ 13,276
Rental revenue	5,058	5,103
Others	<u>34,032</u>	<u>65,759</u>
	<u>\$ 41,583</u>	<u>\$ 84,138</u>

- (2) Gain (loss) on financial assets and liabilities at fair value through profit and loss

	<u>2022</u>	<u>2021</u>
<u>The realized gain (loss) of financial assets and liabilities measured at fair value through profit or loss</u>		

Stock	( \$ 1,391 )	\$ 3,184
Bonds	( 30 )	-
Beneficiary certificate	( <u>4,412</u> )	<u>2,456</u>
	( <u>5,773</u> )	<u>5,640</u>

The valuation gain (loss) of financial assets and liabilities measured at fair value through profit or loss

Stock	( \$ 10,266 )	\$ 2,122
Bonds	( 316 )	-
Beneficiary certificate	( <u>57,295</u> )	<u>49,675</u>
	( <u>67,877</u> )	<u>51,797</u>
	( \$ <u>73,650</u> )	<u>\$ 57,437</u>

- (3) Financial costs

	<u>2022</u>	<u>2021</u>
Interest from bank borrowings	\$ 202,102	\$ 152,087
Lease liability interest expenses	<u>186</u>	<u>111</u>
	202,288	152,198
Less: classified real estate, plant and equipment (Note 14)	( <u>6,226</u> )	( <u>5,448</u> )
	<u>\$ 196,062</u>	<u>\$ 146,750</u>

- (4) Financial assets impairment loss (reversal gain)

	<u>2022</u>	<u>2021</u>
Accounts receivable (included in operating expenses)	( \$ <u>22,681</u> )	<u>\$ 1,022</u>

## (5) Depreciation and amortization

	<u>2022</u>	<u>2021</u>
Property, plant and equipment	\$ 564,471	\$ 576,148
Investment property	1,217	1,218
Right-of-use assets	<u>4,637</u>	<u>9,939</u>
	<u>\$ 570,325</u>	<u>\$ 587,305</u>
Consolidation of depreciation expenses based on functions		
Operating cost	\$ 559,693	\$ 571,797
Operating expenses	<u>10,632</u>	<u>15,508</u>
	<u>\$ 570,325</u>	<u>\$ 587,305</u>

## (6) Employee benefits expenses

<u>2022</u>	<u>Operating cost</u>	<u>Operating expenses</u>	<u>Total</u>
Short-term employee benefits			
Salary & wage	\$ 380,506	\$ 58,152	\$ 438,658
Labor insurance and national health insurance	39,792	6,292	46,084
Remuneration to Directors	-	6,400	6,400
Other employee benefits expenses	<u>19,545</u>	<u>16,471</u>	<u>36,016</u>
	<u>439,843</u>	<u>87,315</u>	<u>527,158</u>
Pension expenses (Note 31)			
Defined contribution pension plan	14,976	2,576	17,552
Defined benefit plan	<u>2,830</u>	<u>713</u>	<u>3,543</u>
	<u>17,806</u>	<u>3,289</u>	<u>21,095</u>
Total employee benefits expenses	<u>\$ 457,649</u>	<u>\$ 90,604</u>	<u>\$ 548,253</u>
<u>2021</u>			
Short-term employee benefits			
Salary & wage	\$ 364,792	\$ 59,163	\$ 423,955
Labor insurance and national health insurance	39,874	5,915	45,789
Remuneration to Directors	-	6,143	6,143
Other employee benefits expenses	<u>21,160</u>	<u>16,916</u>	<u>38,076</u>
	<u>425,826</u>	<u>88,137</u>	<u>513,963</u>
Pension expenses (Note 31)			
Defined contribution pension plan	15,180	2,404	17,584
Defined benefit plan	<u>2,312</u>	<u>649</u>	<u>2,961</u>
	<u>17,492</u>	<u>3,053</u>	<u>20,545</u>
Total employee benefits expenses	<u>\$ 443,318</u>	<u>\$ 91,190</u>	<u>\$ 534,508</u>

The average numbers of company employees in 2022 and 2021 accounted for 660 and 657 people respectively. Among them, seven are board of directors not concurrently serving as employees.

In 2022 and 2021 average employee benefit expenses amounted to NT\$ 830 thousand and NT\$ 813 thousand, respectively; employee salary expenses amounted to NT\$ 672 thousand and NT\$652 thousand, which represents an adjustment by 3.07%.

The company has set up the Audit committee. No supervisors are hired. Therefore, no remunerations for supervisors are allocated.

The company's remuneration policy is as follows:

1. The remunerations for directors are in accordance with provisions in Article 22 and Article 40 of the company charter.
    - (1) The board of directors shall authorize remunerations for directors based on their level of participation in company operations and value contributed. Remunerations are set in reference to the standard of payment adopted by companies in the same trade.
    - (2) If the company has made profits during the year, remunerations for directors not exceeding 0.3% shall be granted upon resolution by the board of directors and shall be resolved at the shareholders' meeting
  2. Remunerations for managers and employees are conducted in accordance with the company's Charter Article 40, the Company Remuneration Committee Organizational Rules and related company regulations (including the Remunerations Management Guidelines, Assessment Guidelines, End-of-Year Bonus Distribution Guidelines, etc.)
    - (1) Remunerations for managers are set by the company's Remuneration Committee and are periodically assessed. In reference to the usual payment standard of the same industry, considerations are also given to personal performance, corporate operation performance, and the reasonability of association with future risks, which shall be submitted to the board of directors for resolution.
    - (2) Remunerations for employees are conducted in accordance with the company's regulations. In addition, considerations are given to personal work performance, and degree of corporate operation contribution. The reasonability of remunerations are periodically assessed.
    - (3) If the company has made profits during the year, 1%–5% will be allocated as remunerations for employees. The distribution ratio and distribution in shares or cash shall be resolved by the board of directors and shall be submitted to the shareholders' meeting for resolution.
- (7) Remuneration to employees and Directors

The Company appropriated 1% to 5% and no more than 0.3% of the earnings before taxation before the deduction of remuneration to the employees and Directors of the same year. No remuneration for employees and directors were allocated because of the pre-tax loss in 2022.

China Man-Made Fiber Corporation held board meetings on March 8, 2022 and March 15, 2021, which adopted resolutions to approve the 2018 and 2017 employee and director compensations as follows:

	2021		2020	
	Amount	Estimate on ratio	Amount	Estimate on ratio
Remuneration to employees	\$ 58	1.0%	\$ 10,778	1.0%
Remuneration to Directors	17	0.3%	3,234	0.3%

The actual amount for remuneration to employees, directors in 2022 and 2021 did not vary from the amount recognized in the individual financial statements of 2022 and 2021.

For further information on the appropriation of remuneration to the employees and Directors by the Board of Taichung Commercial Bank, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

## (8) Loss in impairment of non-financial assets

	<u>2022</u>	<u>2021</u>
Inventory (included in the operating costs)	( \$ 91,887 )	( \$ 7,432 )
Property, plant and equipment	-	( 44,244 )
Investment under the equity method	( <u>28,272</u> )	<u>-</u>
	( \$ <u>120,159</u> )	( \$ <u>51,676</u> )

25. Continuing department income tax

## (1) Main components of income tax expense recognized in profit or loss:

	<u>2022</u>	<u>2021</u>
Income tax expenses in the current period		
Accrued in current year	\$ -	\$ -
Prior years adjustment	( 190 )	-
Land revaluation increment tax	<u>9,344</u>	<u>-</u>
	<u>9,154</u>	<u>-</u>
Income tax expense recognized in the profit or loss	<u>\$ 9,154</u>	<u>\$ -</u>

Adjustment of accounting income and income tax expense are as follows:

	<u>2022</u>	<u>2021</u>
Income before tax from continuing operations	( \$ <u>1,343,099</u> )	<u>\$ 5,699</u>
Income tax expense of net income before tax at the statutory tax rate (20%)	( \$ 268,620 )	\$ 1,140
Non-deductible expenses and losses for tax purposes	60	26
Non-taxable income	( 59,104 )	( 138,168 )
Additional levy on undistributed earnings	-	-
Unrecognized deductible temporary differences and loss credit	327,664	137,002
Land revaluation increment tax	9,344	-
Income tax expense of prior years adjusted in the current year	( <u>190</u> )	<u>-</u>
Income tax expense recognized in the profit or loss	<u>\$ 9,154</u>	<u>\$ -</u>

## (2) Income tax benefits recognized in the other comprehensive profit or loss

	<u>2022</u>	<u>2021</u>
<u>Deferred tax</u>		
Accrued in current year		
- Re-evaluation of determined benefit plan	<u>\$ 822</u>	<u>\$ 529</u>

## (3) Current income tax asset

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current income tax asset		
Tax refund receivable	<u>\$ 1,042</u>	<u>\$ 1,081</u>

## (4) Deferred income tax assets and liabilities

Changes in the deferred income tax assets and liabilities are as follows:

2022



	Balance - beginning	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Balance - ending
<u>Deferred income tax assets</u>				
Temporary difference				
Property, plant and equipment	\$ 18,318	\$ -	\$ -	\$ 18,318
Inventory	23,134	-	-	23,134
Defined benefit pension plans	63,639	-	822	64,461
Loss allowance	39,256	-	-	39,256
Others	<u>38,291</u>	-	-	<u>38,291</u>
	182,638	-	822	183,460
Loss credit	<u>468,405</u>	-	-	<u>468,405</u>
	<u>\$651,043</u>	<u>\$ -</u>	<u>\$ 822</u>	<u>\$651,865</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Allowance for land increment value tax	<u>\$866,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$866,019</u>

2021

	Balance - beginning	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Balance - ending
<u>Deferred income tax assets</u>				
Temporary difference				
Property, plant and equipment	\$ 18,318	\$ -	\$ -	\$ 18,318
Inventory	23,134	-	-	23,134
Defined benefit pension plans	63,110	-	529	63,639
Loss allowance	39,256	-	-	39,256
Others	<u>38,291</u>	-	-	<u>38,291</u>
	182,109	-	529	182,638
Loss credit	<u>468,405</u>	-	-	<u>468,405</u>
	<u>\$ 650,514</u>	<u>\$ -</u>	<u>\$ 529</u>	<u>\$ 651,043</u>
<u>Deferred tax liabilities</u>				
Temporary difference				
Allowance for land increment value tax	<u>\$ 866,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 866,019</u>

- (5) The deductible temporary differences of deferred income tax assets not recognized on the balance sheet

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deductible temporary differences		
Allowance to reduce inventory to market	\$ 114,314	\$ 114,314
Defined benefit pension plans	7,550	7,550
Loss credit	<u>4,593,503</u>	<u>2,955,185</u>
	<u>\$ 4,715,367</u>	<u>\$ 3,077,049</u>

(6) Unused losses credit related information

Loss deduction as at December 31, 2022:

<u>Uncredited balance</u>	<u>Last year of credit</u>
\$ 505,260	2026
1,743,326	2029
1,474,481	2030
534,925	2031
<u>2,677,538</u>	2032
<u>\$ 6,935,530</u>	

(7) Income tax audit

The declared cases before 2020 have been approved by the taxation collection agency before the deadline of the company's business income tax declaration.

26. Earnings (losses) per share

	<u>2022</u>	<u>Unit: NTD per share</u> <u>2021</u>
Basic earnings per share (losses)	( \$ 1.01 )	\$ -
Diluted earnings per share (losses)	( \$ 1.01 )	\$ -

The net income (loss) and weighted average common stock shares used for calculating earnings (deficit) per share are as follows:

Net income (loss) for current period

	<u>2022</u>	<u>2021</u>
Net profit (loss) attributable to the company	( \$ 1,352,253 )	\$ 5,699

Quantity

	<u>2022</u>	<u>2021</u>
Weighted average common stock shares used to calculate basic earnings (losses) per share	1,341,680	1,341,680
Effect of dilutive potential common stock:		
Remuneration to employees	-	<u>220</u>
Weighted average common stock shares used to calculate diluted earnings (losses) per share	<u>1,341,680</u>	<u>1,341,900</u>

27. Capital risk management

Under the premise of capital management for assuring sustainable operation, the Company seeks to maximize return to shareholders through the optimization of debts and equity balance.

The company capital structure is made up of company net debt (meaning the borrowing minus cash and cash equivalent) and those belonging to company owner's equity (meaning its capitalization, capital reserve, retained earnings and other equity items).

The Company's management reviews the capital structure yearly, and the reviews include taking into consideration the cost of capital and the risks associated with each class of capital. The Company based on the suggestions of management has the overall capital structure balanced by paying dividends, issuing new shares, buying back shares and issuing new debts or paying back old debts.

28. Financial instruments

(1) Fair value information- Financial instruments that are not measured at fair value

The management of the Company believes that the carrying amount of financial assets and liabilities not measured by fair values approaches their fair values.

(2) Information on fair value – financial instruments at fair value on repetition.

1. Fair-value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit and loss</u>				
Shares traded on the Taiwan Stock Exchange or OTC exchange	\$ 11	\$ -	\$ -	\$ 11
Beneficiary certificates of funds	143,506	-	-	143,506
<u>Financial assets at fair value through other comprehensive profit or loss</u>				
Equity investment				
- Listed stocks – domestic and emerging stock	\$2,136,881	\$ -	\$ -	\$2,136,881
- Domestic non-listed (OTC) stocks	-	-	333,444	333,444
- Foreign TSEC/GTSM unlisted shares	-	-	7,833	7,833
Debt instrument				
- Domestic corporate bonds	-	110,000	-	110,000
	<u>\$2,280,398</u>	<u>\$ 110,000</u>	<u>\$ 341,277</u>	<u>\$2,731,675</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at fair value through profit and loss</u>				
Shares traded on the Taiwan Stock Exchange or OTC exchange	\$ 8	\$ -	\$ -	\$ 8
Beneficiary certificates of funds	240,621	-	-	240,621
<u>Financial assets at fair value through other comprehensive profit or loss</u>				
Equity investment				
- Listed stocks – domestic and emerging stock	1,890,380	-	-	1,890,380
- Domestic non-listed (OTC) stocks	-	-	292,849	292,849
- Foreign TSEC/GTSM unlisted shares	-	-	7,507	7,507
Debt instrument				
- Domestic corporate bonds	-	110,000	-	110,000
	<u>\$2,131,009</u>	<u>\$ 110,000</u>	<u>\$ 300,356</u>	<u>\$2,541,365</u>

The transfer between Level 1 and Level 2 fair value did not occur in 2022 and 2021.

2. Financial instruments are adjusted according to Level 3 fair value.

2022

Financial Assets	Financial assets at fair value through other comprehensive profit or loss		Total
	Equity instruments	Debt instruments	
Balance - beginning	\$ 300,356	\$ -	\$ 300,356
Recognized in the other comprehensive profit of loss			
- Purchase	50,685	-	50,685
- Disposition	1,211	-	1,211
	( 10,975 )	-	( 10,975 )
Balance - ending	<u>\$ 341,277</u>	<u>\$ -</u>	<u>\$ 341,277</u>

2021

Financial Assets	Financial assets at fair value through other comprehensive profit or loss		Total
	Equity instruments	Debt instruments	
Balance - beginning	\$ 274,129	\$ -	\$ 274,129
Recognized in the other comprehensive profit of loss	37,533	-	37,533
- Purchase	881	-	881
- Capital reduction and return	( 12,187 )	-	( 12,187 )
Balance - ending	<u>\$ 300,356</u>	<u>\$ -</u>	<u>\$ 300,356</u>

3. Evaluation techniques and an input value of Level 2 fair value measurement

Categories of financial instruments	Evaluation techniques and input values
Non-derivatives	The bid price in active markets is not taken as fair value.

4. Techniques and input value for measurement of Level 3 fair value

Categories of financial instruments	Evaluation techniques and input values
Investment equity not listed at TWSE (TPEX)	Market multiple method: The fair value of the subject matter may be evaluated by comparison with the bid price of the stocks in the industry in the active market with liquidity discount ratio taken into account and the corresponding net value of multiples.

5. The measurement of Level 3 fair value is the sensitivity analysis of the reasonable substituted assumption of fair value

The significant unobservable input value under the market multiple method adopted by the company is the liquidity discount ratio. When the ratio increases, the fair value of the investment decreases. Sensitivity analysis is compiled as follows:

Risk factors	Changes	Effects
Liquidity Discount Ratio	10%	( \$ 14,320 )

(3) Categories of financial instruments

	December 31, 2022	December 31, 2021
<u>Financial Assets</u>		
Measured at fair values through profit and/or loss		
Measured at fair value through income under compulsion	\$ 143,517	\$ 240,629
Financial assets on the basis of cost after amortization (Note 1)	2,886,555	3,661,673
Financial assets at fair value through other comprehensive profit or loss		
Equity investment	2,478,158	2,190,736
Debt instrument	110,000	110,000
<u>Financial Liabilities</u>		
Measured at cost after amortization (Note 2)	16,443,724	14,447,573

Note 1: The balance includes cash and cash equivalent, notes receivable, accounts receivable, other receivables (excluding tax rebates receivable), withheld guarantee (classified as

other asset in the account) and restricted asset – liquid (classified as other liquid asset in the account) and related financial assets measured by cost.

Note 2: The balances included short-term loans, short-term bills payable, notes payable, accounts payable, other payables, long-term loans (including those with one-year to maturity) and deposits received such financial liabilities measured at post-amortization costs.

(4) Purpose and policy of financial risk management

The main financial tools of the Company include equity and debt investments, accounts receivable, other receivables, accounts payable, loans and other payables. The company’s financial management department shall provide services to each business unit, to plan and coordinate operations in the domestic financial markets, and to monitor and manage the company’s operation-related financial risks with the internal risk report, with the risk exposure analyzed in accordance with the degree and breadth of risks. The risks include market risk, credit risk and liquidity risk.

1. Market risk

The company’s operating activities subjecting the company to shoulder key financial risks being the foreign exchange rate fluctuation risk, interest rate fluctuation risk and equity securities pricing fluctuation risk.

The exposure of market risk of the financial instruments of the Company and the management and measurement of this risk remained unchanged.

(1) Exchange rate risk

The company incurs exchange rate fluctuation exposure for engaging in foreign currency-priced sales transactions. Approximately 40% of the company’s sales amount is priced by nonfunctional currency. The company’s exchange rate exposure management is within the permitted scope of the policies and with the use of forward foreign exchange contract to manage risk.

Sensitivity analysis

The company is mainly affected by the changes in the exchange rate of USD.

The Branch’s sensitivity analysis for the exchange rate of NT dollar (the functional currency) to each relevant foreign currency increased or decreased by 3% is detailed as follows. The 3% sensitivity rate is used for the Branch’s reporting exchange rate risk to management; also, it is management’s reasonable estimation of the possible fluctuation in exchange rates.

The sensitivity analysis includes only the outstanding foreign currency monetary items; also, the translation at yearend is adjusted with the change in exchange rate by 3%. The positive figures in the below table indicate that when various relevant currencies devaluating at 3%, which will affect the pretax net earnings’ amount; when NTD appreciating by 3% to various relevant currencies, its impact to the pretax net earnings will be at the same amount but in a negative figure.

	The impact of the U.S. dollar	
	2022	2021
Profit and loss	\$ 13,494	\$ 19,976

(2) Interest rate risk

The Company is exposed to interest rate risks due to funds borrowed at floating interest.

The carrying amount of financial assets and liabilities of the Company under interest rate exposure on balance sheet date is as follows:

	December 31, 2022	December 31, 2021
With fair value interest rate risk		
- Financial Assets	\$ 138,582	\$ 130,878
- Financial Liabilities	7,474	2,719
Contain cash flow interest rate risk		
- Financial Assets	110,000	110,000
- Financial Liabilities	15,397,953	13,087,906

Sensitivity analysis

The following sensitivity analyses are based on the interest rate risk exposure of the derivative and non-derivative instruments on the balance sheet date. For liabilities with floating rate, it is analyzed by assuming the liabilities on the balance sheet date are outstanding throughout the reporting period. The fluctuation rate used on the interest rate in company internal report to key management level is at the interest rate plus or minus 100 base points, which also represents company management's assessment on rational probable fluctuation range on the interest rate.

If the interest rate increasing/decreasing by 100 base points, and under the circumstance that all other variables remain unchanged, the company's pretax net earnings in 2022 and 2021 will also be decreased/increased by NT\$152,880 thousand and NT\$129,779 thousand.

(3) Other price oriented risks.

The company has incurred equity pricing exposure for investing in OTC equity securities investment and beneficiary certificates. The equity investments (except for financial assets at fair value through profit or loss) are not held for trading and are considered strategic. The Company has not actively traded such investments. The company's equity pricing risk primarily concentrates on equity instructions at Taiwan Stock Exchange.

Sensitivity analysis

The below listed sensitivity analysis has been sought by equity pricing exposure on the balance sheet date.

If equity prices rise/fall by 15%, pre-tax profits/losses of the Company in 2022 and 2021 will increase/decrease by NT\$ 21,528 thousand and NT\$ 36,094 thousand, while equity will increase/decrease by NT\$ 371,724 thousand and NT\$ 328,610 thousand, respectively.

2. Credit risk

Credit risk refers the risk that the company will incur a financial loss if its clients or counterparties fail to fulfill their contractual obligations. As of the balance sheet date, the Company's maximum credit risk exposure of financial loss due to the counterparty's failure in fulfilling contractual obligations is mainly derived from the book value of the financial assets recognized on the individual balance sheet.

To mitigate the credit risk, the company management has assigned designated personnel responsible for determining the line of credit cap, loan approval and adopting other adequate monitoring procedure, through which to ascertain that adequate action has been taken on recalling overdue receivables. In addition, the Company will review the recoverable amount of receivables on each balance sheet date to ensure that appropriate impairment loss has been appropriated for the uncollectible receivables. Under the circumstance, the Company's management believes that the Company's credit risk is significantly reduced.

The company continues to assess the financial condition of the customers of accounts receivable.

Except for the major customer Company A of the consolidated company, the company does not have a significant credit exposure to any single counterparty or any group counterparty with similar characteristics. When the counterparty is an affiliated company, the company has it defined as a counterparty with similar characteristics. State of credit risk concentration on Company A in 2022 and 2021 are at 7% and 6% respectively to the total monetary-based assets; state of other transaction opponents' credit risk concentration in 2022 and 2021 are at 23% and 40% to the total monetary-based assets respectively.

3. Liquidity risk

The company has supported the Group's business operation and mitigated the impact of changes in cash flow by managing and maintaining sufficient cash and cash equivalent position. The Company's management monitors the use of banking facilities and ensures the compliance of loan agreement.

Bank loan is a main source of liquidity to the company. Please refer to Note (2) "introduction of financing quota" for the Company's unused financial quota as of December 31, 2022 and 2021.

(1) Liquidity risk table for non-derivative financial liabilities

Non-derivative financial liabilities remaining contract maturity analysis is prepared in accordance with the consolidated company's undiscounted cash flow of financial liabilities on the possible earliest repayment date upon request. The following table shows the earliest times that the Company may be demanded to make immediate repayment of bank loans, without considering the likelihood of such demands. Maturity analysis of other non-derivative financial liabilities is prepared based on the agreed repayment date.

December 31, 2022

	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Shot-term borrowings	\$2,186,000	\$2,238,645	\$2,092,940	\$1,050,000	\$ -	\$7,567,585
Short-term notes payable	150,000	700,000	-	-	-	850,000
Long-term borrowings	-	4,300	106,800	936,428	5,935,000	6,982,528
Payables	953,790	48,534	41,583	-	-	1,043,907
Deposits received	-	-	-	-	1,864	1,864
Lease liabilities	529	1,038	1,557	2,876	1,601	7,601

December 31, 2021

	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days to 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
<u>Non-derivative financial liabilities</u>						
Shot-term borrowings	\$ 693,368	\$2,908,357	\$ 515,096	\$2,431,426	\$ -	\$6,548,247
Short-term notes payable	150,000	700,000	-	-	-	850,000
Long-term borrowings	25,000	963,800	196,300	683,928	3,822,200	5,691,228
Payables	1,248,144	57,025	45,334	6,800	-	1,357,303
Deposits received	-	-	-	-	2,364	2,364
Lease liabilities	151	257	386	771	1,196	2,761

(2) Financing amount

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Bank loan amount (renewal must be with the mutual agreement)		
The loan quota used	\$ 15,397,953	\$ 13,087,906
The loan quota not yet used	<u>4,132,787</u>	<u>3,457,361</u>
	<u>\$ 19,530,740</u>	<u>\$ 16,545,267</u>

29. Related Party Transactions

(1) Name and affiliation of related parties

<u>Name</u>	<u>Affiliation</u>
Taichung Commercial Bank	Subsidiary of the Company
Pan Asia Chemical Corporation	Subsidiary of the Company
Deh Hsing Investment Co., Ltd.	Subsidiary of the Company
Taichung Securities Investment Trust Co., Ltd.	Subsidiary of the Company
Chou Chin Industrial Co., Ltd.	Subsidiary of the Company
IOLITE COMPANY LTD.	Indirect subsidiary of the Company
Precious Wealth International Limited	Indirect subsidiary of the Company
Hammock (Hong Kong) Company Limited	Indirect subsidiary of the Company
Hebei Hanoshi Contact Lens Co., Ltd.	Indirect subsidiary of the Company
Taichung Bank Insurance Agency Co., Ltd.	Indirect subsidiary of the Company
Taichung Commercial Bank Lease Enterprise	Indirect subsidiary of the Company
Taichung Commercial Bank Consolidated Securities	Indirect subsidiary of the Company

Name	Affiliation
Co., Ltd.	
TCCBL Co., Ltd.	Indirect subsidiary of the Company
Taichung Commercial Bank Lease Enterprise (Suzhou) Ltd	Indirect subsidiary of the Company
Taichung Bank Venture Capital Co., Ltd.	Indirect subsidiary of the Company
GREENWORLD FOOD CO., LTD.	Indirect subsidiary of the Company
Chou Chang Corporation	Indirect subsidiary of the Company
Bomy Enterprise	Indirect subsidiary of the Company
Bomy Shanghai	Indirect subsidiary of the Company
Yuju Universal Corporation	Indirect subsidiary of the Company
Noble House Glory	Indirect subsidiary of the Company
Shanghai Bangyi International Trading Co., Ltd.	Indirect subsidiary of the Company
Shanghai Bomy Consultancy Management Co., Ltd.	Indirect subsidiary of the Company
Chung Chien Investment Co., Ltd.	Investors with control
Pan Asia Investment Co., Ltd.	Investors with control
Nan Chung Petrochemical Corp.	Affiliated enterprises
WK TAIPEI CO., LTD	Affiliated enterprises
Storm Model Management Co., Ltd.	Affiliated enterprises
BONWELL PRAISE Co., Ltd	Affiliated enterprises
Qian Teng PR Planning (Shanghai), Co., Ltd.	Affiliated enterprises
Shanghai Nianjia Cultural Diffusion Co., Ltd.	Affiliated enterprises
Hua Nan Financial Holding	Substantial related party
Hua Nan Bank	Substantial related party
Hua Nan Insurance	Substantial related party
Hsu Tian Investment Co., Ltd.	Substantial related party
TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD	Substantial related party
TA YI DEVELOPMENT CO., LTD.	Substantial related party
Yu Hwei Technology Co., LTD.	Substantial related party
Formosa Imperial Wineseller Corp.	Substantial related party
Formosawine Vintners Corporation	Substantial related party
Da Fa Investment Company	Substantial related party
Sheng Jen Knitted Textiles Co., Ltd.	Substantial related party
Reliance Consolidated Securities Co., Ltd.	Substantial related party
Wang Wan Chin Education Foundation	Substantial related party
Sheng Yuan Zhe Investment	Substantial related party
Chao Qing Investment Co., Ltd.	Substantial related party
Peng Hsu Investment Company	Substantial related party
General Pride Enterprise Co., Ltd.	Substantial related party
Shield Bright Investment Limited	Substantial related party
Feng Chi Investment Co., Ltd.	Substantial related party
Lei Fu Life Enterprise Co., Ltd.	Substantial related party
KeyWisdom Technology Co., Ltd.	Substantial related party
Shen Ching Investment Co., Ltd.	Substantial related party
Yao Shang Investment Co., Ltd.	Substantial related party
Chi Ta Investment Co., Ltd.	Substantial related party
Hsu Yi Investment Co., Ltd.	Substantial related party
Chung Chien Recreation Investment Co., Ltd.	Substantial related party
Others	Key management personnel of the company and their spouses and relatives within the second degree of kinship

(2) Important transactions between the Company and related parties:

Except as disclosed in other notes, transactions between the Companies and related parties, are also as follows:



## 1. Goods sold

Name	2022	2021
Pan Asia Chemical Corporation	\$ <u>835,889</u>	\$ <u>790,366</u>

- (1) The terms and conditions of the Company's sale to said related parties are as same as that to the general customers, other than some sales which no similar sales may be comparable to. The general customers apply the A/R settlement from 1 month ~2 months.
- (2) The Company's sales to Pan Asia Chemical Corporation primarily refer to the eto ethylene oxide and nonylphenol produced by the Company's Kaohsiung Plant.
- (3) The Company entered into the sale contract for the eto ethylene oxide, which is outlined as following:
- A. Contract period: from July 1, 2020 to June 30, 2025, subject to renegotiation upon expiry.
- B. Quantity: To be supplied based on the scheduled quantity requested by Pan Asia Chemical Corporation, provided that the Company may adjust the quantity subject to its production.
- C. Purchasing price: to be settled based on the pricing method agreed by both parties.

## 2. Purchases

Name	2022	2021
Nan Chung Petrochemical Corp.	\$ 1,946,821	\$ 3,132,235
Pan Asia Chemical Corporation	<u>23</u>	<u>851</u>
	<u>\$ 1,946,844</u>	<u>\$ 3,133,086</u>

The terms and conditions of the Company's purchase from said related parties are as same as that to the general suppliers. The general suppliers apply the A/R settlement 1 month~2 months.

## 3. Bank deposits and interest revenue

Name	2022		2021	
	Balance - ending	Interest revenue	Balance - ending	Interest revenue
Hua Nan Bank	\$ 86,595	\$ 93	\$ 73,683	\$ 10
Taichung Commercial Bank	<u>126,235</u>	<u>4,505</u>	<u>79,817</u>	<u>4,303</u>
	<u>\$ 212,830</u>	<u>\$ 4,598</u>	<u>\$ 153,500</u>	<u>\$ 4,313</u>

## 4. Related party receivables

Name	December 31, 2022	December 31, 2021
Accounts receivable		
Pan Asia Chemical Corporation	\$ <u>263,275</u>	\$ <u>130,201</u>
Other receivables		
Subsidiaries	\$ <u>204</u>	\$ <u>204</u>

## 5. Payable accounts from related parties

Name	December 31, 2022	December 31, 2021
Payable accounts and notes		
Pan Asia Chemical Corporation	\$ -	\$ 164
Nan Chung Petrochemical Corp.	<u>281,658</u>	<u>367,169</u>
	<u>\$ 281,658</u>	<u>\$ 367,333</u>
Other payables		
Substantial related party	\$ 853	\$ -
Subsidiaries	<u>132</u>	<u>59</u>
	<u>\$ 985</u>	<u>\$ 59</u>

## 6. Rental revenue

Name	2022	2021
Pan Asia Chemical Corporation	\$ 3,187	\$ 3,187
Others	<u>294</u>	<u>176</u>
	<u>\$ 3,481</u>	<u>\$ 3,363</u>

The rental was negotiated and agreed based on the rental prevailing in the neighborhood and payable per month.

## 7. Disposal of property, plant and equipment

Name	Disposal price		Disposal profit	
	2022	2021	2022	2021
Pan Asia Chemical Corporation	\$ -	\$ 960	\$ -	\$ 960

The Company's Board has decided on the sale of houses and buildings on No. 8, Jingjian Rd., Dashe Dist., Kaohsiung City 815 to Pan Asia Chemical Corporation on January 18th, 2021. The contract price is \$960,000, and the transfer registration has been completed on July 13th, 2021.

## 8. Other income

Name	2022	2021
Hua Nan Bank	\$ 9,647	\$ 4,989
Pan Asia Chemical Corporation	8,047	3,847
TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD.	96	96
Chou Chin Industrial Co., Ltd.	<u>240</u>	<u>240</u>
	<u>\$ 18,030</u>	<u>\$ 9,172</u>

The company's 2022 and 2021 other income from Hua Nan Commercial Bank Company pertains to the company serving as Hua Nan Commercial Bank Co.'s institutional director has received of director/auditor remuneration and director/auditor attendance travel expense income.

## 9. Dividends income

Name	2022	2021
Hua Nan Bank	\$ <u>54,643</u>	\$ -

## 10. Pre-paid expenses

Name	<i>December 31, 2022</i>	<i>December 31, 2021</i>
Substantial related party	\$ -	\$ 981

## (3) Lease agreements

Name	2022	2021
<u>Interest expenses</u>		
Pan Asia Chemical Corporation	\$ 26	\$ 3

## (4) Remuneration to the management

	2022	2021
Short-term employee benefits	\$ 18,662	\$ 17,550
Retirement benefits	447	443
	<u>\$ 19,109</u>	<u>\$ 17,993</u>

The salaries and remunerations to directors and other key management were determined by the Salary Committee in accordance with the personal performances and trends in the markets:

## (5) Other related party transaction

1. The company participated in the cash capital increase of Taichung Commercial Bank in 2022 and 2021. The new investment in the amount of NT\$479,411 thousand and NT\$367,998 thousand respectively. The shareholding ratio decreased from 21.76% to 21.76% and 22% to 21.76% respectively due to failure to subscribe according to the shareholding ratio.
2. The company participated in the 2021 cash capital increase of Technic Investment (International) Limited by purchasing an additional 25,000 thousand shares at a cost of NT\$250,000 thousand. Additionally, in May, July, and August 2022, capital decrease and return of payment of shares were resolved, accounting for 25,000 thousand shares, 26,000 thousand shares, and 50,000 thousand shares, respectively. The investment costs decreased by NT\$250,000 thousand, NT\$260,000 thousand, and NT\$500,000 thousand, respectively, and the shareholdings ratios remained unchanged.

30. Pledged assets

The details of the company pledging its assets as bank loan's mortgaging collateral, import duty guarantee payment, guarantee for hiring foreign workers is as follows (shown by book value):

	December 31, 2022	December 31, 2021
Restricted assets-current-pledged time deposit	\$ 138,582	\$ 130,878
Common share investment (financial asset classified in the account as other general loss or gain, measured by fair value – non-liquid)	344,523	328,838
Investment under the equity method	7,304,240	4,975,286
Investment-based real estate – the land and building at Erchungpu Section, Sanchung District	634,738	704,177
Property, plant and equipment- Land	2,863,895	2,863,895
Real estate, plant and equipment – property and building	301,052	319,166

The fund and investment-common stock furnished as security is stated as following:

	December 31, 2022	December 31, 2021
The financial assets measured for the fair values through other comprehensive income- non-current- Hua Nan Financial Holding	1,148 thousand shares	1,148 thousand shares
The financial assets measured for the fair values through other comprehensive income- non-current- Taiwan Tea Corporation	15,000 thousand shares	15,000 thousand shares
Investment adopting the equity method – Nan Chung Petrochemical Corp.	10,000 thousand shares	10,000 thousand shares
Investment adopting the equity method – Taichung Commercial Bank Company, Limited	521,350 thousand shares	347,050 thousand shares

31. Significant contingent liabilities and unrecognized contractual commitments

In addition to those disclosed in other notes, the significant commitments and contingencies of the Company as of balance sheet date were as follows:

- (1) As of December 31, 2022 and 2021, the Company had opened unused credit line of letter of credit at NT\$2,055,800 thousand and NT\$1,911,489 thousand, respectively.
- (2) The company and Air Liquide Company have signed of gas purchasing contract, where the contract specifies a minimum purchasing volume for oxygen and nitrogen, with purchasing price, besides at monthly cost of approximately \$13,800 thousand, which is subject to adjustment per wholesale price index in April every year, and is calculated at the contract price on oxygen and nitrogen purchasing volumes, with said purchasing contract period set to 240 months, and will be automatically extended for 36 months at contract expiry if the two parties made no contest, and if the contract needs to be terminated, a 24-month advance notice is required, with the two parties determining said contract's starting date as July 1, 2014.
- (3) O-Bank and Yuanta Bank filed a litigation in February and November, 2020 by reason of several employees receiving the aforementioned bank's assignment of claim notice and serving as the contact window in cooperation with the New Site Industries Inc., resulting in bank clerks' error and mistakenly believing the company, Yijinyang Industries Co., Ltd., and New Brite Industries Inc. incurred transactions and continuing to lend and allocate funds, and claiming the company and employees shall be jointly and severally liable for compensation. The Company has commissioned a defense attorney to represent the Company in this lawsuit. Based on the lawyer's opinion, this case subjectively possesses no external form of duties performed by employed persons. After the trial, the court deemed the bank's entitlement to seeking compensation from the company. If the bank is at fault shall also be determined, which will reduce or exempt the company from compensation liability (i.e. the compensation amount). The company has provisioned for liability reserve for the pending litigation. See Note 21.

32. Other matters

The company has been impacted by the recent worldwide outbreak of COVID-19. Although the textile industry's downstream sector has recovered, demand has not yet returned to pre-pandemic levels because the pandemic situation in different countries varies, mainly the result of the continuous adjustments in the supply and demand of ethylene glycol in 2022.

In coping with the impact of the pandemic, the company has adjusted its operational strategies and has implemented strict control on inventory. In terms of raw materials, procurements are made based on order demand quantity, while the safe stock is reduced. In addition, production is scheduled based on actual orders placed by customers or agents, thereby reducing finished product stock and timely adjusting price strategies to achieve balanced production and sales. Furthermore, the company plans to actively differentiate products on some production lines to increase revenues and profits. This is to avoid the price disadvantages of bulk specifications and competition from China and ASEAN countries. Meanwhile, impacts brought about by oil price fluctuations are reduced, including planned exports to make up for impacts arising from short-term domestic work suspension.

In view of the above, the company shall evaluate the business and financial aspects have not been subject to major impacts. In addition to the above-mentioned measures, the company shall continue to evaluate its ability to continue operating and possible effects arising from impairment of assets and funding risks.

33. Information about foreign exchange of foreign currency financial assets and liabilities

The information about foreign currency financial assets and liabilities rendering material effect on the Company:

December 31, 2022

<u>Financial Assets</u>	<u>Foreign Currency</u>	<u>Foreign Exchange Rate</u>	<u>Book Value</u>
<u>Monetary Items</u>			
USD	\$ 36,348	30.71	\$ 1,116,247
EURO	1,723	32.72	56,377
JPY	79,032	0.23	18,177

December 31, 2021

	Foreign Currency	Foreign Exchange Rate	Book Value
Financial Assets			
Monetary Items			
USD	\$ 72,235	27.68	\$ 1,999,465
EURO	1,928	31.32	60,385
JPY	9,952	0.24	2,388

The merged company's 2022 and 2021 foreign currency exchange loss or gain (loss) (including realized and unrealized) is at NT\$149,084 thousand and NT\$(31,651) thousand respectively, and since the foreign currency transaction types are innumerable, thus it is unable to disclose the impact of loss or gain by foreign currency type.

#### 34. Disclosures

- (1) Material transactions and transfer investment information:
  1. Loans to others. (Refer to page 302 for detail)
  2. Endorsements/guarantees to others. (Refer to page 303 for detail)
  3. Marketable securities – ending. (Refer to page 304-307 for detail)
  4. Cumulative amount of the same marketable securities purchased or sold reaching NT\$300 million or more than 20% of the Paid-in shares capital. (Refer to page 307 for detail)
  5. Acquisition amount of real estate reaching NT\$300 million or more than 20% of the Paid-in shares capital (Refer to page 308 for detail)
  6. Amount on disposal of real estate reaching NT\$300 million or more than 20% of the Paid-in shares capital (None)
  7. Amount on purchase from and sale to related parties reaching NT\$100 million or more than 20% of the Paid-in shares capital (Refer to page 308 for detail)
  8. Accounts receivable-related party reaching NT\$100 million or more than 20% of the Paid-in shares capital. (Refer to page 309 for detail)
  9. Transactions in engaging in derivative financial instruments. (None)
  10. Investee information. (Refer to page 309-310 for detail)
- (2) Information about investment in Mainland China:
  1. Invested company's name, business operations, paid-in capital, investment method, capital inward or outward, shareholding ratio, investment gains and losses, investment yearend book value, investment income and loss inward, and investment limits in Mainland China. (Refer to page 311-312 for detail)
  2. The following significant transactions and their price, payment terms and unrealized gains and losses with the invested company in Mainland China through third regions directly or indirectly: (Refer to page 314-315 for detail)
    - (1) Input amounts, percentages, balance and percentages of relevant payable at end of the term.
    - (2) Sales amounts, percentages, balance, & percentages of relevant receivables at end of the term.
    - (3) Amount of property transaction and amount of the profit and/or loss so incurred.
    - (4) Balance and purposes of endorsements/guarantees or collateral provided at end of the term.
    - (5) The highest balance of fund financing balance at end of the term, range of interest rates and total amount of interest in the current term.
    - (6) Other transactions having significant effect upon profit and/or loss or financial standing of the current term, e.g., provision or acceptance of services.
- (3) Information of key shareholders: The names of the shareholders holding a shareholding ratio up to 5% or more, the amount and proportion of their shareholdings. (Refer to page 313 for detail)

- VI. State of the company and its affiliated enterprise's financial turnover difficulties for the most recent year and up to the yearly reporting printing date: None.

## Seven. Review of financial status, business performance and risk management issues

### I. Financing status (extra-industry combined information)

Table of Comparative Analysis of Financial Conditions

Unit: NTD thousand

Item \ Year	2021	2022	Variation	
			Amount	%
Current assets	604,324,432	644,385,133	40,060,701	6.63%
Fund and investment	162,844,888	155,450,006	(7,394,882)	(4.54%)
Real property, plant and equipment	24,907,282	27,015,984	2,108,702	8.47%
Investment property	2,570,573	3,483,974	913,401	35.53%
Intangible assets	253,813	266,612	12,799	5.04%
Other assets	6,237,267	5,100,252	(1,137,015)	(18.23%)
Total assets	801,138,255	835,701,961	34,563,706	4.31%
Current liabilities	704,776,403	731,047,063	26,270,660	3.73%
Long term liabilities	4,912,200	6,772,764	1,860,564	37.88%
Other liabilities	19,673,624	22,919,340	3,245,716	16.50%
Total liabilities	729,362,227	760,739,167	31,376,940	4.30%
Capital stock	16,862,097	16,862,097	0	0%
Capital surplus	1,656,687	1,715,804	59,117	3.57%
Retained earnings	5,137,520	3,794,347	(1,343,173)	(26.14%)
Other equity	(329,220)	(416,475)	(87,255)	(26.50)
Non-controlling interest	48,448,944	53,007,021	4,558,077	9.41%
Total equity	71,776,028	74,962,794	3,186,766	4.44%

Note: the most recent two years' increase/decrease exceeds 20%:

1. Increased investment-based real-estate: mainly due to the subsidiary Taichung Bank's acquisition of real-estate in 2022 in the amount of NT\$560 million.
2. Increased long-term liabilities: mainly due to an increase in the parent company China Man-Made Fiber Corporation's long-term loans.
3. There was a drop in retained earnings, which was caused by the parent company's (China Fiber) lower net profit after taxes as a result of lower sales revenue.
4. Decreased other equity items: mainly due to a decrease in the subsidiary's (Taichung Bank) decreased unrealized evaluated gains from financial assets measured at fair value.

## II. Financial performance (extra-industry combined information)

### (I) Financial performance comparison analysis table

Unit: NTD thousand

Item \ Year	2021	2022	Increase (decrease) in amount	Variation %
Income	33,046,524(28,	34,118,148	1,071,624	3.24%
Expenses	375,096)	(30,011,683)	(1,636,587)	5.77%
Income before tax from continuing operations	4,671,428(820, 647)	4,106,465 (1,309,639)	(564,963) 488,992	(12.09%) 59.59%
Income tax (expenses) gains	3,850,781 5,699	2,796,826 (1,352,253)	(1,053,955) (1,357,952)	(27.37%) (23,827.9%)
Net profit after tax from continuing operations	3,845,082 0.00	4,149,079 (1.01)	303,997 (1.01)	7.91% (100%)
Net profit attributable to parent company				
Net profit attributable to non-controlling interest				
Earnings per share				
Description on the most recent two year's fluctuation of an increase or decrease exceeding 20%:				
1. Increased income tax costs: due to the current income tax generated, levy on undistributed surplus, an increase in land value increment tax and deferred income tax.				
2. After-tax net profit for the continuing business departments, net profits attributable to the parent company's owner, and a decrease in earnings per share compared to the previous period. Mainly due to decreased income from China Man-Made Fiber Corporation's sales decline in 2022.				

(II) The basis for anticipating the future one year's sales volume, the probable impact to company future finance operation and the response plan: the merged company's ethylene glycol, ethylene oxide, surface active agent and related products would take into consideration the overall operating strategy by allocating a most suitable production volume on various products, through which to create the best profitability.

## III. Cash flows (Consolidated information from different industries)

Unit: NTD thousand

Balance of cash and cash equivalents, beginning of period	Net cash flow from operating activities for the year	Full year cash and cash equivalent inflow volume	Balance of cash and cash equivalent, end of period	Remediation measures against expected cash flow deficit	
				Investment plans	Finance plans
50,072,311	1,421,290	8,280,948	58,353,259	Not applicable	Not applicable

(I) Changes of cash flow in current year analysis:

- Operating activities: Cash outflow from operating activities is at NT\$1,421,290 thousand. Mainly due to Central Bank and deposits of other banks' cash inflow.

2. Investment activities: the cash inflow generated from investment activities amounted to NT\$4,261,071 thousand, the results of Taichung Bank's disposal of financial assets through other comprehensive profit and loss measured at fair value.
3. Funding activities: the cash inflow generated from financing activities amounted to NT\$ 2,528,010 thousand, mainly the result of long-term loans from the Taichung Bank.

(II) Responsive measures and liquidity analysis on cash flow deficits: not applicable.

(III) Liquidity analysis for the next year:

Unit: NTD thousand

Balance of cash and cash equivalents, beginning of period	Expected net cash flow from operating activities for the year	Expectant full year cash and cash equivalent outflow volume	Expectant period ending cash and cash equivalent amount	Remediation measures against expected cash flow deficit	
				Investment plans	Finance plans
58,353,259	(5,042,592)	(8,287,209)	50,066,050	Not applicable	Not applicable

IV. The impact of major capital expenditures in the most recent year on financial operations: The company's capital expenditure in 2022 amounted to approximately NT\$200 million, which posed no major impact on the company's financial operations.

V. The major causes for profits or losses incurred by investments during the most recent year; rectifications and investment plans for the next year

(I) The reinvestment policy for the most recent year:

- (1) In 2022, the company resolved to reduce capital for Technic Investment (International) Limited and returned NT\$1,010,000 thousand.
- (2) In 2022, the company contributed NT\$479,411 thousand to the cash capital increase of Taichung Commercial Bank Co., Ltd.
- (3) The company's 2022 group operation plan is a parent-subsidiary merger proposal involving Jin Bang Ge Industrial Company Limited. and Xiangfeng Development Co., Ltd., which was approved by the boards of both parties, with the company as the remaining enterprise.

(II) Explanation of re-investment profit and loss: adhering to the principle of prudent operation, the reinvested business performed well in risk management, business development and other areas and the overall performance of the reinvestment business continues to achieve profitability.

(III) Investment plan scheduled toward the upcoming year: As of February 28, 2023, there was no major investment plan ahead.

VI. Risk disclosure

(I) The impact of changes in interest rate, exchange rate, and inflation on the Company's profit or loss in recent years, and future response measures.

1. Explain the impact upon the company's exchange gains and losses and interest income as well as expenditure in the most recent two years on the Company's profit and loss:

(Consolidated information from different industries)

Item	2022	2021
Exchange gain (loss) (A)	(128,505)	110,940
Interest receipt (expenditure)(B)	10,572,167	9,138,280
Operating revenue (C)	34,118,148	33,046,524
A/C	(0.38)%	0.34%
B/C	30.99%	27.65%



2. The impact of the most recent year's inflation to company loss or gain: to judge by 2022's consumer wholesale price index's yearly increase ratio, there is no inflation issue, and has no impact to company loss or gain.
3. The company's tangible measures for countering exchange rate fluctuation, interest rate fluctuation and inflation:

The company's export market revenue accounts for a certain ratio in its revenue, and export payments are also largely in USD, thus exchange rate fluctuations bear a certain impact to company loss or gain. In response to exchange rate fluctuations, adequate exchange rate hedging financial products are used, under a conservation principle, i.e., buying/selling longer-term foreign exchange and related maneuvers to adequately hedge against exchange rate fluctuation risk.

The merged company has hold of floating interest rate asset and the floating interest rate debt it sustains may see market interest rate fluctuation to create fluctuation risk on said asset and liability and upon assessing it, the merged company controls the liquidity gap in its practical implementation of the operation, through which to mitigate the risk arisen from interest rate fluctuations.

- (II) The policy of engaging in high-risk, highly leveraged investments, loaning of funds, endorsements and guarantee, and derivatives trading, the main reason for profit or loss, and future response measures:

1. Engaging in high risk, high leverage investment: nil.
2. Lending to others and endorsement and guarantee:
  - (1) Information on capital lending to others

These procedures have been developed in accordance with the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" in order to strengthen the financial management of capital loans and reduce business risks.

- (2) Information on endorsement guarantee for others as following:

Unit: NTD thousand

Name of Endorser/Guarantor	Endorsed/Guaranteed		Maximum balance in current period
	Company name	Affiliation	
Chou Chin Industrial Co., Ltd.	GREENWORLD FOOD CO., LTD.	Subsidiary of Chou Chin Industrial Co., Ltd.	15,000
Taichung Commercial Bank Lease Enterprise	TCCBL Co., Ltd.	A subsidiary of Taichung Commercial Bank Company, Limited	546,488
Taichung Commercial Bank Lease Enterprise	Taichung Commercial Bank Leasing (Suzhou) Ltd.	A subsidiary of Taichung Commercial Bank Company, Limited	4,616,046

3. Derivative transactions:

Which pertains to engaging in derivative product trading per the company-defined "engaging in derivative product trading processing procedure".

The derivative instruments signed by the consolidated company include forward foreign exchange contracts, currency swap contracts and convertible bond asset swap contracts that are used to manage the interest rate and exchange rate risk of the consolidated company.

- (III) The most recent year's research and development plan, the current progress of the incomplete R&D plan, expectant mass production completion time needing to inject further R&D expenditure, major reasons affecting the R&D success in the future: the company products belong to a mature industry, hence there are no major R&D expenditures.
- (IV) The most recent year's critical local, foreign policy and legal changes to the company finance's impact and countermeasures: the company has all adopted adequate countermeasures in response to critical local/foreign policy and legal changes, which bear no critical impact to company finance operations.
- (V) The impact of technological change (including cyber security risks) to the company finance operations and the countermeasures: in the most recent year, the company industry has not had any major industry change, thus it bears no impact to company finance operations.

The company has established firewalls and intrusion detection and monitoring of abnormalities, server and computer anti-virus systems at all levels, operating system and database patch program management, etc.; the parts that still need to be strengthened are outsourced vulnerability scanning and penetration testing, mail Social engineering drills, tests, education and training, as well as the evaluation of insurance investment insurance, even if the information security protection has been done as best as possible, it is still impossible to guarantee the risk of corporate losses caused by malicious hacker attacks, and the evaluation of insurance can reduce losses reduce.

- (VI) The impact of the most recent year's enterprise image change to the company's crisis management and the countermeasures: the company management has always emphasized on a good corporate image, solid management, and there has not been any major change in recent years, thus bears no impact to its enterprise crisis management, as the company would continue to uphold the principle to achieve a sustainable management.
- (VII) Expected result and possible risks of mergers and acquisitions and Counter assessments: None.
- (VIII) The expected benefits from plant expansion, the potential risks associated, and the responsive measures: none.
- (IX) The risk confronting the incoming goods or good sold and the countermeasures: upon assessing it, the risk is flow, but the company would continue to step up the collaboration relations as the countermeasure.
- (XII) Litigation and non-contentious cases:  
O-Bank and Yuanta Bank filed a joint and several liability litigation against the company in February and November, 2020 following the New Site Industries Inc. case. The company has appointed a lawyer to defend by law. The attorney argues that this case does not objectively involve performance of duties by employees and that the Company should therefore bear no joint and several liability with regard to this case. However, the court believes after hearing the case that the bank is entitled to request compensation from the Company, but it should also consider negligence on the part of the bank, which could result in the reduction or exemption of the liability to compensation thereby affecting the compensation amount payable by the Company. The company has provisioned liabilities in the amount of \$653,916 thousand for the pending litigation case.
- (XIII) Other significant risks and responsive measures: Noe.

VII. Other important disclosures: none

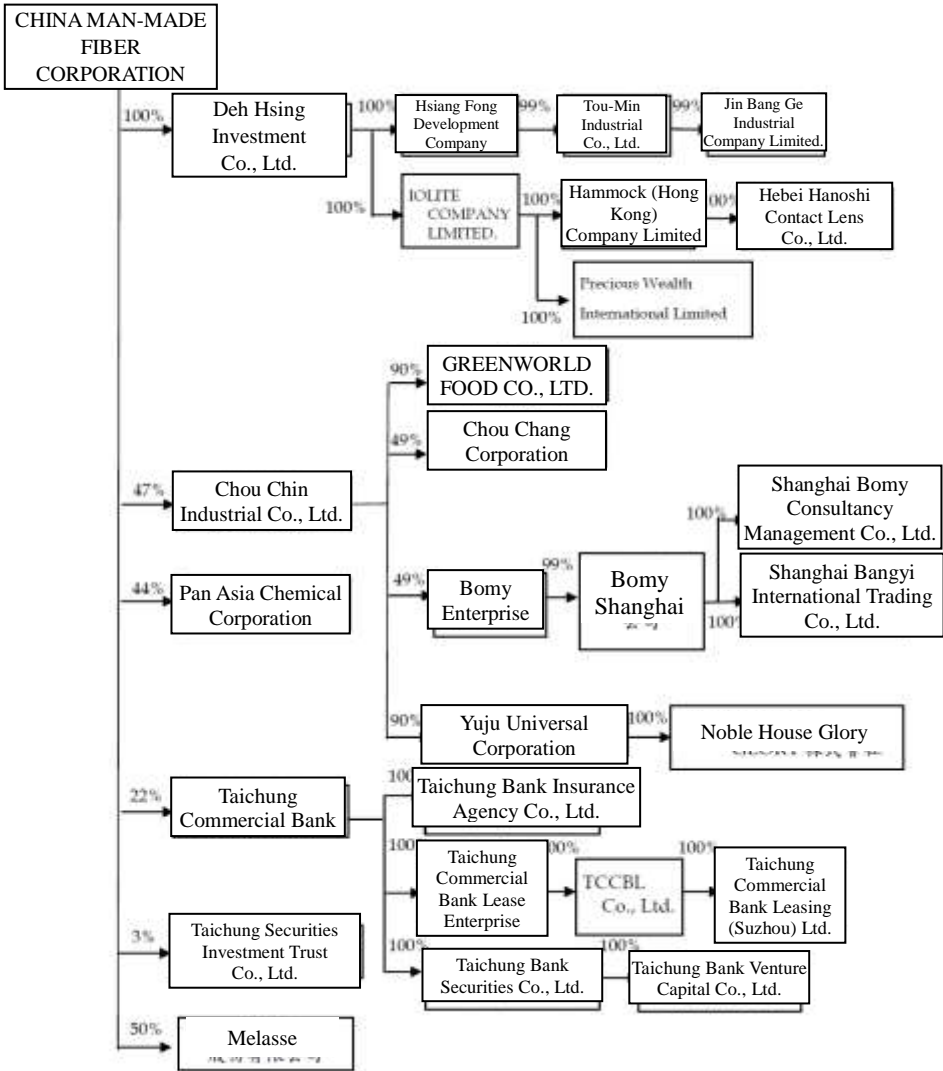
## Eight. Special remarks

### I. Affiliated companies

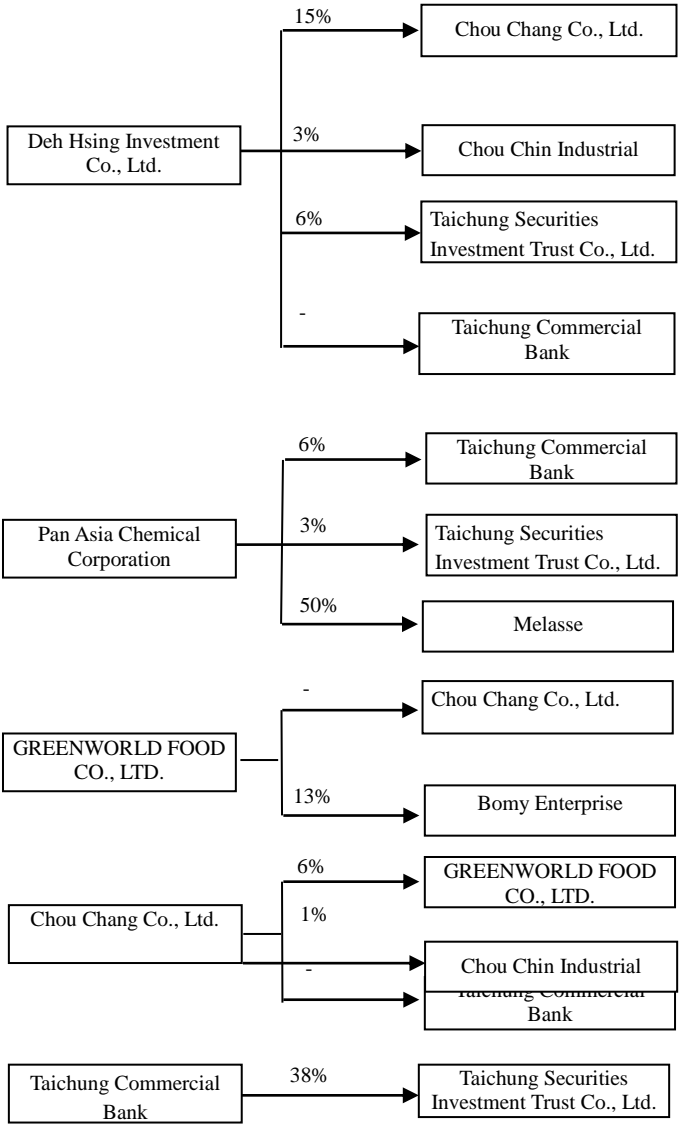
#### (I) Affiliates consolidated business report

##### 1. Organization chart for affiliates:

##### (1) The controlling Company and subsidiary companies:



- (2) Cross-investment: none.
- (3) Subsidiaries and subsidiaries:



## 2. Basic information of affiliated enterprises

Unit: NTD thousand / foreign currency thousand

Name of enterprise	Date of establishment	Address	Paid-in capital	Major operations
Controlling company:				
CHINA MAN-MADE FIBER CORPORATION	1955.05.11	No. 8, Jingjian Rd., Dashe Dist., Kaohsiung City 815	\$16,862,097	The petrochemical industry and construction industry.
Subsidiary companies:				
Deh Hsing Investment Co., Ltd.	1998.02.19	10F, No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	790,000	General investment business.
Chou Chin Industrial Co., Ltd.	1972.12.14	No. 14, Xingye Rd., Fuxing Township, Changhua County	827,997	Manufacturing and trading.
Pan Asia Chemical Corporation	1982.04.06	11F, No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	3,526,283	Petrochemical business.
Taichung Commercial Bank	1953.08.22	No. 87, Min Chuan Road, West District, Taichung	50,154,465	Banking business as permitted under the Banking Act.
Taichung Securities Investment Trust Co., Ltd.	1995.06.01	4F, No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	312,000	Securities investment trust business.
GREENWORLD FOOD CO., LTD.	1993.03.06	10F., No. 138, Sec. 2, Hankou Rd., Xitun Dist., Taichung City	195,000	Manufacturing and trading.
Chou Chang Corporation	1994.10.07	9F., No. 138, Sec. 2, Hankou Rd., Xitun Dist., Taichung City	274,659	Manufacturing and trading.
Taichung Bank Insurance Agency Co., Ltd.	2007.09.26	No. 80-4, Ching Hua N. Rd., Peitun Dist., Taichung	1,286,000	Insurance agency .
Taichung Commercial Bank Lease Enterprise	2012.01.13	4F-5, No.50, Sec. 1, Xinsheng S. Rd., Zhongzheng Dist., Taipei City	2,079,830	Financing Leasing.
TCBBL Co., Ltd.	2012.06.13	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.	893,373	Leasing and investments.
Taichung Commercial Bank Leasing (Suzhou) Ltd.	2012.11.12	Room 4102-4106, 41F, Zhongxin Building, No. 15, Liang Wan Road, Suzhou Industrial Park, Suzhou, P.R. China	893,373	Leasing.
Taichung Commercial Bank Consolidated Securities Co., Ltd.	2013.05.02	1, 2F, No. 45, Min Zu Rd., Central Dist., Taichung	1,624,502	Securities and futures business
Taichung Bank Venture Capital Co., Ltd.	2020.11.10	17F-4, No. 85, Sec. 1, Jhongsiao E. Rd., Jhonggheng Dist., Taipei City	210,000	Venture Investment
IOLITE COMPANY LIMITED	2008.01.14	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	595,750	General investment business.
Precious Wealth International Limited	2018.01.18	Portcullis TrustNet Chambers, P.O.Box 1225, Apia, SAMOA	USD 375	General investment business.
Hammock (Hong Kong) Company Limited (Note)	2014.12.03	Room 2302-6, 23/F, Great Eagle Centre, 23, Harbour Road, Wan Chai, Hong Kong	470,685	General investment business.
Hebei Hanoshi Contact Lens Co., Ltd.	2016.01.15	Hebei Province Langfang Emerging Industry Demonstration Area south of Lungchun Avenue and west of Lungshiang Road	470,685	Manufacturing and trading.
Bomy Enterprise	1997.09.19	Sea Meadow House, Blackburne Highway(P.O. Box 116) Road Town, Tortola, British Virgin Islands.	USD 20,550	General investment business.
Bomy Shanghai	1992.10.30	4588, Hunan Road, Hangtou Town, Pudong New District, Shanghai City	USD 20,000	Distribution and warehousing of beverages.
Shanghai Bomy Consultancy Management Co., Ltd.	2019.10.31	No. 1700, Zhi Gong Road, Gangyan Town, Chongming District, Shanghai City	RMB 1,000	Consultation service
Shanghai Bangyi International Trading Co., Ltd.	2020.06.17	Room 202, 2F, Building 7, No. 4588, Hunan Road, Hangtou Town, Pudong New District, Shanghai City	RMB 1,000	International trade
Yuju Universal Corporation	2017.05.18	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	USD 1,850	General investment business
Noble House Glory	2017.09.19	35 Cho, 14 Chome Odorinishi, 14 Jonishi, Central District, Sapporo City	JPY 210,000	Short-term accommodation service

Note: Hammock (Hong Kong) Company Limited. conducted liquidation upon resolution by the shareholders' meeting on January 28, 2022. The liquidation procedures were completed on January 13, 2023.

3. Entities presumed in control-subsidiary relations and information on identical: None.
4. (1) The industries housed in the same business location of the whole Affiliated Enterprises:
  - A. The petrochemical industry: primarily pertains to manmade fiber, fiberglass paper, polyamide fiber, polymer fiber, chemical product and its raw materials' manufacturing/processing and sales; ethylene glycol, ethylene oxide, nonyl phenol, ethylene, liquefied petroleum gas and related petrochemical industry products' manufacture and sales; oxygen gas, liquid oxygen, nitrogen gas and related manufacture and sales.
  - B. Construction: commission construction firms to build residential and commercial buildings to be rented or for sale.
  - C. The general investment industry: investment and consulting operations to various enterprises
  - D. The securities industry: underwriting marketable securities, trading marketable securities at mercantile or over-the-counter trading markets on its own or through appointed trading, marketable securities shareholders' service representation, futures trading facilitator and other competent government authorities-sanctioned pertinent operations.
  - E. The manufacturing and trading industry: automated vending machine and contact lenses manufacture and sale.
  - F. The securities investment trust industry: issuing beneficiary certificates, soliciting securities investment trust funds, utilizing securities investment trust funds to engage in securities investment operation and accepting the clients' full fiduciary empowerment for investment operation and other competent government authorities-sanctioned pertinent operations.
  - G. Commercial bank: banking business as permitted under the Banking Act.
  - H. The leasing industry: offering financing-based leasing and related diversified financial products.
  - I. The cosmetics and cleaning products manufacturing industry: in compliance with cosmetic, sanitation management act regulations, it operates in the cosmetics manufacturing industry; cleaning rising soaps, rising agents, laundry powder, stain remover and related cleaning products manufacturing industry.
  - J. The real estate investment industry: engaged in real estate development, residential, building and other construction investment, construction, rental, etc.
  - K. The foods manufacturing industry: Canned fruit and vegetable juice, beverage foundry, warehousing and distribution of beverage sales industry.
  - L. The short-term lodging service industry: the industry that provides room service or holiday accommodation based on days or weeks.
  - M. Venture capital industry: provides business operation, management, or consultancy services to invested businesses.
  - N. Consultancy service industry: enterprise management consultancy, engineering management services, business consultancy and financial consultancy industries
  - O. International trade industry: engages in general merchandise import and export trade.

(2) The division of labor of the business group:

China Manmade Fiber Corp. produces manmade fiber products, such as rayon, fiberglass paper, polyamide fiber, polymer fiber and petrochemical raw materials ethylene glycol, ethylene oxide, nonyl phenol and the like, with its produced nonyl phenol and ethylene oxide supplying to Pan Asia Co., Ltd. for producing a variety of nonionic surface active agent, and to further spread the operating risk, it adopts a diverse management approach, and has thus separately reinvested in De Hsing Investment Co., Ltd., Chou Chin Industrial Co., Ltd., Taichung Commercial Bank Co., Ltd., and Taichung Securities Investment Trust.

Pan Asia Co., Ltd. operates in a variety of non-ionic surface active agent's manufacture/processing, sales, import/export/trading operations, yet to spread the risk, has adopted a diverse management approach by reinvesting in Taichung Commercial Bank Co., Ltd.

Taichung Commercial Bank Co., Ltd. starts out in bank operations, Taichung Bank Insurance Agent Co., Ltd. operates in life and property insurance brokering operation, and also develops through Taichung Commercial Bank Co., Ltd.'s branch employees as the distribution system, and to further expand its financial services' diversification and offering quality financial services to its customers, has separately reinvested in founding Taichung Bank Leasing Enterprise Co., Ltd., TCCBL Co., Ltd., Taichung Bank Leasing (Suzhou) Co., Ltd., Taichung Bank Securities Co., Ltd. and Taichung Bank Venture Capital Co., Ltd.

Taichung Bank Leasing Enterprise Co., Ltd. operates in leasing services, offering diverse service items and financial products, including leasing service, installment repayment service, local accounts receivable factoring service, financing-based loan service and the like for the consumers to choose from.

TCCBL Co., Ltd is a foreign holding subsidiary 100% owned by Taichung Commercial Bank Lease Enterprise. Its main business purpose is acting as an investor in Taichung Commercial Bank Leasing (Suzhou) Ltd.; additionally, it also runs leasing operations.

The business purpose of Taichung Commercial Bank Leasing (Suzhou) Ltd. is providing Taiwanese businesses in China leasing and other related services.

Taichung Commercial Bank Consolidated Securities Co., Ltd., is mainly engaged in securities brokerage, proprietary trading of securities, Margin Purchase and Short Sale of marketable securities trading and futures introducing broker (IB) business.

The core business of Taichung Bank Venture Capital Co., Ltd. is venture investment.

Through joint marketing efforts between the bank, leasing, insurance brokerage companies and securities ,we can implement well-rounded service to small and medium enterprises, increase the ratio of non-interest revenue, boost our competitiveness, and strengthen our service quality.

Deh Hsing Investment Co., Ltd. Primarily operates in investment operation, which separately re-invests in Pan Asia Co., Ltd, Taichung Commercial Bank Co., Ltd., Taichung Securities Investment Trust Co., Ltd., Chou Chang Corporation, Chou Chin Industrial Co., Ltd., and IOLIE Company Limited.

IOLITE COMPANY LIMITED is the offshore investment company of Technic Investment (International) Limited through 100% reinvestment.

Previous Wealth International Limited is of IOLITE's 100% re-invested company, which primarily operates in the general investment industry.

Chou Chin Industrial Co., Ltd. primarily operates in beverage production/distribution business, yet to disperse the risk, has separately reinvested in Jiou Chang Co., Ltd., Bomy Co., Ltd., Bomy Int'l Co. and Noble House Glory Corp.

Bomy International Co. Ltd. is of an 49% offshore company reinvested by Chou Chin Industrial Co., Ltd., and which also re-invests a 99% holdings in Shanghai Bomy Foods Co., Ltd.; Shanghai Bomy Foods Co., Ltd. primarily operates in food production operations.

Shanghai Bomy Foodstuffs Co., Ltd. is the offshore company of Chou Chin Industrial Co., Ltd. through 99% reinvestment; 100% re-investment in Shanghai Bomy Consultancy Management Co., Ltd., Shanghai Bangyi International Trade Co., Ltd., and Hebei Hammock Contact Lens Co., Ltd.; Shanghai Bangyi International Trading Co., Ltd. mainly engages in international trade; Hebei Hammock Contact Lens Co., Ltd. mainly engages in manufacturing and the trading of contact lens related products.

Yu Ju Global Co. Ltd. is of Chou Chin Industrial Co., Ltd.'s 90% re-invested offshore company, which also re-invests in Nobel House Glory Corp.; Nobel House Glory Corp. primarily operates in short-term lodging industry.

#### 5. Information on directors, supervisors, and general managers of affiliated enterprises

Unit: Thousand Shares

Name of enterprise	Title	Company name or representative	Status of shareholding	
			Quantity	Shareholding
Controlling company: CHINA MAN-MADE FIBER CORPORATION	Chairman	Pan Asia Investment Co., Ltd.	52,394	3.11%
		Representative: Kuei-Shiang Wang	-	-
	Vice Chairman	Chung Chien Investment Co., Ltd.	43,929	2.61%
		Representative: Ming-Shan Chuang	5	-
	Director	Pan Asia Investment Co., Ltd.	52,394	3.11%
		Representative: Kuei-Fong Wang	30	-
	Director	Ming-Hsiung Huang	38	-
		Chung Chien Investment Co., Ltd.	43,929	2.61%
		Representative: Hung-Yang Wu	-	-

Name of enterprise	Title	Company name or representative	Status of shareholding	
			Quantity	Shareholding
Subsidiary companies: Deh Hsing Investment Co., Ltd.	Independent director	Chieh-Yi Wang	16	-
		Te-Wei Li	-	-
	President	Chih-Ming Shih	-	-
		Li-Yeh Hsu	-	-
		Chieh-Yi Wang	16	-
	Chairman	China Man-Made Fiber Corporation	79,000	100.00%
	Director	Representative: Kuei-Shiang Wang	-	-
		China Man-Made Fiber Corporation	79,000	100.00%
	Supervisor	Representative: Po-Nien Lin	-	-
		Hung-Yang Wu	-	-
China Man-Made Fiber Corporation		79,000	100.00%	
Chou Chin Industrial Co., Ltd.	Chairman	Representative: Chieh-Yi Wang	-	-
		Da Fa Investment Co., Ltd.	22,442	27.10%
	Director	Representative: Kuei-Shiang Wang	-	-
		Da Fa Investment Co., Ltd.	22,442	27.10%
		Representative: Kuei-Fong Wang	-	-
	Supervisor	Shun-Tai Lung	-	-
		Ming-Hsiung Huang	-	-
		Hsiao-Chieh Lin	-	-
		Representative of Yu Hui Limited: Da-Yin Yeh	9,209	11.12%
	Pan Asia Chemical Corporation	Chairman	Chien-Rong Gong	-
Chung Chien Investment Co., Ltd.			18,069	5.12%
Director		Representative: Kuei-Shiang Wang	-	-
		Sheng Jen Knitting Plant Co., Ltd.	21,868	6.20%
Director		institutional representatives: Hung-Yang Wu	-	-
		Kuei-Fong Wang	-	-
Taichung Commercial Bank	President	Chung Chien Investment Co., Ltd.	18,069	5.12%
		Representative: Chieh-Yi Wang	1	-
	Chairman	Lung-Teng Chen	-	-
		Kuo-Fu Hsiao	-	-
	Managing Director	Kuo-Ming Chang	-	-
		Chieh-Yi Wang	1	-
		Kuei-Fong Wang	639	0.01%
	Director	Representative to Hsu Tian Investment Co., Ltd.:	159,128	3.17%
		Ming-Hsiung Huang	-	-
		Wei-Liang Lin (Note 1)	-	-
Representative to Hsu Tian Investment Co., Ltd.:		159,128	3.17%	
Hsin-Ching Chang		-	-	
Li-Tzu Lai		74	0.00%	
Independent director	Yeh Shu Hui	-	-	
	Deh-Wei Chia	630	0.01%	
	Shi-Yi Chiang	-	-	
	Li-Wen Lin	-	-	
	Hsin-Chang Tsai	-	-	
Independent director	Chien-An Shih	-	-	



Name of enterprise	Title	Company name or representative	Status of shareholding		
			Quantity	Shareholding	
Taichung Bank Insurance Agency Co., Ltd.	Independent director	Pi-Ya Chen	-	-	
	President	Deh-Wei Chia	630	0.01%	
	Chairman	Taichung Commercial Bank Representative:	128,600	100.00%	
		Li-Tzu Lai	-	-	
	Director	Taichung Commercial Bank Representative:	128,600	100.00%	
		Ming-Jen Hsu	-	-	
		Chun-Ying Wang	-	-	
		Chien-Hung Lin	-	-	
	Supervisor	Shu-Chen Chen	-	-	
		Taichung Commercial Bank Representative:	128,600	100.00%	
Taichung Commercial Bank Lease Enterprise	Chairman	Chin-Min Liao	-	-	
		Taichung Commercial Bank Representative:	207,983	100.00%	
	Director	Wei-Liang Lin (Note)	-	-	
		Taichung Commercial Bank Representative:	207,983	100.00%	
		Yi-Yuan Tung	-	-	
		Kuo-Ming Lo	-	-	
		Yao-Tien Li	-	-	
	Supervisor	Kuo-Chun Liu	-	-	
		Taichung Commercial Bank Representative:	207,983	100.00%	
		Hsin-Ching Chang	-	-	
TCCBL Co., Ltd.	Chairman	Taichung Commercial Bank Lease Enterprise Representative:	30,000	100.00%	
Taichung Commercial Bank Leasing (Suzhou) Ltd.	Chairman	Kuo-Ming Lo	-	-	
		TCCBL Co., Ltd. Representative:	-	100.00%	
	Director	Hsueh-Hsuan Liao	-	-	
		TCCBL Co., Ltd. Representative:	-	100.00%	
		Wei-Liang Lin (Note 1)	-	-	
		Jui-Yang Lin	-	-	
	Supervisor	Yi-Pin Lin	-	-	
		Chih-Hua Yao	-	-	
	Taichung Commercial Bank Consolidated Securities Co., Ltd.	Supervisor	TCCBL Co., Ltd. Representative:	-	100.00%
			Hsin-Ching Chang	-	-
Chairman		Taichung Commercial Bank Representative:	162,450	100.00%	
		Yeh Shu Hui	-	-	
Director		Taichung Commercial Bank Representative:	162,450	100.00%	
		Hsiu-Chen Chou	-	-	
		Chun-Sheng Lin	-	-	
		Sheng-Liang Wu	-	-	
		Kai-Yu Lin	-	-	
Supervisor		Taichung Commercial Bank Representative:	162,450	100.00%	
	Chin-Min Liao	-	-		
Taichung Bank Venture Capital Co., Ltd.	Chairman	Taichung Commercial Bank Consolidated Securities Co., Ltd. Representative:	21,000	100.00%	
		Shi-Yi Chiang	-	-	
	Director	Taichung Commercial Bank Consolidated Securities Co., Ltd. Representative:	21,000	100.00%	
		Tsung-Hsien Lee	-	-	
		Zai-Hong Yang	-	-	
		Yuan-Ching Chiu	-	-	
		Shih-Nan Yang	-	-	

Name of enterprise	Title	Company name or representative	Status of shareholding	
			Quantity	Shareholding
Taichung Securities Investment Trust Co., Ltd.	Supervisor	Taichung Commercial Bank Consolidated Securities Co., Ltd. Representative: Kuang-Chung Hsiao	21,000	100.00%
	Chairman	Da Fa Investment Co., Ltd. Representative: Shi-Yi Chiang	1,959	6.28%
	Vice Chairman	Taichung Commercial Bank Representative: Ming-Hsiung Huang	12,000	38.46%
	Director	Da Fa Investment Co., Ltd. Representative: Hsu-Hsi Weng	1,959	6.28%
		Po-Nien Lin	-	-
		Taichung Commercial Bank Representative: Po-Mao Huang	12,000	38.46%
	Supervisor	Deh Hsing Investment Co., Ltd. Representative: Chien-Rong Gong	1,716	5.50%
	Chairman	Chou Chin Industrial Co., Ltd. Representative: Kuei-Shiang Wang	17,508	89.78%
	Director	Chou Chin Industrial Co., Ltd. Representative: Hsiao-Chieh Lin	17,508	89.78%
		Ming-Hsiung Huang	-	-
GREENWORLD FOOD CO., LTD.	Supervisor	Chou Chang Co., Ltd. Representative: Shi-Yi Chiang	1,131	5.80%
	Chairman	Chou Chin Industrial Co., Ltd. Representative: Kuei-Shiang Wang	13,339	48.57%
	Director	Chou Chin Industrial Co., Ltd. Representative: Ming-Hsiung Huang	13,339	48.57%
		Hsiao-Chieh Lin	-	-
	Supervisor	Pan Asia Investment Co., Ltd. Representative: Shi-Yi Chiang	9,995	36.39%
	Director	Kuei-Shiang Wang Yin-Ming Yang	10,000	48.66%
Bomy Enterprise		Yuan-Feng Cheng	50	0.24%
Bomy Shanghai	Chairman	Bomi International Co., Ltd. representative: Yuan-Feng Cheng	1,985	99.25%
	Director	Bomi International Co., Ltd. representative: Kuei-Shiang Wang	1,985	99.25%
		Yin-Ming Yang	-	-
		Hsuan-Chi Shih	-	-
		Shanghai Nanjiang Metal Structure Plant representatives: Feng Hsu	15	0.75%
	Supervisor	Bomi International Co., Ltd. representative: Hsiao-Chieh Lin	1,985	99.25%
Shanghai Bomy Consultancy Management Co., Ltd.	Chairman	Bomi International Co., Ltd. representative: Yuan-Feng Cheng	-	-
	Supervisor	Chieh Chou	-	-
Shanghai Bangyi International Trading Co., Ltd.	Chairman	Bomi International Co., Ltd. representative:	-	100.00%

Name of enterprise	Title	Company name or representative	Status of shareholding	
			Quantity	Shareholding
Yuju Universal Corporation	Supervisor	Yuan-Feng Cheng	-	-
	Director	Chieh Chou	-	-
		Chou Chin Industrial Co., Ltd.	1,760	95.14%
Noble House Glory	Director	Representative: Kuei-Shiang Wang	-	-
		Yuju Universal Corporation	4	100.00%
		Representative: Yu-Ying Wu	-	-
IOLITE COMPANY LIMITED	Director	Hsiao-Chieh Lin	-	-
	Director	Deh Hsing Investment Co., Ltd.	3,000	100.00%
Precious Wealth International Limited	Director	Hsien-Chang Chen	-	-
Hammock (Hong Kong) Company Limited (Note 2)	Director	IOLITE COMPANY LIMITED	375	100.00%
Hebei Hanoshi Contact Lens Co., Ltd.	Director	IOLITE COMPANY LIMITED	1,500	100.00%
	Chairman	Kuei-Shiang Wang	-	-
	Representative of Bomy Shanghai	1,500	100.00%	
	Director	Kuo-Ching Chen	-	-
		Representative of Bomy Shanghai	-	-
		Kuei-Shiang Wang	-	-
		Kuei-Fong Wang	-	-
	Supervisor	Representative of Bomy Shanghai	-	-
		Yung-Ta Liu	-	-

Note 1: On February 9, 2023, Taichung Commercial Bank Co., Ltd. terminated the employment of Lin Wei-Liang, executive director due to his passing.

Note 2: The shareholders' meeting resolved on January 28, 2022 to liquidate Hammock (Hong Kong) Co., Ltd. and the liquidation process was finalized on January 13, 2023.

## 6. Business Performance of Affiliated Enterprises

Unit: NTD thousand, unless otherwise noted or foreign currency per thousand dollars

Name of enterprise	Capital	Total assets	Total liabilities	Net value	Operating income/net earnings	Gain (loss) before income tax	Net income (loss) for the year	Earnings Per Share After Tax (Loss per share) (NT\$)
Controlling company: CHINA MAN-MADE FIBER CORPORATION	\$ 16,862,097	\$ 39,511,016	\$ 17,555,243	\$ 21,955,773	\$ 8,331,419	( \$ 1,343,099 )	( \$ 1,352,253 )	( \$ 1.01 )
Subsidiary companies:								
Deh Hsing Investment Co., Ltd.	790,000	930,327	2,999	927,328	-	28,979	24,722	0.31
Chou Chin Industrial Co., Ltd.	827,997	5,176,152	3,066,763	2,109,389	3,149,228	130,071	129,404	1.56
Pan Asia Chemical Corporation	3,526,283	8,477,902	2,798,910	5,678,992	1,828,734	430,413	402,097	1.14
Taichung Commercial Bank	50,154,465	796,605,148	727,375,522	69,229,626	14,007,266	6,472,365	5,344,205	1.12
Taichung Securities Investment Trust Co., Ltd.	312,000	459,061	11,078	447,983	57,111	( 17,458 )	( 17,458 )	( 0.56 )
GREENWORLD FOOD CO., LTD.	195,000	863,595	607,311	256,284	2,521,348	48,844	39,446	2.02
Chou Chang Corporation	274,659	689,277	330,576	358,701	8,411	13,100	11,706	0.43
Taichung Bank Insurance Agency Co., Ltd.	1,286,000	2,246,190	269,105	1,977,085	523,777	352,738	282,786	2.20
Taichung Commercial Bank Lease Enterprise	2,079,830	9,696,774	7,504,875	2,191,899	356,349	163,714	140,527	0.68
TCCBL Co., Ltd.	893,373	912,770	10,263	902,507	60,033	59,926	59,926	-
Taichung Commercial Bank Leasing (Suzhou) Ltd.	893,373	4,694,158	3,842,590	851,568	253,630	82,948	58,613	-
Taichung Commercial Bank Consolidated Securities Co., Ltd.	1,624,502	3,719,753	2,018,477	1,701,276	255,494	( 84,398 )	( 95,409 )	( 0.59 )
Taichung Bank Venture Capital Co., Ltd.	210,000	206,285	3,215	203,070	7,310	( 5,731 )	( 5,524 )	( 0.29 )
IOLITE COMPANY LIMITED	USD 3,000	116,207	-	116,207	-	( 1,406 )	( 1,406 )	( 0.47 )
Precious Wealth International Limited	USD 375	8,722	13	8,709	-	( 1,261 )	( 1,261 )	( 3.36 )
Hammock (Hong Kong) Company Limited (Note)	470,685	-	-	-	-	-	-	-
Hebei Hanoshi Contact Lens Co., Ltd.	470,685	338,574	80	338,494	-	( 5,744 )	( 5,744 )	( 3.83 )
Bomy Enterprise	USD 20,550	357,359	1,669	355,690	-	( 10,644 )	( 10,644 )	( 0.52 )
Bomy Shanghai	USD 20,000	358,066	4,730	353,336	-	( 10,594 )	( 10,607 )	( 5.30 )
Shanghai Bomy Consultancy Management Co., Ltd.	RMB 1,000	-	-	-	-	-	-	-
Shanghai Bangyi International Trading Co., Ltd.	RMB 1,000	8,534	318	8,216	-	( 421 )	( 421 )	-
Yuju Universal Corporation	USD 3,500	21,717	2	21,715	-	( 9,686 )	( 9,686 )	( 5.24 )
Noble House Glory	JPY 210,000	58,134	38,331	19,803	-	( 9,215 )	( 9,215 )	( 2.30 )

Note: Hammock (Hong Kong) Company Limited. conducted liquidation upon resolution by the shareholders' meeting on January 28, 2022. The liquidation procedures were completed on January 13, 2023.

### (II) Consolidated financial statement of affiliated enterprises

As stipulated under the "affiliated enterprises' consolidated operating report, affiliated enterprises' consolidated financial statements and affiliation report compiling criteria," companies that the company shall streamline into compiling the affiliated enterprises' consolidated financial statements and companies shall streamline into compiling and producing the parent/subsidiary companies' consolidated financial statements, per International Financial Reporting Criteria number 10, are all identical, and also the affiliated enterprises' consolidated financial statements shall disclose of relevant information has all been disclosed in the foresaid parent/subsidiaries' consolidated financial statements; which please refer to the parent/subsidiaries' consolidated financial statements.

(III) Disclaimer on affiliated enterprises

**Statement of Declaration**

The Bank Affiliation Report 2022 (from January 1 to December 31, 2022) was prepared in accordance with the “Criteria Governing Preparation of Report on Affiliations, Consolidated Business Reports and Sale or Contribution of Assets between an Investor and its Associate or Joint Venture of Affiliated Enterprises”, and the information disclosed herein is materially consistent with that disclosed in the notes to the financial statement for the previous period.

**CHINA MAN-MADE FIBER CORPORATION**

**Chairman: Kuei-Shiang Wang**

March 8, 2023

## CPA's Review Comments

To CHINA MAN-MADE FIBER CORPORATION:

The certified public accountant has duly audited China Manmade Fiber Corp.'s 2022 financial statements in accordance with the "Certified public accountant's audit/authenticating financial statement rules" and the audit criteria, and has also on March 8, 2023 issue a no opinion withheld, stepped up investigation matter section and other audit report as retained on file, where said audit's purpose has been to opine the CPA's opinion on the overall adequacy of the financial statements. The 2022 Affiliation Report prepared by the China Man-Made Fiber Co., Ltd., is attached. Such report was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports, and Sale or Contribution of Assets between an Investor and its Associate or Joint Venture of Affiliated Enterprises." An audit review requires us to proceed with the necessary procedures, including the acquisition of customer's declaration and the confirmation on related information. The review has been successfully accomplished.

In our opinion, the Affiliation Report for 2022 prepared by China Man-Made Fiber Co., Ltd., is in compliance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Sale or Contribution of Assets between an Investor and its Associate or Joint Venture of Affiliated Enterprises" and the contents of financial information are identical with those presented in the financial statements. No material amendments to the information shall be required.

Deloitte and Touche  
CPA Su-Huan You

Owen-P Wang, CPA

Securities and Futures Commission Approval  
No.

Tai-Cai-Zheng (6) No. 0920123784

To Financial Supervisory Commission Approval  
No.

Ching-Kuan-Cheng-Shen-Tze No. 1100356048

March 8, 2023

(IV) Affiliation Report

1. Relations between parent and subsidiaries

Unit: share; %

Name of holding company	Reason of holding	Status of shareholding and lien of stock by holding company			Directors, Supervisors or managers appointed by holding company	
		Quantity of Shares	Shareholding	Shares under lien	Title	Name
Chung Chien Investment Co., Ltd.	Indirect control over the HR, finance or operations of the Bank	43,929,431 Shares	2.61%	33,767,000	Vice Chairman Director Director	Ming-Shan Chuang Hung-Yang Wu Chieh-Yi Wang
Pan Asia Investment Co., Ltd.	Indirect control over the HR, finance or operations of the Bank	52,393,736 Shares	3.11%	31,300,000	Chairman Director Director	Kuei-Shiang Wang Kuei-Fong Wang Ming-Hsiung Huang

2. Transactions between subsidiaries and Parent Name of enterprise:

- (1) Incoming (sale) goods transaction: nil
- (2) Asset transaction: nil
- (3) Financing: none
- (4) Asset lease: none
- (5) Disclosure of major transactions: none

3. Guarantees/endorsements between subsidiaries and Parent Name of enterprise: None.

- II. Private placement of securities during the latest year up till the publication date of this annual report: None
- III. Holding or disposal of the company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report:

Unit: NTD thousand; thousand shares; %

Name of Subsidiary	Paid-in capital	Source of capital	The company's shareholding ratio	Date acquired (liquidated)	Share count acquired	Share count liquidated	Investment Gain (Loss)	Holding share count as of Dec. 31, 2022	State of mortgage lien designation	The amount of endorsement guarantee the company has made to its subsidiaries	The amount the company lends to its subsidiaries
					Amount acquired	Amount liquidated		Amount held			
Pan Asia Chemical Corporation	3,526,283	Self-owned Capital	44%	-	0	0	0	261,501	Yes	0	0
					0	0		879,074			
Deh Hsing Investment Co., Ltd.	790,000	Self-owned Capital	100%	-	0	0	0	11,619	N/A	0	0
					0	0		25,787			
Chou Chin Industrial Co., Ltd.	827,997	Self-owned Capital	47%	-	0	0	0	61,488	Yes	0	0
					0	0		195,060			
Chou Chang Corporation	274,659	Self-owned Capital	0%	-	0	0	0	9,618	N/A	0	0
					0	0		35,136			

- IV. Other supplementary information: None



**Nine. Occurrences of events defined under Article 36-3-2 of the Securities and Exchange Act in the latest year up till the publishing date of this annual report that significantly impacted shareholders' equity or security prices: None.**

# **CHINA MAN-MADE FIBER CORPORATION**

**Chairman: Kuei-Shiang Wang**