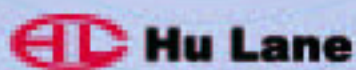


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ANNUAL REPORT

2022 Annual Report

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Hu Lane Associate Inc.

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- V. Name of the exchanges where the Company's overseas securities are traded:
None
Method of inquiring about the overseas securities information: None
- VI. Company website: <http://www.hulane.com>

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One. Statement to Shareholders

Dear Shareholders,

In 2022, China's auto market grew by 2.1%, which is the key to supporting the global new car market. Sales in the United States and Western Europe both hit record lows for the decade, and the global auto market declined by about 1%. Hu Lane has maintained steady growth in profits. In 2022, the Company's consolidated operating revenue was NT\$6,526,749 thousand, an increase of 31.88% compared to 2021. In terms of profitability, the consolidated net profit before tax was NT\$1,257,796 thousand in 2022, and the consolidated earnings per share after tax were NT\$10.03, which was an increase from the previous year of 31.59% and 26.80%.

In the past year, Hu Lane's R&D team continued to actively develop innovative and improved product-related technologies, and has obtained a total of 204 patent certificates at home and abroad, with a total of 4 patents pending. In 2022, we completed the development of 102 sets of terminal molds, a total of 194 sets of plastic molds, and a total of 25 sets of rubber molds, including the development of various connectors commonly used in traditional automobiles and motorcycles such as high-speed high-frequency connectors, high-voltage connectors, and PCB fuse boxes.

Looking to the future, with the support of government policies, the establishment of new energy vehicle subsidies, and carbon emission restrictions, new energy vehicles have become a new choice in the automobile consumer market. In 2022, the Chinese automobile market continued to grow, and the sales of new energy vehicles increased by 91% year-on-year. China is still the main market with the most potential. Hu Lane has been deeply involved in China for a long time. We will continue to actively invest in customer and brand management, and continue to expand the Company's operations in terms of scale and market penetration. The Group's sales of self-made parts are expected to reach over 6.2 billion PCS this year.

In 2023, the Company's goal of improving environmental friendliness is to strengthen the integrity of new energy vehicle parts and products, to create a complete solution capacity for new energy vehicles, and to move toward a global operation management model for the group's operating structure. In terms of production and sales strategies, regional exposure overall operational planning: Establish the subsidiary Hu Lane in Italy to increase customer penetration in Europe, expand the scale of operations in Vietnam and Indonesia, strengthen local ties and cooperation with OEMs, move towards an international marketing system, and long-term cooperation and collaborative development capabilities to jointly achieve the goal of sustainable development. In terms of production policy, improve the AI intelligence of equipment to achieve energy saving and carbon reduction benefits, increase production speed and MES system optimization, and improve production efficiency, energy reduction, and carbon reduction at the same time. In the promotion of sustainable development (ESG), a Sustainable Development Committee has been established with independent directors as members of the committee responsible for formulating sustainable strategic directions. The company has set a five-year (2023 – 2027) sustainable development strategic goal, and through the Sustainable Development Committee, promotes and tracks related sustainability projects. It is expected that with active carbon reduction



actions and the Group's carbon control, the carbon emissions of products and absolute total carbon emissions can be reduced year by year. The Company completed the 2021 ISO14064-1 greenhouse gas inventory and third-party verification of the Taipei Factory in 2022. The Group will conduct the 2022 ISO14064-1 inventory and ISO-14067-1 product carbon footprint inventory in 2023. It is expected that third-party verification will be completed in 2023 for greenhouse gas inventory and carbon footprint verification for three items. The Company attaches great importance to the future development of ESG, cooperates with external consultants, interacts with stakeholders, and obtains important suggestions from stakeholders for the Company. It has completed the establishment of the 2022 Sustainability Report and expects to obtain external certification in June 2023. The Company will continue to implement ISO45001 and obtain the certificate of occupational safety and health management systems at the end of April 2023, and start the ISO-50001 Energy Management System certification, which will also be completed in 2023.

We will insist on continuous innovation and breakthroughs to become a world class leading brand. This is the long-term goal of Hu Lane's sequential development. I would like to thank President Hu for leading the efforts of all colleagues. I would also like to thank all shareholders for their trust and support of the Hu Lane team. In the future, we will continue to uphold the business philosophy of "integrity and pragmatism", "customer satisfaction", "sustainable management", and "environmental friendliness" to overcome various business challenges and pursue the greatest the Company's interests are the goal, and live up to the expectations of all stakeholders, employees, clients, suppliers, and community.

Best wishes to all shareholders,

Good health and good luck

Chairman Chang Tzu-Hsiung



Two. Company Profile

I. Date of establishment: July 9, 1977

II. Company History

- 1977 Hu Lane Enterprise Co., Ltd., was established to engage in the manufacturing and sales of electronic terminal parts for automobiles and scooters with capital resources of NT\$500,000 at that time.
- 1979 The Company developed wire crimping dies and started mass production, trading, and sales.
- 1981 Capital was increased by NT\$ 4.5 million in cash to increase the capital of the Company to NT\$ 5 million.
- 1982 (1) The Company developed wire crimping dies and started mass production and sales.
(2) The Company relocated its head office from Taipei City to Xizhi City.
- 1989 (1) The new Huan Ho Street factory was completed and activated, and the MRP (information management system) was introduced for the entire plant.
(2) The Company's products passed the CSA certification.
- 1990 (1) The company changed its name from Hu Lane Enterprise Co., Ltd., to Hu Lane Industrial Co., Ltd.
(2) A capital increase of NT\$24,700,000 was made in cash for operational needs, increasing the capital to NT\$29,700,000.
- 1994 (1) The Company passed UL certification to improve product quality to international standards.
(2) To improve operational and production efficiency, the Company replaced the mainframe computer system.
- 1995 Capital increase in cash of NT\$16.2 million and recapitalization of earnings of NT\$4.2 million to increase the capital to NT\$50.1 million.
- 1996 To improve the Company's management efficiency, the Company signed a contract with a consulting company for counseling, and introduced a daily management system to establish the ISO-9002 system.
- 1997 Capital increase by NT\$37 million and NT\$13.1 million from earnings, to increase the capital to NT\$100.2 million.
- 2000 (1) A performance management system was introduced to improve competitiveness in response to the WTO.
(2) Successfully developed the terminal automatic image sensor (LCD).
- 2001 (1) Capital increase by NT\$49,710,000 in cash and recapitalization

- of earnings by NT\$45,090,000 to increase the Company's capital to NT\$195,000,000, and the name change to Hu Lane Associate Inc., was approved by the shareholders' meeting.
- (2) Capital increase by NT\$58,500,000 of retained earnings, to increase the capital of the Company to NT\$253,500,000.
 - (3) Issued new shares and supplementary shares, and obtained the consent of the competent authority for the issuance of shares.
 - (4) Established Hong Kong Branch Office.
 - (5) Acquired 100% equity of Hu Lane Electronics (Shenzhen) Co., Ltd., and Lianying Electronics (Shenzhen) Co., Ltd.
- 2002
- (1) Capital increase by NT\$50,700,000 of retained earnings, which increased the capital of the Company to NT\$304,200,000.
 - (2) Awarded the "Little Giant" award by the Ministry of Economic Affairs.
- 2003
- (1) It was officially listed on the Taipei Exchange in November.
 - (2) Capital increase by NT\$76,050,000 of retained earnings, and capitalization of the Company to NT\$380,250,000.
 - (3) Officially introduced the TIPTOP system to integrate ERP system resources.
- 2004
- (1) Formally merged with MRT Corporation, increasing the Company's share capital to NT\$89,960,000.
 - (2) Won the National Rock Award.
 - (3) Capital increase by NT\$39,200,000 of earnings, to increase the capital of the Company to NT\$529,160,000.
 - (4) Reinvested Nanjing's subsidiary to formally establish Hu Lane Electronics (Nanjing) Co., Ltd.
- 2005
- Hu Lane Electronics (Nanjing) Co., Ltd., passed the TUV ISO9001:2000 certification.
- 2006
- (1) The Company and Hu Lane Electronics (Shenzhen) Co., Ltd., have passed the TUV certification for S-16949:2002 quality assurance system.
 - (2) Capital increase by NT\$30 million in cash to NT\$633 million.
 - (3) Vietnam Office established.
- 2007
- (1) The Company, Hu Lane Electronics (Shenzhen) Co., Ltd., and Hu Lane Electronics (Nanjing) Co., Ltd., passed the ISO-14001:2004 Environmental Protection System certification by TUV.
 - (2) The Company's laboratory has been granted the ISO/IEC 17025:2005 Length Correction Laboratory Certificate (No. 1779).
 - (3) Signed a sales agency contract with ELMAC SRL, Italy.
 - (4) Completed the construction of Hu Lane Electronics (Nanjing) Co., Ltd.

- (5) NT\$31,380,000 of retained earnings was recapitalized to capitalize NT\$664,000,000.
- 2008
 - (1) Completed the establishment and introduction of Product Lifetime Management System (PLM) in May.
 - (2) Completed the construction of the electrical automated measuring system with the National Taipei University of Technology in July.
 - (3) July: The joint project with the National Taipei University of Technology was subsidized by the Ministry of Education.
 - (4) Passed GP-10 certification from Shanghai General Motors for its Nanjing Plant.
 - (5) The Shanghai office was established.
 - (6) NT\$37,130,000 of retained earnings was recapitalized to capitalize NT\$702,000,000.
 - (7) HuLane Electronic (Vietnam) Co., Ltd., was established.
- 2009
 - (1) In the 273rd issue of Global Views Magazine, the Company was honored as one of the top 10 GTSM listed companies among the Top 70 Outstanding Enterprises in the 5th Corporate Social Responsibility Award (CSR).
 - (2) The Nanjing Laboratory obtained the CNAS national laboratory accreditation (ISO 17025).
 - (3) NT\$35,080,000 of retained earnings was recapitalized to capitalize NT\$736,000,000.
- 2010
 - (1) In the 285th issue of Global Views Monthly, the Company was honored as one of the top 5 listed companies among the Top 65 Outstanding Enterprises in the 6th Corporate Social Responsibility Award (CSR).
 - (2) Capital increase by NT\$83,900,000 in cash to raise the capital to NT\$821m.
 - (3) Completed the development of the high-end spot welding terminal and received the CITD project subsidy from the Industrial Development Bureau.
 - (4) Invested in and established FORTUNE MASTER DEVELOPMENT LIMITED
- 2011
 - (1) Completed the development of the EV high-voltage connector.
 - (2) Invested and established Dongguan Hu Lane Electronic Technology Co., Ltd.
 - (3) Completed construction and mass production of HuLane Electronic (Vietnam) Co., Ltd.
 - (4) The Company's ERP system was introduced into the SAP system.
 - (5) Capital increase by NT\$41.04 million of earnings and

- conversion of employee stock warrants for NT\$3.13 million to capitalize NT\$864 million.
- (6) Won the "Golden Guidance Award for TPEx-Listed Companies" - Excellence in Sustainability Award by TPEx.
 - (7) Successfully developed the pneumatic wire crimping die and started mass production, trading, and sales.
- 2012
- (1) Capital increase by NT\$ 17,330,000 by recapitalization of earnings and exchange of employee stock warrants with NT\$ 1,811,000 to increase the capital to NT\$ 884 million.
 - (2) Received a subsidy from the Industrial Development Bureau, Ministry of Economic Affairs, Specialized Program for Electric Scooter Battery Switching Stations, and successfully applied the newly developed contact connector to this program.
 - (3) Established Dongguan Hu Lane Puguang Trading Co., Ltd.
- 2013
- (1) HuLane Electronic (Vietnam) Co., Ltd., passed TS-16949:2009 certification.
 - (2) Established a real-time production monitoring system for forming machines and punching machines by Hu Lane Electronics (Nanjing) Co., Ltd.
 - (3) Acquired 100% equity of Yi Hong Iron and Steel Co., Ltd.
 - (4) Published the corporate social responsibility report of Hu Lane for the first time.
 - (5) Dongguan Hu Lane Electronic Technology Co., Ltd., was officially put into production.
 - (6) Hu Lane Electronics (Nanjing) Co., Ltd., was awarded the 1st Zero Defect Engineering Award by the Great Wall Motor Institute of Quality in December (being the only connector manufacturer that won the award).
 - (7) Issued employee stock options for NT\$26,000 and issued a cash capitalization of NT\$85,000,000 to raise the capital to NT\$971,000,000.
 - (8) Completed the second phase of plant expansion for Hu Lane Electronics (Nanjing) Co., Ltd.
- 2014
- (1) HuLane Electronic (Vietnam) Co., Ltd., passed the ISO-14001:2004 certification.
 - (2) Won the 2nd Medium-sized Enterprise Award by the Ministry of Economic Affairs.
 - (3) Completed commissioning of the automated storage system of Hu Lane Electronics (Nanjing) Co., Ltd.
- 2015
- The Dongguan factory of Dongguan Hu Lane Electronic Technology Co., Ltd., was officially completed and started mass production.

- 2016 The Taipei head office passed ISO-14001:2015 certification.
- 2017 (1) Established Indonesia PT. HULANE TECH MANUFACTURING
 (2) Hu Lane Electronics (Nanjing) Co., Ltd., passed VDA 6.1 certification.
 (3) Dongguan Hu Lane Electronic Technology Co., Ltd., passed TS-16949:2009 certification.
 (4) For the promotion of quality control circle activities by Hu Lane Group, Dongguan Hu Lane Electronic Technology Co., Ltd., won the "Ishikawa Award" and the "Jianfeng Award" at the 51st Jianfeng National Quality Control Circle Conference.
- 2018 (1) Dongguan Hu Lane Electronic Technology Co., Ltd., passed the ISO-14001:2015 certification.
 (2) Dongguan Hu Lane Electronic Technology Co., Ltd., passed the IATF-16949:2016 certification.
 (3) HuLane Electronic (Vietnam) Co., Ltd., passed the IATF-16949:2016 certification.
 (4) Hu Lane Electronics (Nanjing) Co., Ltd., passed the national high-tech enterprise certification.
 (5) Dongguan Hu Lane Electronic Technology Co., Ltd., passed the national high-tech enterprise certification.
- 2019 (1) The European representative office established
 (2) Hu Lane Electronic (Nanjing) Co., Ltd., and won the Nanjing Industrial Enterprise Technology and Equipment Investment Inclusive Award.
 (3) Hu Lane Electronics (Nanjing) Co., Ltd., was awarded the intelligent manufacturing demonstration project in Jiangning District.
- 2020 Capital increase by NT\$24,310,000 of retained earnings, and capital increase to NT\$997 million.
- 2021 (1) Yangzhou Lear & Hu Lane Automotive Parts Trading Co., Ltd., was established as a joint venture with the US-based Lear Group.
 (2) The Company was awarded the BYD Outstanding Supplier Award.
 (3) Dongguan Hu Lane Electronic Technology Co., Ltd., obtained the certificate of accreditation for the Dongguan Laboratory from Geely Automobile.
- 2022 (1) Taipei Group Headquarters was completed and activated.
 (2) The Company was awarded the Outstanding Supplier by Continental Automotive Parts (Suzhou) Co., Ltd., and was granted the "Excellence in Delivery Award".
 (3) Dongguan Hu Lane Electronic Technology Co., Ltd., was

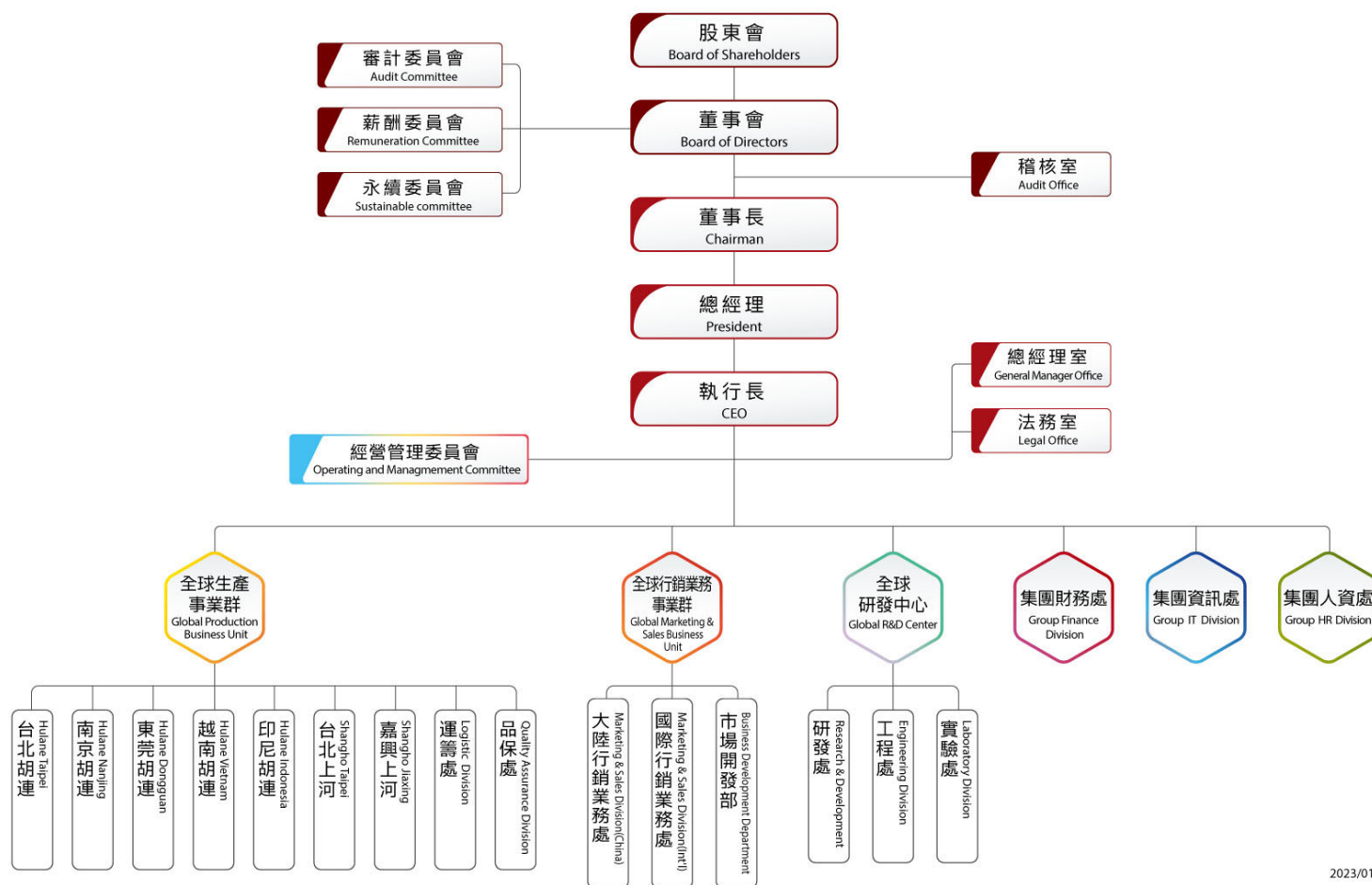
certified as an innovative small and medium-sized enterprise in Dongguan City and a specialized and new small and medium-sized enterprise.

- (4) Won 3 awards in the APEA Asia Pacific Enterprise Awards
 - MASTER ENTREPRENEUR-Chairman Chang Tzu-Hsiung's Individual Award
 - INSPIRATIONAL BRAND-Company Award
 - CORPORATE EXCELLENCE
- (5) Acquired 100% of the equity of Taipei Shangho, (Jiaxing Shangho) to strengthen vertical integration and expand product lines.
- (6) Launched the ESG sustainability project and completed ISO14064-1 greenhouse gas inventory carbon emissions certification for the Taipei Factory.
- (7) Won the BYD Fudi Automobile Excellent Supplier Award for New Energy Vehicles.

Three. Corporate Governance Report

I. Organizational system

(I) Organizational structure



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(II) Main business segments

Department name	Main business activities
Audit Office	Responsible for the internal control, quality management, and management performance audit of the Group.
President's Office	Responsible for projects
Legal Office	Responsible for legal affairs, intellectual property affairs, and trademark management
Global Production Business Group	Responsible for production and quality operations in the respective area
Global Marketing Business Group	Responsible for marketing business within the jurisdiction area
Global R&D Center	Responsible for product development, mold development, product verification, etc.
Group Finance Division	Responsible for the Group's finance, accounting management, corporate governance and legal compliance, investment (strategic cooperation), promotion of sustainable development (ESG), etc.
Group Information Division	Responsible for IT development and management of the Group
Group Human Resources Department	Responsible for the HR development and management of the Group

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

(I) Information of Directors

As of April 21, 2023

Job title	Nationality or place of registration	Name	Gender Age	Election (inauguration) date	Term of office	Date of initial election	Shares Held at the Time of Election		Current holdings		Shares currently held by spouses and minors		Shares held in someone else's name		Major (academic) experience	Positions held concurrently in the Company and other companies	Other supervisors, directors, or supervisors that are a spouse or within the second degree of kinship			Remarks
							Number of shares	Shareholdin g ratio	Number of shares	Shareholdin g ratio	Number of shares	Shareholdin g ratio	Number of shares	Shareholdin g ratio			Job title	Name	Relationship	
Chairman	Republic of China	Chang Tzu-Hsiung	Male Age 61-70	2020.06.19	3 years	1977.05.28	3,902,550	4.01%	4,001,173	4.02%	1,256,718	1.26%	0	0.00%	Academic background Kai Ming Senior Technical and Commercial Vocational School Experience Chairman of Hu Lane Electronics (Vietnam) Executive Director of Hu Lane Electronics (Nanjing) Director of Dongguan Hu Lane Electronics Technology Co., Ltd. Executive Director of Dongguan Hu Lane Puguang Trading Director of Yi Chang Investment Director of TELFORD INVESTMENTS LIMITED Director of CUB ELECPARTS INC. Director of YINSHERB CORP. LTD.	Chairman of Hu Lane Electronics (Vietnam) Executive Director of Hu Lane Electronics (Nanjing) Director of Dongguan Hu Lane Electronics Technology Co., Ltd. Executive Director of Dongguan Hu Lane Puguang Trading Director of Yi Chang Investment Director of TELFORD INVESTMENTS LIMITED Director of CUB ELECPARTS INC. Director of YINSHERB CORP. LTD.	CEO concurrently serving as Head of the Global R&D Center Chairman and President of PT. HULANE TECH MANUFACTURING	Chang Tzu-Chieh Chang Ping-Chun	Brother Father and son	None

Job title	Nationality or place of registration	Name	Gender Age	Election (inauguration) date	Term of office	Date of initial election	Shares Held at the Time of Election		Current holdings		Shares currently held by spouses and minors		Shares held in someone else's name		Major (academic) experience	Positions held concurrently in the Company and other companies	Other supervisors, directors, or supervisors that are a spouse or within the second degree of kinship			Remarks
							Number of shares	Shareholdin g ratio	Number of shares	Shareholdin g ratio	Number of shares	Shareholdin g ratio	Number of shares	Shareholdin g ratio			Job title	Name	Relationship	
Director	Republic of China	Hu Sheng-Ching	Male Age 71-80	2020.06.19	3 years	1977.05.28	5,634,454	5.80%	5,775,315	5.79%	2,102,378	2.11%	0	0.00%	Academic background Jiaoxi Junior High School Experience President of Hu Lane Chairman of Dongguan Hu Lane Electronic Technology Co., Ltd. Director of FORTUNE MASTER DEVELOPMENT LIMITED	President of Hu Lane Chairman of Dongguan Hu Lane Electronic Technology Co., Ltd. Director of FORTUNE MASTER DEVELOPMENT LIMITED	Director	Hu Shao-Ju	Father and daughter	No ne
Director	Republic of China	Chang Ping-Chun	Male Age 41-50	2020.06.19	3 years	2014.06.18	1,888,940	1.94%	1,936,163	1.94%	328,000	0.33%	0	0.00%	Academic background Institute of Industrial Engineering in Georgia Institute of Technology Experience Engineer of HannStar Board Deputy Manager of QC Division, Deputy Manager of Production Dept., Taipei Production and Business Division, Deputy Manager of R&D Center of Hu Lane Associate Inc. Chairman and President of Hu Lane, Sales Assistant Vice President of Asia Pacific Hu Lane Director of SHANG HO INDUSTRY CO., LTD.	Chairman and President of Hu Lane Associate Inc. Executive Vice President of Global Production Business Group, Hu Lane Company Director of SHANG HO INDUSTRY CO., LTD.	Chairman	Chang Tzu-Hsiung	Father and son	No ne

Job title	Nationality or place of registration	Name	Gender Age	Election (inauguration) date	Term of office	Date of initial election	Shares Held at the Time of Election		Current holdings		Shares currently held by spouses and minors		Shares held in someone else's name		Major (academic) experience	Positions held concurrently in the Company and other companies	Other supervisors, directors, or supervisors that are a spouse or within the second degree of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship	
Director	Republic of China	Hu Shao-Ju	Female Age 41-50	2020.06.19	3 years	2014.06.18	2,379,758	2.45%	2,439,251	2.45%	0	0.00%	0	0.00%	Academic background Department of Banking and Finance, Chinese Culture University Experience Director of Shang Ho Industry Co., Ltd. Director of Jiaying Shangho Electronics Technology Co., Ltd. Supervisor of Yintong Investment Co., Ltd. Supervisor of Fuyin Investment Co., Ltd.	Director of SHANG HO INDUSTRY CO., LTD. Director of Jiaying Shangho Electronics Technology Co., Ltd. Supervisor of Yintong Investment Co., Ltd. Supervisor, Fuyin Investment Co., Ltd.	Director President	Hu Sheng-Ching	Father and daughter	None
Director	Republic of China	Liu Chun-Hsiang	Female Age 71-80	2020.06.19	3 years	1977.05.28	4,040,981	4.16%	4,106,005	4.12%	0	0.00%	0	0.00%	Academic background Feng Yuan Commercial Hugh School Experience Armani Apparel Co., Ltd. - Principal	None	None	None	None	None
Director	Republic of China	Chan Yi-Min	Male Age 71-80	2020.06.19	3 years	2002.06.20	33,068	0.03%	33,894	0.03%	58,829	0.06%	0	0.00%	Academic background Department of Electrical Engineering, National Taipei Institute of Technology Experience Chairman of Tizan Electronics Corp Independent Director of Bon Fame CO., LTD. Supervisor of Phino Electric Co., Ltd.	Chairman of Taizhan Electric Co., Ltd. Independent Director of Bon-Fame Co., Ltd. Supervisor of Phino Electric Co., Ltd.	None	None	None	None

Job title	Nationality or place of registration	Name	Gender Age	Election (inauguration) date	Term of office	Date of initial election	Shares Held at the Time of Election		Current holdings		Shares currently held by spouses and minors		Shares held in someone else's name		Major (academic) experience	Positions held concurrently in the Company and other companies	Other supervisors, directors, or supervisors that are a spouse or within the second degree of kinship			Remarks
							Number of shares	Shareholdin g ratio	Number of shares	Shareholdin g ratio	Number of shares	Shareholdin g ratio	Number of shares	Shareholdin g ratio			Job title	Name	Relationship	
Independent Director	Republic of China	Chang Shyueh-Chih	Male Age 61-70	2020.06.19	3 years	2020.06.19	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Academic background Soochow University Institute of Accounting Experience Deputy Manager of Finance Department, China Development Capital Corporation, Chairman, 13th Term of Kaohsiung Institute of Certified Public Accountants Vice Chairman of National Association of Certified Public Accountants	Supervisor of Taiwan Federation of Certified Public Accountants (National Association) Partner Accountant of Deloitte Taiwan	None	None	None	None
Independent Director	Republic of China	Lin Yuan-Li	Male Age 61-70	2020.06.19	3 years	2008.06.13	0	0.00%	0	0.00%	8,200	0.01%	0	0.00%	Academic background Taichung Municipal Wufeng Agricultural and Industrial High School Experience Supervisor of Wei Han Industrial Co., Ltd.	Sales Manager of Qiao Lin Industrial Co., Ltd.	None	None	None	None

Job title	Nationality or place of registration	Name	Gender Age	Election (inauguration) date	Term of office	Date of initial election	Shares Held at the Time of Election		Current holdings		Shares currently held by spouses and minors		Shares held in someone else's name		Major (academic) experience	Positions held concurrently in the Company and other companies	Other supervisors, directors, or supervisors that are a spouse or within the second degree of kinship			Remarks
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship	
Independent Director	Republic of China	Lin Jaan-Lieh	Male Age 61-70	2020.06.19	3 years	2014.06.18	5,000	0.01%	10,125	0.01%	0	0.00%	0	0.00%	Academic background National Tainan Institute of Technology Experience Supervisor of APAQ Technology Co., Ltd. Director of Wanshih Electronics Co., Ltd. Chief Operating Officer of Taisol Electronics Co., Ltd. Director/institutional representative of Taisol (Siyang, Suzhou, Japan)	Director of Taisol Electronics Co., Ltd. Consultant of MEC IMEX INC.	None	None	None	None

Note: Shareholding ratio is calculated based on the total outstanding shares of 99,654,707 shares as of May 21, 2023.

Disclosure of professional qualifications and independence of independent directors:

As of April 21, 2023

<div>Condition</div> <div>Name of Director</div>	Professional qualifications and experience (Note 1)	Independence (Note)	Number of other companies serving as Independent Directors
Chairman Chang Tzu-Hsiung	Possess at least 5 years of working experience required for the Company's business operations. Currently, he is the Chairman of the Company. Does not meet any of the conditions specified in Article 30 of the Company Act.	<p>(1) Directors, supervisors, or employees of other companies not holding more than half of the company's directors and voting shares are controlled by the same person. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(2) Not a professional, business owner of a sole proprietorship, partnership, company, or institution that provides audits or commercial, legal, financial, or accounting-related services for the company or any of its affiliated companies for less than NT\$500,000 in compensation received in the most recent two years, partners, directors, supervisors, managers and their spouses. The members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this restriction.</p> <p>(3) Not elected according to Article 27 of the Company Act is a government, institution, or its representative.</p>	0
Director Hu Sheng-Ching	Possess at least 5 years of working experience required for the Company's business operations. He currently serves as the Company's Director and President. Does not meet any of the conditions specified in Article 30 of the Company Act..	<p>(1) Directors, supervisors, or employees of other companies not holding more than half of the company's directors and voting shares are controlled by the same person. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(2) Not a professional, sole-proprietorship, partnership, company, or institution owner, partners, directors, supervisors, managers and their spouses that provide audits or commercial, legal, financial, or accounting-related services for the Company or any of its affiliated companies for less than NT\$500,000 in remuneration in the last two years. The members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform</p>	0

		<p>their functions and powers in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this restriction.</p> <p>(3) Not elected according to Article 27 of the Company Act is a government, institution, or its representative.</p>	
Director Chang Ping-Chun	<p>Possess at least 5 years of working experience required for the Company's business operations. Currently, he is the Executive Vice President of the Company. Does not meet any of the conditions specified in Article 30 of the Company Act.</p>	<p>(1) The director, supervisor, or employee of a corporate shareholder who does not directly hold more than 5% of the total issued shares of the company, or who is one of the top five holders of shares, or who has appointed a representative as a director or supervisor of the company in accordance with Article 27-1 or 2 of the Company Act. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(2) Directors, supervisors, or employees of other companies not holding more than half of the company's directors and voting shares are controlled by the same person. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(3) Not a director, supervisor, or employee of any other company or institution where the chairman, general manager, or person holding an equivalent position of the company is the same person or spouse. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(4) Not a professional, sole-proprietorship, partnership, company, or institution owner, partners, directors, supervisors, managers and their spouses that provide audits or commercial, legal, financial, or accounting-related services for the Company or any of its affiliated companies for less than NT\$500,000 in remuneration in the last two years. The members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this restriction.</p> <p>(5) Not elected according to Article 27 of the Company Act is a government, institution, or its representative.</p>	0
Director Hu Shao-Ju	<p>Possess at least 5 years of working experience required for the Company's</p>	<p>(1) Not an employee of the Company or any of its affiliated companies.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliated companies. However, this does not apply to the fact that the independent directors of the company or its parent company,</p>	0

	business operations. He currently serves as the director of the Company. Does not meet any of the conditions specified in Article 30 of the Company Act.	<p>subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(3) Directors, supervisors, or employees of other companies not holding more than half of the company's directors and voting shares are controlled by the same person. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(4) Not a director, supervisor, or employee of any other company or institution where the chairman, general manager, or person holding an equivalent position of the company is the same person or spouse. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(5) Not a director, supervisor, manager, or shareholder holding more than 5% of the shares of any company or institution that has a financial or business relationship with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company, unless the above circumstances do not exceed 50% but are more than 20%).</p> <p>(6) Not a professional, sole-proprietorship, partnership, company, or institution owner, partners, directors, supervisors, managers and their spouses that provide audits or commercial, legal, financial, or accounting-related services for the Company or any of its affiliated companies for less than NT\$500,000 in remuneration in the last two years. The members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this restriction.</p> <p>(7) Not elected according to Article 27 of the Company Act is a government, institution, or its representative.</p>	
Director Liu Chun-Hsiang	Possess at least 5 years of working experience required for the Company's business operations. He currently serves as the director of the Company. Does not meet any of the	<p>(1) Not an employee of the Company or any of its affiliated companies.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliated companies. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(3) Not one of the managers listed in (1) or the natural person shareholder of (2), not himself/herself and his/her spouse, underage children, or holding 1% or more of the Company's total outstanding</p>	0

	conditions specified in Article 30 of the Company Act.	<p>shares in the name of others, or who holds a top ten position of shares. The spouse, relatives within the second degree of kinship, or lineal relatives within the third degree of kinship.</p> <p>(4) Directors, supervisors, or employees of other companies not holding more than half of the company's directors and voting shares are controlled by the same person. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(5) Not a director, supervisor, or employee of any other company or institution where the chairman, general manager, or person holding an equivalent position of the company is the same person or spouse. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(6) Not a director, supervisor, manager, or shareholder holding more than 5% of the shares of any company or institution that has a financial or business relationship with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company, unless the above circumstances do not exceed 50% but are more than 20%).</p> <p>(7) Not a professional, sole-proprietorship, partnership, company, or institution owner, partners, directors, supervisors, managers and their spouses that provide audits or commercial, legal, financial, or accounting-related services for the Company or any of its affiliated companies for less than NT\$500,000 in remuneration in the last two years. The members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this restriction.</p> <p>(8) Not elected according to Article 27 of the Company Act is a government, institution, or its representative.</p>	
Director Chan Yi-Min	Possess at least 5 years of working experience required for the Company's business operations. He currently serves as the director of the Company. Does not meet any of the	<p>(1) Not an employee of the Company or any of its affiliated companies.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliated companies. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p>	1

	conditions specified in Article 30 of the Company Act.	<p>(3) Not a natural-person shareholder who holds 1% or more of the Company's total outstanding shares in the name of his/her spouse, underage children, or in another person's name or is one of the top 10 shareholders by shareholding.</p> <p>(4) Not the spouse, relative of the second degree of kinship, or direct relative of the third degree of kinship within the scope of (1) or any of the personnel (2) or (3).</p> <p>(5) The director, supervisor, or employee of a corporate shareholder who does not directly hold more than 5% of the total issued shares of the company, or who is one of the top five holders of shares, or who has appointed a representative as a director or supervisor of the company in accordance with Article 27-1 or 2 of the Company Act. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(6) Directors, supervisors, or employees of other companies not holding more than half of the company's directors and voting shares are controlled by the same person. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(7) Not a director, supervisor, or employee of any other company or institution where the chairman, general manager, or person holding an equivalent position of the company is the same person or spouse. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(8) Not a director, supervisor, manager, or shareholder holding more than 5% of the shares of any company or institution that has a financial or business relationship with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company, unless the above circumstances do not exceed 50% but are more than 20%).</p> <p>(9) Not a professional, sole-proprietorship, partnership, company, or institution owner, partners, directors, supervisors, managers and their spouses that provide audits or commercial, legal, financial, or accounting-related services for the Company or any of its affiliated companies for less than NT\$500,000 in remuneration in the last two years. The members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform</p>	
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		<p>their functions and powers in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this restriction.</p> <p>(10) Not a spouse or relative within the second degree of kinship to any other director.</p> <p>(11) Not elected according to Article 27 of the Company Act is a government, institution, or its representative.</p>	
Independent Director Chang Shyueh-Chih	<p>Possess at least 5 years of working experience required for the Company's business operations. Has passed the examinations required by the state for CPAs or other duties required by the Company's business activities. He currently serves as the director of the Company. Does not meet any of the conditions specified in Article 30 of the Company Act.</p>	<p>(1) Not an employee of the Company or any of its affiliated companies.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliated companies. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(3) Not a natural-person shareholder who holds 1% or more of the Company's total outstanding shares in the name of his/her spouse, underage children, or in another person's name or is one of the top 10 shareholders by shareholding.</p> <p>(4) Not the spouse, relative of the second degree of kinship, or direct relative of the third degree of kinship within the scope of (1) or any of the personnel (2) or (3).</p> <p>(5) The director, supervisor, or employee of a corporate shareholder who does not directly hold more than 5% of the total issued shares of the company, or who is one of the top five holders of shares, or who has appointed a representative as a director or supervisor of the company in accordance with Article 27-1 or 2 of the Company Act. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(6) Directors, supervisors, or employees of other companies not holding more than half of the company's directors and voting shares are controlled by the same person. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(7) Not a director, supervisor, or employee of any other company or institution where the chairman, general manager, or person holding an equivalent position of the company is the same person or spouse. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p>	0

		<p>(8) Not a director, supervisor, manager, or shareholder holding more than 5% of the shares of any company or institution that has a financial or business relationship with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company, unless the above circumstances do not exceed 50% but are more than 20%).</p> <p>(9) Not a professional, sole-proprietorship, partnership, company, or institution owner, partners, directors, supervisors, managers and their spouses that provide audits or commercial, legal, financial, or accounting-related services for the Company or any of its affiliated companies for less than NT\$500,000 in remuneration in the last two years. The members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this restriction.</p> <p>(10) Not a spouse or relative within the second degree of kinship to any other director.</p> <p>(11) Not elected according to Article 27 of the Company Act is a government, institution, or its representative.</p>	
Independent Director Lin Yuan-Li	Possess at least 5 years of working experience required for the Company's business operations. He currently serves as the director of the Company. Does not meet any of the conditions specified in Article 30 of the Company Act.	<p>(1) Not an employee of the Company or any of its affiliated companies.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliated companies. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(3) Not a natural-person shareholder who holds 1% or more of the Company's total outstanding shares in the name of his/her spouse, underage children, or in another person's name or is one of the top 10 shareholders by shareholding.</p> <p>(4) Not the spouse, relative of the second degree of kinship, or direct relative of the third degree of kinship within the scope of (1) or any of the personnel (2) or (3).</p> <p>(5) The director, supervisor, or employee of a corporate shareholder who does not directly hold more than 5% of the total issued shares of the company, or who is one of the top five holders of shares, or who has appointed a representative as a director or supervisor of the company in accordance with Article 27-1 or 2 of the Company Act. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(6) Directors, supervisors, or employees of other companies not holding more than half of the company's directors and voting shares are controlled by the same person. However, this does not</p>	0

		<p>apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(7) Not a director, supervisor, or employee of any other company or institution where the chairman, general manager, or person holding an equivalent position of the company is the same person or spouse. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(8) Not a director, supervisor, manager, or shareholder holding more than 5% of the shares of any company or institution that has a financial or business relationship with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company, unless the above circumstances do not exceed 50% but are more than 20%).</p> <p>(9) Not a professional, sole-proprietorship, partnership, company, or institution owner, partners, directors, supervisors, managers and their spouses that provide audits or commercial, legal, financial, or accounting-related services for the Company or any of its affiliated companies for less than NT\$500,000 in remuneration in the last two years. The members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this restriction.</p> <p>(10) Not a spouse or relative within the second degree of kinship to any other director.</p> <p>(11) Not elected according to Article 27 of the Company Act is a government, institution, or its representative.</p>	
Independent Director Lin Jaan-Lieh	Possess at least 5 years of working experience required for the Company's business operations. He currently serves as the director of the Company. Does not meet any of the conditions specified in Article 30 of the Company Act.	<p>(1) Not an employee of the Company or any of its affiliated companies.</p> <p>(2) Not a director or supervisor of the Company or any of its affiliated companies. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(3) Not a natural-person shareholder who holds 1% or more of the Company's total outstanding shares in the name of his/her spouse, underage children, or in another person's name or is one of the top 10 shareholders by shareholding.</p> <p>(4) Not the spouse, relative of the second degree of kinship, or direct relative of the third degree of kinship within the scope of (1) or any of the personnel (2) or (3).</p>	0

		<p>(5) The director, supervisor, or employee of a corporate shareholder who does not directly hold more than 5% of the total issued shares of the company, or who is one of the top five holders of shares, or who has appointed a representative as a director or supervisor of the company in accordance with Article 27-1 or 2 of the Company Act. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(6) Directors, supervisors, or employees of other companies not holding more than half of the company's directors and voting shares are controlled by the same person. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(7) Not a director, supervisor, or employee of any other company or institution where the chairman, general manager, or person holding an equivalent position of the company is the same person or spouse. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(8) Not a director, supervisor, manager, or shareholder holding more than 5% of the shares of any company or institution that has a financial or business relationship with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company, unless the above circumstances do not exceed 50% but are more than 20%).</p> <p>(9) Not a professional, sole-proprietorship, partnership, company, or institution owner, partners, directors, supervisors, managers and their spouses that provide audits or commercial, legal, financial, or accounting-related services for the Company or any of its affiliated companies for less than NT\$500,000 in remuneration in the last two years. The members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this restriction.</p> <p>(10) Not a spouse or relative within the second degree of kinship to any other director.</p> <p>(11) Not elected according to Article 27 of the Company Act is a government, institution, or its representative.</p>	
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The Company's Board of Directors currently consists of 9 directors. The specific management goals and accomplishments of the Board diversity policy are as follows:

Management Objectives	Status of Achievement
The number of directors concurrently serving as a managerial officer of the Company shall not exceed one-third of the total number of directors	Achieved
Sufficient and diversified professional knowledge and skills	Achieved

Professional qualifications and experience (Note 1)

The implementation of the diversity policy of the board of directors is as follows:

Diversified Core Director Name	Basic composition						Professional background				Professional knowledge and skills							Number of Directors	
	Nationality	Gender	has employee status	Independent directors have served for less than 9 years	Age			Industry	Finance and Accounting	Professional service and marketing	Information security	Operational judgment	Business management ability	Leadership decision-making ability	Risk management and crisis management	Industry knowledge	International market perspective		
					Aged 31-40	Aged 51-60	Aged 61-70+												
Director Chang Tzu-Hsiung	Republic of China	Male	V				V	V	V	V		V	V	V	V	V	V	0	
Director Hu Sheng-Ching		Male	V				V	V	V	V		V	V	V	V	V	V	0	
Director Chang Ping-Chun		Male	V		V			V		V		V	V	V	V	V	V	0	
Director Hu Shao-Ju		Female			V			V		V		V	V	V	V	V	V	0	
Director Liu Chun-Hsiang		Female					V	V		V		V	V	V	V	V	V	0	
Director Chan Yi-Min		Male					V	V		V			V	V	V	V	V	V	1
Independent Director Chang Shyueh-Chih		Male		V			V	V	V	V			V	V	V	V	V	V	0
Independent Director Lin Yuan-Li		Male					V	V	V	V			V	V	V	V	V	V	0
Independent Director Lin Jaan-Lieh		Male		V			V	V	V	V			V	V	V	V	V	V	0



Diversity and independence of the board of directors:

(1) Diversity of the board of directors:

The Company advocates and respects the policy of diversity of directors to strengthen corporate governance and promote the sound development of the composition and structure of the board of directors. We believe that the policy of diversity will help improve the overall performance of the Company. The members of the board of directors are elected according to the principle of talents, who have diversified and complementary abilities across industries, including basic composition (e.g. age, gender, nationality, etc), industry experience and related skills (e.g., finance, accounting, legal and financial, information technology, and public service), as well as business judgment, management, leadership, and crisis management skills.

(2) Independence of the Board:

22% of the Company's directors are employees, 33% of them are independent directors, and 22% are female directors. One independent director has a tenure of 5-7 years, and one independent director has a tenure of 9 years. Seven directors are over the age of 61-70 and two directors are over the age of 31-40. The Company emphasizes gender equality in the composition of the board of directors and has a strong commitment to accounting and finance. The Company has maintained the target ratio of female directors at more than 20% and that of independent directors has reached 30% or more. An independent director with a background in accounting and finance has been added to the seventh board of directors. Directors provide supervision and professional opinions to achieve the goal of diversity. The Company's director does not have the circumstances described in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act.

(II) Profile of Key Managers

Profile of the President, Vice Presidents, Assistant Vice Presidents, and heads of various departments and branches

As of April 21, 2023

Job title	Nationality	Name	Gender	Age	Election (inauguration) date	Number of shares held (Note 1)		Shares held by spouse and minor children		Shares held in someone else's name		Main experience (academic)	Positions held in other companies	Managers related to a spouse or second degree of kinship			Remarks
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship	
President	Republic of China	Hu Sheng-Ching	Male	Age 71-80	1977.06.06	5,775,315	5.79%	2,102,378	2.11%	0	0.00%	Jiaoxi Junior High School	Dongguan Hu Lane Electronic Technology Co., Ltd. Chairman FORTUNE MASTER DEVELOPMENT LIMITED Director	None	None	None	None
CEO concurrently serving as Head of the Global R&D Center	Republic of China	Chang Tzu-Chieh (Note 1)	Male	Age 61-70	2022.01.01	1,210,616	1.21%	360,647	0.36%	0	0.00%	Department of Mechanical Engineering, Feng Chia University Manager of R&D Department, Hu Lane Manager of Hu Lane Electronics (Shenzhen) Assistant Vice President of Hong Kong Hu Lane Branch Vice President of Hu Lane Electronics (Nanjing) President of China Region and Vice President of R&D Center Vice CEO and President of China, Head of Europe, America, Group R&D Center (including Planning Division), and Director of Hu Lane Vietnam	Vice Chairman of Yangzhou Lear & Hu Lane Automotive Parts Trading Co., Ltd. Supervisor of Dongguan Hu Lane Puguang Trading Co., Ltd. Supervisor of Dongguan Hu Lane Electronic Technology Co., Ltd. Director of PT. HULANE TECH MANUFACTURING Director of FORTUNE MASTER DEVELOPMENT LIMITED	Chairman Assistant Manager	Chang Tzu-Hsiung Chang Chung-Yi	Brother Father and son	None
Executive Vice President of Global Manufacturing Business Group	Republic of China	Chang Ping-Chun (Note 2)	Male	Age 41-50	2022.02..15	1,936,163	1.94%	328,000	0.33%	0	0.00%	Georgia Institute of Technology Master of Science in Industrial Engineering Engineer of HannStar Board Assistant Manager of Quality Control Division of Hu Lane Assistant Manager of the Production Dept., Taipei Production Division, Hu Lane Assistant Manager of the R&D Center Chairman and President of PT. HULANE TECH MANUFACTURING	Chairman and President of PT. HULANE TECH MANUFACTURING Director of SHANG HO INDUSTRY CO., LTD.	Chairman Executive Vice President Accounting Officer	Chang Tzu-Hsiung Chang Shao-Chien Chang Chia-Chi	Father and son Brother Siblings	None

Job title	Nationality	Name	Gender Age	Election (inauguration) date	Number of shares held (Note 1)		Shares held by spouse and minor children		Shares held in someone else's name		Main experience (academic)	Positions held in other companies	Managers related to a spouse or second degree of kinship			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship	
											Sales Assistant Vice President of Asia Pacific Hu Lane					
Executive Vice President of the Global Marketing Business Group and Head of the International Marketing Department and Market Development Dept.	Republic of China	Chang Shao-Chien (Note 2)	Male 31-40 years old	2022.02.15	1,959,913	1.97%	307,500	0.31%	0	0.00%	Master of Project Management, Northeastern University	Director of Yangzhou Lear & Huliaan Automotive Parts Trading Co., Ltd.	Chairman Executive Vice President	Chang Tzu-Hsiung Chang Ping-Chun	Father and son Brother	None
													Accounting Officer	Chang Chia-Chi	Siblings	
Vice President of the Experimental Division and R&D Division	Republic of China	Li Ying-Te (Note 4)	Male Aged 51-60	2022.04..01	10,000	0.01%	0	0.00%	0	0.00%	Ph.D., Department of Mechanical Engineering, National Sun Yat-Sen University Project Management Manager of Liu Ho, Ford Manager of Automotive Division, Foxconn Vice President of Hu Lane Production Division Vice President of Hu Lane R&D Department Director of Amphenol Chief Technology Officer of Xuande Technology	None	None	None	None	None
Engineering Office Vice Chief Engineer	Republic of China	Wang Chih-Hsin (Note 2)	Male Aged 51-60	2022.02..15	16,079	0.02%	0	0.00%	0	0.00%	Yung Chun High School Mold Engineer, MRT Corporation Person in charge of Shunxin Precision Co., Ltd. Senior Engineer and Manager of the Engineering Department and R&D Department of Hu Lane Electronics (Nanjing) Deputy Chief Engineer and Assistant Manager of the Taipei R&D Center and Assistant Manager of China R&D Center Deputy Chief Engineer and Assistant Vice President of the R&D Department and Technology Development Department	None	None	None	None	None

Job title	Nation ality	Name	Gender Age	Election (inauguration) date	Number of shares held (Note 1)		Shares held by spouse and minor children		Shares held in someone else's name		Main experience (academic)	Positions held in other companies	Managers related to a spouse or second degree of kinship			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship	
Group Finance Division Vice President and SSC, Head of Corporate Governance	Republic of China	Pan Su- Chiu (Note 2, Note 3)	Female Aged 51-60	2022.02..15	22,550	0.02%	2,050	0.00%	0	0.00%	Master of Economics and Management, Chung Hua University Assistant Manager of Finance, An Feng Group Deputy Manager, Underwriting Department, Jinghua Securities Co., Ltd. Assistant Manager of CPA Consulting Group, Deloitte Taiwan Manager of the Finance Department of Hu Lane Assistant General Manager of Hu Lane Investment & Legal Affairs Vice President of the Finance Department of Hu Lane	Supervisor of Yangzhou Lear & Hu Lane Automotive Parts Trading Co., Ltd. Supervisor of PT. HULANE TECH MANUFACTURING Supervisor of SHANG HO INDUSTRY CO., LTD. Supervisor of Jiaxing Shang Ho Industry Co., Ltd.	None	None	None	None
Quality Assurance Division Vice President	Republic of China	Fang Kai- Ping (Note 2)	Male Aged 51-60	2022.02..15	32,286	0.03%	0	0.00%	0	0.00%	Master of Industrial Engineering and Management, National Taipei University of Technology Assistant Vice President of Hu Lane Research and Development Division Assistant Vice President of Hu Lane Electronics (Shenzhen) Vice President of Hu Lane Taipei Sales Division Vice President of Taipei Hu Lane	Director of Dongguan Hu Lane Electronics Technology Co., Ltd. Director of PT. HULANE TECH MANUFACTURING	None	None	None	None
Assistant Vice President, Group Human Resources Division and Group Information Division	Republic of China	Chang Chung-Yi (Note 2)	Male 31-40 years old	2022.02..15	149,955	0.15%	0	0.00%	0	0.00%	University of Strathclyde Master of Science in International Human Resource Management Next Animation Studio HR Human Resources Manager of Startronics Project Manager, Human Resources Division, Group Operation Center Assistant Vice President, Human Resources Division, Group Operation Center	None	CEO	Chang Tzu- Chieh	Father and son	None
Hu Lane, Taipei Vice President	Republic of China	Jaw Jing- Shan (Note 2)	Male Aged 51-60	2022.02.15	56,190	0.06%	0	0.00%	0	0.00%	Master of Industrial Engineering, National Taiwan University Manager of Finance Hu Lane Department and Economic Management Department Vice President of General Management Department of Hu Lane Vice President of Group Operation Center	None	None	None	None	None

Job title	Nationality	Name	Gender Age	Election (inauguration) date	Number of shares held (Note 1)		Shares held by spouse and minor children		Shares held in someone else's name		Main experience (academic)	Positions held in other companies	Managers related to a spouse or second degree of kinship			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship	
											Vice President of the Laboratory Division and Finance Division					
Expatriate Vice President of Hu Lane Electronics (Nanjing) Co., Ltd.	Republic of China	Chen Ko-Chou	Male Age 41-50	2015.01.01	18,931	0.02%	0	0.00%	0	0.00%	Master of Industrial Engineering and Management, National Taipei University of Technology Acting Manager of Hu Lane Quality Control Division Manager of Quality Assurance Department, Hu Lane Electronics (Nanjing) Assistant Vice President of Hu Lane Electronics (Shenzhen)	Chairman of PT. HULANE TECH MANUFACTURING	None	None	None	None
Expatriate Hu Lane Electronics (Dongguan) Vice President	Republic of China	Lin Ming-Niao	Male Age 61-70	2017.04.01	2,050	0.00%	8,200	0.01%	0	0.00%	Department of Electrical Engineering, National Hsinchu Advanced Industrial Vocational School Assistant Manager, China Electric Terminal Co., Ltd. Vice President of Nantong Great Electric Co., Ltd.	None	None	None	None	None
Director of the Sales Division in Mainland China	Republic of China	Yu Ching-Fu	Male Aged 51-60	2016.01.01	12,080	0.01%	3,077	0.00%	0	0.00%	National Ilan University Taiwan Acting Deputy Manager of Hu Lane China Sales Division Manager	None	None	None	None	None
Assistant Vice President of the Auditing Office	Republic of China	Chang Chiu-Twei	Female Aged 51-60	2016.01.01	21,600	0.02%	0	0.00%	0	0.00%	Master of Business Administration, National Taiwan University Assistant Manager of the Hu Lane Accounting Department Assistant Manager of the Hu Lane Supervision Office Manager of the Management Department, Hu Lane Electronics (Nanjing) Assistant Vice President of Headquarters of China Production and Sales Group Assistant Vice President of Management Unit, Hu Lane Electronics (Dongguan)	None	None	None	None	None
IR Manager of the Group's Finance Division and the spokesperson and financial head	Republic of China	Kao Shih-Hsiang	Male Age 41-50	2021.07.15	0	0.00%	0	0.00%	0	0.00%	The University of Bath/MASTER OF BUSINESS ADMINISTRATION Assistant to the Legislator's Office Cooperative Bank clerk Junior Specialist of Hu Lane Finance Department	None	None	None	None	None

Job title	Nationality	Name	Gender Age	Election (inauguration) date	Number of shares held (Note 1)		Shares held by spouse and minor children		Shares held in someone else's name		Main experience (academic)	Positions held in other companies	Managers related to a spouse or second degree of kinship			Remarks
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship	
											Junior Specialist and Spokesperson of Hu Lane Finance Division Manager of Finance Dept.					
The Project Officer of the Group Finance Department and Accounting Officer	Republic of China	Chang Chia-Chi	Female Age 41-50	2021.07.15	2,649,008	2.66%	75,497	0.08%	0	0.00%	California Lutheran University Master of Business Administration	None	Chairman Executive Vice President Executive Vice President	Chang Tzu-Hsiung Chang Ping-Chun Chang Shao-Chien	Father and daughter Siblings Siblings	None

Note 1: Shareholding ratio was calculated based on the total outstanding shares of 99,654,707 shares as of April 21, 2023.

Note 2: Dispatched on February 15, 2022.

Note 3: Concurrently served as Supplementary Chairman of the Supplementary Committee and Head of Corporate Governance on June 17, 2023.

Note 4: Dispatched on April 1, 2022.

III. Remuneration paid to directors, supervisors, President, and Vice Presidents in the latest year

(I) Remuneration to general directors and independent directors

Unit: NTD

Job title	Name	Remuneration to directors								Sum of A, B, C, and D and their percentage in net income after tax		Remuneration for part-time employees								Sum of A, B, C, D, E, F, and G and their percentage in after-tax profit (Note 1)(Note 2)		Remuneration received from
		Remuneration (A)		Severance pay and pension (B)		Remuneration to directors (C)		Operational expenses (D)				Salaries, bonuses, and special allowances (E)		Severance pay and pension (F)		Employee remuneration (G)						
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
																Cash amount	Amount of shares	Cash amount	Amount of shares			
Chairman	Chang Tzu-Hsiung	4,093,665	4,093,665	-	-	1,290,168	1,290,168	4,559,691	4,559,691	9,943,524 0.99%	9,943,524 0.99%	-	-	-	-	-	-	-	-	9,943,524 0.99%	9,943,524 0.99%	None
General Director	Hu Sheng-Ching	-	-	-	-	1,290,168	1,290,168	120,000	120,000	1,410,168 0.15%	1,410,168 0.15%	7,286,920	7,286,920	-	-	-	-	-	-	8,697,088 0.88%	8,697,088 0.88%	None
General Director	Liu Chun-Hsiang	-	-	-	-	860,113	860,113	120,000	120,000	980,113 0.10%	980,113 0.10%	-	-	-	-	-	-	-	-	980,113 0.10%	980,113 0.10%	None
General Director	Chang Ping-Chun	-	-	-	-	860,113	860,113	120,000	120,000	980,113 0.10%	980,113 0.10%	2,262,259	2,262,259	-	-	1,133,498	-	1,133,498	-	4,375,870 0.44%	4,375,870 0.44%	None
General Director	Hu Shao-Ju	-	-	-	-	860,113	860,113	120,000	120,000	980,113 0.10%	980,113 0.10%	-	-	-	-	-	-	-	-	980,113 0.10%	980,113 0.10%	None
General Director	Chan Yi-Min	-	-	-	-	860,113	860,113	120,000	120,000	980,113 0.10%	980,113 0.10%	-	-	-	-	-	-	-	-	980,113 0.10%	980,113 0.10%	None
Independent Director	Chang Shyueh-Chih	-	-	-	-	1,290,169	1,290,169	150,000	150,000	1,440,169 0.14%	1,440,169 0.14%	-	-	-	-	-	-	-	-	1,440,169 0.14%	1,440,169 0.14%	None
Independent Director	Lin Jaan-Lieh	-	-	-	-	1,290,169	1,290,169	150,000	150,000	1,440,169 0.14%	1,440,169 0.14%	-	-	-	-	-	-	-	-	1,440,169 0.14%	1,440,169 0.14%	None



Independent Director	Lin Yuan-Li	-	-	-	-	1,290,169	1,290,169	150,000	150,000	1,440,169 0.14%	1,440,169 0.14%	-	-	-	-	-	-	-	-	1,440,169 0.14%	1,440,169 0.14%	None
Total		4,093,665	4,093,665	4,093,665	-	-	9,891,295	9,891,295	5,609,691	5,609,691	19,594,651 1.96%	19,594,651 1.96%	9,549,179	9,549,179	-	-	1,133,498	-	1,133,498	-	30,277,328 3.03%	30,277,328 None

Note 1. The remuneration policy, system, standards, and structure of Hu Lane's directors and independent directors, and the relevance to the amount of remuneration based on the responsibilities, risks, investment time, and other factors:

- (1) Pursuant to Article 20 of the Company's Articles of Incorporation, if there is annual profit (the profit before tax is the profit before the distribution of employees' and directors' remuneration), the Company shall allocate no more than 1% thereof as directors' remuneration. In addition, in accordance with Article 17 of the Articles of Incorporation of the Company, the Company shall pay for the duties, risks, and time investment, and the Functional Committee shall pay for the travel expenses.
- (2) Pursuant to the Company's "Regulations Governing the Payment of Remuneration to Directors and Functional Committee Members", which states that the directors' participation in the Company's operations and the value of their contributions shall be distributed in accordance with the weights given below, as all independent directors serve on the Audit Committee and the Remuneration Committee and other functional committees are responsible for participating in discussions and resolutions made at committee meetings, their remuneration is higher than that of directors.

Note 2. Other than those disclosed in the above table, remunerations received by directors for providing services to all companies covered in the financial statements in the most recent year (e.g. serving as a consultant that is not an employee of the parent company/all companies covered in the financial statements/investees):
None.

Note 1: The actual amount of retirement pension paid in 2022 was NT\$0. Note 2: The amount of severance pay/pension expense in 2022 was NT\$0 thousand.

Remuneration bracket table

Range of remuneration to directors of the Company	<u>Job title</u>	Name of Director			
		Sum of the first four types of remuneration (A+B+C+D)		Sum of the aforementioned seven categories of remuneration (A+B+C+D+E+F+G)	
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Less than NT\$ 1,000,000					
NT\$1,000,000 (inclusive) - \$2,000,000 (exclusive)	General Director	Hu Sheng-Ching, Liu Chun-Hsiang, Chang Ping-Chun, Hu Shao-Ju, Chan Yi-Min	Hu Sheng-Ching, Liu Chun-Hsiang, Chang Ping-Chun, Hu Shao-Ju, Chan Yi-Min	Liu Chun-Hsiang, Hu Shao-Ju, Chan Yi-Min	Liu Chun-Hsiang, Hu Shao-Ju, Chan Yi-Min
NT\$1,000,000 (inclusive) - \$2,000,000 (exclusive)	Independent Director	Lin Jaan-Lieh, Lin Yuan-Li, Chang Shyueh-Chih	Lin Jaan-Lieh, Lin Yuan-Li, Chang Shyueh-Chih	Lin Jaan-Lieh, Lin Yuan-Li, Chang Shyueh-Chih	Lin Jaan-Lieh, Lin Yuan-Li, Chang Shyueh-Chih
NT\$2,000,000 (inclusive) - 3,500,000 (exclusive)		-	-	-	-
NT\$ 3,500,000 (inclusive) - 5,000,000 (exclusive)	General Director	-	-	Chang Ping-Chun	Chang Ping-Chun
NT\$ 5,000,000 (inclusive) - 10,000,000 (exclusive)	General Director	Chang Tzu-Hsiung	Chang Tzu-Hsiung	Chang Tzu-Hsiung, Hu Sheng-Ching	Chang Tzu-Hsiung, Hu Sheng-Ching
NTD 10,000,000 (inclusive) - NTD 15,000,000 (exclusive)		-	-	-	-
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)		-	-	-	-
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)		-	-	-	-
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)		-	-	-	-
Over NTD 100,000,000		-	-	-	-
Total		9	9	9	9

(II) Remuneration to supervisors: None

(III) Remuneration to President and Vice Presidents

Unit: NTD thousands

Job title	Name	Salary (A)		Severance pay and pension (B) (Note 1) (Note 2)		Bonuses and Special expenses, etc. (C)		Employee remuneration (D) (Note 3)				Sum of A, B, and D and percentage in after-tax profits (%)		Remuneration received from invested businesses other than subsidiaries or from the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash amount	Amount of shares	Cash amount	Amount of shares			
President	Hu Sheng-Ching	16,661	18,365	1.171	1.171	11,327	11,327	11,835	0	11,835	0	40,994 4.10%	42,698 4.27%	None
CEO	Chang Tzu-Chieh (Note 4)													
Vice President	Pan Su-Chiu (Note 5)													
Executive Vice President	Chang Ping-Chun													
Vice President	Jaw Jing-Shan (Note 5)													
Vice President	Fang Kai-Ping (Note 5)													
Assignment Vice President	Lin Ming-Niao													
Assignment Vice President	Chen Ko-Chou													
Vice President	Li Ying-Te (Note 6)													
Executive Vice President	Chang Shao-Chien (Note 5)													

Note 1: The amount of severance pay/pension expenses recognized as expenses in 2022 was NT\$1,171 thousand.

Note 2: The actual amount of retirement pension paid in 2022 was NT\$0.

Note 3: The proposed allotment for this year is tentatively calculated based on the actual allotment ratio from the previous year.

Note 4: Dispatched on January 1, 2022.

Note 5: Appointed on February 15, 2022.

Note 6: Dispatched on April 1, 2022.



Remuneration bracket table

Range of remunerations paid to the Company's President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies included in the financial statements
Less than NT\$ 1,000,000		
NT\$1,000,000 (inclusive) - 2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) - 3,500,000 (exclusive)	Chang Ping-Chun, Li Ying-Te, Chang Shao-Chien, Pan Su-Chiu	Chang Ping-Chun, Li Ying-Te, Chang Shao-Chien, Pan Su-Chiu
NTD 3,500,000 (inclusive) - NTD 5,000,000 (exclusive)	Chen Ko-Chou, Lin Ming-Niao, Jaw Jing-Shan, Fang Kai-Ping	Fang Kai-Ping, Jaw Jing-Shan
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (exclusive)	Hu Sheng-Ching , Chang Tzu-Chieh	Hu Sheng-Ching, Chang Tzu-Chieh, Chen Ko-Chou, Lin Ming-Niao
NTD 10,000,000 (inclusive) - NTD 15,000,000 (exclusive)		
NTD 15,000,000 (inclusive) - NTD 30,000,000 (exclusive)		
NTD 30,000,000 (inclusive) - NTD 50,000,000 (exclusive)		
NTD 50,000,000 (inclusive) - NTD 100,000,000 (exclusive)		
Over NTD 100,000,000		
Total	10	10

(IV) A TWSE/TPEX listed company that is under the following circumstances should disclose the remunerations of the top five executives with the highest remuneration individually: Not applicable because of the absence of the following circumstances.

1. The entity or individual financial statements that have incurred after-tax losses in the most recent three years: None.
2. A company listed on the TWSE/TPEX that falls in the last bracket in the corporate governance evaluation of the most recent year: None.



(V) The name and distribution of the manager who assigns the remuneration of the employee

Unit: NTD thousands

Job title	Name	Amount of shares	Cash amount (Note 1)	Total	Ratio of sum to net income after tax (%)
President	Hu Sheng-Ching	0	16,850	16,850	1.69%
CEO	Chang Tzu-Chieh (Note 2)				
Vice President	Pan Su-Chiu (Note 3)				
Executive Vice President	Chang Ping-Chun (Note 3)				
Vice President	Jaw Jing-Shan (Note 3)				
Vice President	Fang Kai-Ping (Note 3)				
Assigned Vice President	Lin Ming-Niao				
Assignment Vice President	Chen Ko-Chou				
Vice President	Li Ying-Te (Note 4)				
Executive Vice President	Chang Shao-Chien (Note 3)				
Assistant Vice President	Yu Ching-Fu				
Assistant Manager	Chang Chiu-Twei				
Assistant Manager	Wang Chih-Hsin				
Assistant Manager	Chang Chung-Yi (Note 3)				
Accounting Officer	Chang Chia-Chi				
Chief Financial Officer	Kao Shih-Hsiang				

Note 1: The proposed distribution is calculated based on the actual distribution in the last year.

Note 2: Dispatched on January 1, 2022

Note 3: Dispatched on February 15, 2022.

Note 4: Dismissed on April 1, 2022.

(VI) Compare the analysis of the total remuneration paid by the Company and all companies to the directors, supervisors, general managers, and deputy general managers of the Company in the last two years to the net profit after tax of individual or individual financial reports, and explain the policy, standards, and combination of remuneration, the procedure for determining remuneration and the correlation with business performance and future risks.

1. Total remuneration paid by the Company and all companies in the consolidated financial statements to the Company's directors, general managers, and vice general managers, as a percentage of after-tax profit in the entity financial report

	Ratio of sum of remuneration to net income after tax in 2021		Ratio of sum of remuneration to net income after tax in 2022	
	The Company	All companies included in the consolidated financial statements	The Company	All companies included in the consolidated financial statements
Director	3.14%	3.14%	3.03%	3.03%
President and Vice Premier	3.56%	3.89%	4.10%	4.27%

2. Correlation among the remuneration payment policy, standards and combination, procedures for determining remuneration, and business performance and future risks:

- (1) Remuneration to directors

1. The remuneration to directors of the Company is set in accordance with the Company's Articles of Incorporation: if the Company makes a profit for the year (the so-called profit before tax less the distribution of employees' and directors' remuneration), 1%~10% of the profit shall be appropriated. 10% thereof shall be the remuneration to the employees and no more than 1% thereof shall be the remuneration to the Directors. However, when the Company still has accumulated deficits (including the adjustment of undistributed earnings), the Company shall reserve the amount to compensate in advance, and then appropriate the aforementioned proportion as remuneration to employees and remuneration to directors. In order to evaluate the remuneration of directors on a regular basis, the directors are based on the participation and contribution value of the directors in the company's operations, and with reference to the peers, TWSE/TPEX-listed companies in the same industry, and the company's operating performance.

2. According to the Company's "Regulations Governing the Payment of Remuneration to Directors and Functional

Committee Members", the principle is as follows: Directors' involvement in the Company's operations and the value of their contributions shall be distributed according to the weights given below. As all independent directors serve on the Audit Committee and the Remuneration Committee and are responsible for participating in discussions and resolutions made at committee meetings, their remuneration is higher than that of directors. As for "Board of Directors Performance Evaluation Policy", the regular remuneration is evaluated based on the following items: understanding of the Company's goals and missions, awareness of directors' responsibilities, involvement in the Company's operations, management of internal relations and communication, internal control and other items are considered, and the reasonableness of salary and remuneration is regularly evaluated. After evaluation and discussion by the remuneration committee, it is submitted to the board of directors for approval.

(2) Remuneration to managers

The Company's manager remuneration policy is determined based on the Company's overall compensation level positioning in the market, the results of industry salary surveys, the Company's operational performance results, and combined with the annual performance targets of managers, talent cultivation and development results, and other comprehensive considerations. The salaries and remunerations of individual managers are set in accordance with the relevant regulations of the Company. The procedure of remuneration not only refers to the overall operating performance of the Company, but also takes into account the individual's performance attainment rate and contribution to the Company's performance, and all managers are reasonably remunerated. It complies with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter", and the Remuneration Committee evaluates the reasonableness of remuneration on a regular basis.

IV. Status of corporate governance

(I) Operation of the board of directors

1. the board of directors held 7 meetings in the most recent year (2022), and the attendance of directors was as follows:

Term of office of the 7th(A) Board of Directors: June 19, 2020 to June 18, 2023

Job title	Name	Actual attendance(B)	Number of proxy attendances	Actual attendance rate (%) (B/A)	Remarks
Chairman	Chang Tzu-Hsiung	7	0	100%	Re-elected on June 19, 2020
Director	Hu Sheng-Ching	7	0	100%	Re-elected on June 19, 2020
Director	Chang Ping-Chun	7	0	100%	Re-elected on June 19, 2020
Director	Hu Shao-Ju	7	0	100%	Re-elected on June 19, 2020
Director	Liu Chun-Hsiang	7	0	100%	Re-elected on June 19, 2020
Director	Chan Yi-Min	7	0	100%	Re-elected on June 19, 2020
Independent Director	Chang Shyueh-Chih	7	0	100%	First elected on June 19, 2020
Independent Director	Lin Yuan-Li	7	0	100%	Re-elected on June 19, 2020
Independent Director	Lin Jaan-Lieh	7	0	100%	Re-elected on June 19, 2020

Other matters to be recorded:

I. (I) Conditions described in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee, which is not applicable for the information in accordance with Article 14-3 of the Securities and Exchange Act. Please refer to the "Operation of Audit Committee" of this annual report.

(II) Any other documented objections or qualified opinions of independent directors concerning board resolutions: None.

II. Status of recusal of directors' remuneration for conflicts of interest: The director recused himself from participating in discussions and voting on his/her remuneration.

Name of Director	Motion content	Reasons for avoidance of conflicting interests	Participation in voting
Chang Ping-Chun	Personnel adjustment	Stakeholder of the case	Abstained from voting in accordance with the law
Hu Sheng-Ching Chang Ping-Chun	2022 Allocation of Remuneration to Managers	Stakeholder of the case	Abstained from voting in accordance with the law

III. TWSE/TPEX listed companies are required to disclose information such as the interval, duration, scope, method, and content of self-evaluation (or peer evaluation) of the board of directors. Please see 2. Implementation of Board of Directors Evaluation.

IV. Enhancement of the functions of the board of directors in the current year and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency, etc) and evaluation of implementation: Please refer to the corporate governance of the Company.

1. Term of office of the 7th Board of Directors: From June 19, 2019 to June 18, 2023, the Company had 9 directors (including 3 independent directors), a Remuneration Committee, and an Audit Committee to exert their supervisory responsibilities and achieve the goals of the board of directors.

2. The operation of the board of directors is in accordance with the Company's Rules of Procedure for Board of Directors Meetings, which implements corporate governance and enhances information transparency. The implementation is good.
3. Continuing education for directors: The Company arranges continuing education courses for directors on a regular basis to enable directors to improve themselves and maintain their core values and professional advantages.
4. The Chairman of the Company does not concurrently serve as a managerial officer of the Company.
5. In order to enhance the professional knowledge of directors and implement corporate governance, in addition to arranging courses according to the needs of individual directors in 2022, the Company has also strengthened education courses on "Corporate Governance 3.0" and "Anti-corruption, Anti-money Laundering, Anti-bribery, and Law Compliance" and arranged continuing education courses for directors, including "Board Governance under Sustainability" and "Green Transformation – Future Key Talents". The continuing education of directors has been disclosed on the Market Observation Post System as required.
6. The Company has purchased "Director and Supervisors Liability Insurance" to diversify directors' legal liability risks and improve corporate governance. This is reported in the Report of the board of directors on June 17, 2022.
7. Succession planning for members of the board of directors and key management personnel : In accordance with the development direction and goals of the Company, the succession planning of the Company must not only possess professional skills, but also must have the personality traits of integrity and values that are consistent with the Company.
 - (I) Succession planning for the members of the Board: The Company currently has a total of 9 directors (including 3 independent directors), all of whom possess the skills required by business, financial accounting, or the Company's business activities. Architecture. Regarding the succession planning of the board of directors, the Company maintains good communication with the existing institutional shareholders and discusses the selection of the successor from time to time. As for independent directors, they are required by law to have work experience in commerce, legal affairs, finance, accounting or corporate operations. Therefore, they are selected by professionals from academia and industry in Taiwan.
 - (II) Management succession planning: The Company regularly reviews and selects potential lists at all levels to establish a talent pool and conducts training plans. The talent development plan includes professional ability, management ability, personal development plan, and work rotation:
 1. Decision-making skills are cultivated through work practice reports and participation in important meetings such as goals and business management. Regular performance evaluations are also conducted by senior executives to help guide personal development and provide feedback during the process.
 2. Through cross-functional field or cross-plant (department) work rotation, project task planning and execution, concurrent job responsibilities, work agency, or assignment in invested enterprises, the Company cultivates diversified work abilities and visions, and provides them with practical experience.
 3. Participate in internal and external training each year based on individual development needs to cultivate decision-making and judgment ability.



4. Establish comprehensive training records and review the talent development plan regularly to adjust the development plan according to the needs of organizational operations.
5. The Company encourages mid-level and high-ranking talents to develop creative ideas and self-study and propose further studies, internships, or alternative learning or internship programs. The Company is given the resources to support or adjust job duties in order to make the Company's overall human resources more diverse and resilient.
6. The Group actively nurtures high-potential talents with management and professional skills. It is hoped that through a variety of talent training methods, potential talents can achieve personal career development goals under the consensus of organizational development and strategic consensus, and then demonstrate the performance of teams or individuals to ensure the success of the Group in the future Team formation. To ensure a sufficient supply of key talents, the Company has launched the senior mentor system for 15 people and team coaching projects for 8 people in 2022 to implement diversified talent development and accelerate the training of potential successors to key positions.

2. Evaluation and execution of the board of directors

Evaluation cycle	Evaluation period	Scope of Assessment	Method of evaluation	Content of Assessment
Once a year	January 1, 2022 to December 31, 2022	(1) Board of Directors (2) Directors (self or peers) (3) Functional Committee – Remuneration Committee (4) Functional Committees – Audit Committee Performance Evaluation	1. Self-evaluation of the board of directors 2. Self-Evaluation of the Directors	(I) The "Self-Evaluation Questionnaire for the Performance of the board of directors" was asked by all directors for self-evaluation. The six aspects of the evaluation included: 1. Participation in the Company's operations 2. Enhancing the quality of Board of Directors' decision making 3. Composition and structure of the board of directors 4. Election and continuing education of directors 5. Internal control 6. Other items (II) The "Self-Evaluation Questionnaire for Director (Self and Peer) Evaluation" is a self-assessment of all directors. The seven aspects of the evaluation included: 1. Mastery of the Company's goals and missions 2. Awareness of directors' responsibilities 3. Participation in the Company's operations 4. Management of internal relations and communication 5. Directors' professionalism and continuing education 6. Internal control 7. Other items (III) "Functional Committees – Remuneration Committee and Audit Committee Performance Evaluation Self-Evaluation Questionnaire" was evaluated by the convener of each functional committee. The evaluation covers five major aspects: 1. Participation in the Company's operations 2. Awareness of the duties of the functional committee 3. Improvement of the decision-making quality of the functional committees 4. Composition of the functional committees 5. Election of internal controllers

				The Company's website (http://www.hulane.com.tw) Corporate Governance/ Board of Directors Performance Disclosure.
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The Company has completed the performance self-evaluation of the board of directors in 2022. The evaluation results were presented to the Remuneration Committee on March 24, 2023, and submitted to the board of directors' report for review and improvement. 1. The overall average score of the self-assessment of the board of directors is 4.66 (out of a total of 5 points) The overall operation of the board of directors of the Company has been satisfactory in fulfilling the responsibility of each director to direct and supervise the Company's strategies and major businesses, and to establish a proper internal control system, etc. Among other items this year, the board of directors fully supported corporate sustainability and continued to promote environmental, social and corporate governance (ESG) work. "Strongly agree". The overall evaluation result was "better than the standard" and met the requirements of corporate governance. Enhance the functions of the board of directors. 2. The overall average score of individual self-assessment of directors' performance was 4.59 points (total 5 points). The self-assessment results showed that the efficiency and effect of various assessment indicators were "better than the standard" and were rated positively by the directors of the Company. In this year's 7th top other item, the directors understand the importance of ESG-related issues in the company's industry, and "strongly agree". One of the items in the self-assessment of the board of directors was rated as "average (3)" and "there is sufficient communication and communication between the director and the CPAs". The Audit Committee was established on June 19, 2020. The members of the Audit Committee communicated with CPAs in the Audit Committee, and the independent communication meeting between the independent directors and CPAs was held on March 24, 2022. It is a sign that the overall Board of Directors is functioning well. 3. In the self-assessment results of the Remuneration Committee and the Audit Committee, all members agreed with each item with a score of 4.97/4.87 (out of 5), indicating that the overall operation was sound . The members of the board of directors all gave positive evaluations of "better than standard" and compliance with the requirements of corporate governance, and considered that the operation is good and can effectively develop its functions.



(II) Operation of the Audit Committee:

- I. The Company's Audit Committee comprises 3 members.
- II. The term of office of the current members is from June 19, 2020 to June 18, 2023. The Audit Committee met 6 times (A) in the most recent year (2022), and the qualifications and attendance of the members are as follows:

Job title	Name	Actual attendance rate (B)	Number of proxy attendances	Actual attendance rate (%) (B/A)	Remarks
Convener Independent Director	Chang Shyueh-Chih	6	0	100%	Re-appointment
Committee members Independent Director	Lin Yuan-Li	6	0	100%	Re-appointment
Committee members Independent Director	Lin Jaan-Lieh	6	0	100%	Re-appointment

I. Other matters to be recorded:

(I) Conditions described in Article 14-5 of the Securities and Exchange Act:

Dates of Audit Committee and Board of Directors Meetings	Session of session	Motion content	Independent directors' opposition, qualified opinions, or major recommendations	Resolution of the Audit Committee and the Company's response to the opinions of the Audit Committee
2022.03.25	The 9th meeting of the 1st session The 12th meeting of the 7th session	<ul style="list-style-type: none"> Explanation of the 2021 financial statement audit. The Company's individual financial statements and consolidated financial statements 2021. Approval for issuing the "Declaration of Internal Control System for 2021". Report on the closing of the Company's financial derivatives transactions EVERVALUE INVESTMENTS LIMITED, extended the loan to PT. Hulane Tech Manufacturing. 	None	The members of the Audit Committee passed all proposals unanimously, and the board of directors approved all proposals in accordance with the recommendations of the

		<ul style="list-style-type: none"> The "Guidelines for Handling Acquisition and Disposal of Assets" was revised. The Company's reinvestment in the equity of EAGLE GOOD LIMITED., a subsidiary of Shangyi Investment Co., Ltd. The Company's reinvestment in the equity transaction of Shang Ho Industry Co., Ltd., a subsidiary of Shang Yi Investment Co., Ltd. 		Audit Committee.
2022.05.06	The 10th meeting of the 1st session The 13th meeting of the 7th session	<ul style="list-style-type: none"> The Company's consolidated financial statements for the first quarter of 2022 The Company's 2021 business report. Appropriation of the Company's 2021 earnings. Distribution of cash to shareholders from additional paid-in capital. The Company provided guarantees to Taipei Fubon Bank for the current financing and/or guaranteed debts between Hu Lane Electronic (Vietnam) Co., Ltd., and Taipei Fubon Bank. The Company provides Citibank with a guarantee for the current financing, foreign exchange, derivative transactions and/or guaranteed obligations between PT. Hulane Tech Manufacturing and Citibank (as defined in the guarantee letter). 	None	The members of the Audit Committee passed all proposals unanimously, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.
2022.06.17	The 11th meeting of the 1st session The 14th meeting of the 7th session	<ul style="list-style-type: none"> Re-invested in Jiaxing Shang Ho Electronics Technology Co., Ltd. The Company engaged in derivative financial product (foreign exchange exchange) transactions in June 2022. 	None	The members of the Audit Committee passed all proposals unanimously, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.

2022.08.10	The 12th meeting of the 1st session The 15th meeting of the 7th session	<ul style="list-style-type: none"> • The Company's consolidated financial statements for Q2, 2022 • Acting as the endorser and guarantor for EVERVALUE INVESTMENTS LIMITED • The Company provided guarantees to Cathay United Bank (Shenzhen) in respect of the current financing, foreign exchange, derivative transactions, and or guaranteed liabilities between Dongguan Hu Lane Puguang Trading Company Limited and Cathay United Bank (Shenzhen) (as defined in the Letter of Guarantee). • The Company provided guarantees to Cathay United Bank (China) Limited Shanghai Branch in connection with the current financing, foreign exchange, derivative transactions and/or guaranteed debts of Hu Lane Electronics (Nanjing) Co., Ltd., and Cathay United Bank (China) Limited Shanghai Branch (as defined in the Letter of Guarantee). 	None	The members of the Audit Committee passed all proposals unanimously, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.
2022.11.08	The 13th meeting of the 1st session The 16th meeting of the 7th session	<ul style="list-style-type: none"> • The Company's consolidated financial statements for the third quarter, 2022. • The Company has provided Citibank with a guarantee for the current financing, foreign exchange, derivative transactions, and/or guarantee obligations of Dongguan Hu Lane Puguang Trading Co., Ltd., and Citibank (as defined in the guarantee letter). • The Company provides Citibank with a guarantee for the current financing, foreign exchange, derivative transactions, and/or guarantee of debts between PT. Hu Lane Tech Manufacturing and Citibank (as defined in the guarantee letter). • The Company has provided Citibank with a guarantee for the current financing, foreign exchange, derivative transactions and/or guarantee obligations between Hu Lane (Vietnam) Co., Ltd., and Citibank (as defined in the guarantee letter). 	None	The members of the Audit Committee passed all proposals unanimously, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.

		<ul style="list-style-type: none"> • Report of the Company's financial derivatives (foreign exchange swap) transactions. • The Company engaged in derivative financial product (foreign exchange swap rollover) transactions in September 2022. • The Indonesian subsidiary (PT. Hulane) proposed to raise capital by USD4 million in cash. • Relevant matters concerning the establishment of the subsidiary in Italy. 		
2022.12.23	The 14th meeting of the 1st session The 17th meeting of the 7th session	<ul style="list-style-type: none"> • Replacement of CPAs. • Revised organizational chart for the Group's Sustainability Committee. • Report of the Company's financial derivatives (foreign exchange swap) transactions. • The Company engaged in derivative financial instruments (foreign exchange swap rollover) transactions in December 2022. • EVERVALUE INVESTMENTS LIMITED, loaning funds to its parent company, Hu Lane Associate Inc. • EVERVALUE INVESTMENTS LIMITED, loaning to HuLane Electronic (Vietnam) Co., Ltd. 	None	The members of the Audit Committee passed all proposals unanimously, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.
2023.03.24	The 15th meeting of the 1st session The 18th meeting of the 7th session	<ul style="list-style-type: none"> • 2022 employees and directors remuneration. • The Company's 2022 individual and consolidated financial statements. • Approval for issuing the "Declaration of Internal Control Systems for 2022". • Removal of restrictions on non-competition of directors • The non-assurance services are pre-approved by the CPAs. • Amendment to the Company's "Audit Committee Charter". • The offering and issuance of the 1st unsecured convertible corporate bond by the Company. • The Indonesian subsidiary (PT. Hulane) raised capital by US\$4 million in cash. 	None	The members of the Audit Committee passed all proposals unanimously, and the board of directors approved all proposals in accordance with the recommendations of the Audit Committee.

		<ul style="list-style-type: none">• The Company acquired the marketable securities of HD Renewable Energy Co., Ltd.• Report of the Company's financial derivatives (foreign exchange swap) transactions.		
<p>(II) Other matters that have not been approved by the Audit Committee but have been approved by more than two-thirds of all directors: None.</p> <p>II. Avoidance of conflicts of interest by independent directors: None.</p> <p>III. Communication between independent directors and the internal audit head or with CPAs (including the material matters, methods, and results of communication on the company's financial and business status):</p> <p>(I) The internal audit officer of the Company communicates the results of the audit report with the members of the Audit Committee on a regular basis, and makes internal audit reports at the quarterly Audit Committee meeting. If there are special circumstances, they will report to the members of the Audit Committee immediately. There were no such special circumstances in 2022. The communication between the Audit Committee and the internal audit officer is good.</p> <p>Summary of Communication Between Independent Directors (Audit Committee) and the Chief Auditor at Regular Meetings</p>				
Date	Conference	Communication focus	Result of communication	
2022.03.25	Audit Committee	Reported the audit report (including endorsements and guarantees) from December 2021 to February 2022, as well as the improvement of audit deficiencies in 2021, and explained the problems raised by independent directors.	No objection was raised.	
2022.05.06	Audit Committee	Reported the March 2022 audit report (financing revolving and other operating measures), and the improvement of audit deficiencies in 2021 and 2022, and explained the questions posed to the independent directors.	No objection was raised.	
2022.06.17	Audit Committee	Reported the April 2022 audit report (revolving salary and other audits), as well as the improvement of audit deficiencies in 2021 and 2022, and an explanation to the questions posed by independent directors.	No objection was raised.	
2022.08.10	Audit Committee	Reported the audit report from May to June 2022 (production cycle, R&D cycle, and other operating method audits), and the improvement of audit deficiencies in 2021 and 2022, and explained the problems posed to the independent directors.	No objection was raised.	
2022.11.08	Audit Committee	Reported the audit report from July to September 2022 (audit of the sales and collection cycle, procurement and payment cycle, computerized information system processing, and other operating methods), and the improvement of audit deficiencies in 2021 and 2022, and	No objection was raised.	

		reported the audit to the independent directors. Explain by asking questions.	
2022.12.23	Audit Committee	Reported the audit report (audit of property, plants, and equipment recycling, investment recycling, and other operating measures) in October and November 2022, and the improvement of audit deficiencies in 2021 and 2022, and explained the problems posed by independent directors.	No objection was raised.
Result: The above matters have been reviewed or approved by the Audit Committee, and independent directors have no objection.			
<p>(II) The Company's auditors will report the results of the audit or review of the annual and semi-annual financial reports and other matters required by the relevant laws and regulations during the Auditing Committee's meeting. If there are special circumstances, they will immediately report to the Auditing Committee. There was no special situation as referred to above in 2021. The communication between the Audit Committee and the CPAs was good.</p> <p>Summary of Communication Between Independent Directors (Audit Committee) and CPAs at Regular Meetings</p>			
Date	Conference	Communication focus	Result of communication
2022.03.25	Symposium	<ul style="list-style-type: none"> Description on the identification of significant risks in the 2022 financial statements, the audit procedures adopted, and the audit conclusions made by the CPAs. The CPAs explained and communicated with the questions raised by the independent directors. 	No objection was raised.
2022.08.10	Audit Committee	<ul style="list-style-type: none"> Explanation of conclusions made by CPAs on the financial statements of the second quarter of 2022. Description by the CPAs regarding the planning of audits for 2022: <ul style="list-style-type: none"> Scope and methods of audit Group audit Assessment of fraud Management over-control risk review Identification of significant risks Key audit matters Independence The CPAs explained and communicated the issues raised by the members. 	No objection was raised.

(III) Corporate governance practices and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Has the Company established and disclosed its corporate governance principles in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		The Company's Board of Directors passed the "Corporate Governance Best Practice Principles" on December 27, 2017, with amendments passed by the board of directors on March 24, 2023 to protect the rights and interests of shareholders, strengthen the functions of the board of directors, and respect the rights and interests of stakeholders. We disclose company information in accordance with the relevant laws and regulations and update it regularly, and the Company's "Corporate Governance Best Practice Principles" can be found on the Company's website. (www.hulane.com.tw).	None
II. Shareholding structure and shareholders' equity (I) Does the Company have internal operating procedures defined for handling shareholders' suggestions, doubts, disputes, and litigation matters, and implemented in accordance with the procedures?	V		(I) To protect the rights and interests of shareholders, the Company has established a spokesperson system in the "Material Inside Information Handling and Insider Trading Prevention Management Procedures". The Company has appointed spokespersons and deputy spokespersons to handle related matters, and has also established a dedicated share affairs unit and share affairs agency to handle affairs related to shareholders. Shareholders are given appropriate time to speak and discuss all motions of the shareholders' meeting. The motions are put to a vote on a case-by-case basis, and the results of shareholders' approval, disapproval, invalidation, abstention, and non-voting for each proposal shall be recorded in the meeting minutes.	None

Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(II) Does the Company have a list of the Company's major shareholders and ultimate shareholders with actual control over the Company?	V		(II) The Company's shareholders are mainly natural persons, and the corporate shareholders do not take up a large proportion of the company's shareholders. The composition of the Company's major shareholders is mainly composed of the Company's directors and top ten shareholders. In accordance with the regulation of the Securities and Exchange Act on insiders, information on the acquisition or transfer of their shares is required to be reported to the Company, so the Company is able to grasp the list of major shareholders who actually control the Company.	
(III) Has the Company established and implemented risk control and firewall mechanisms between the Company and its affiliated companies?	V		(III) 1. The risk control mechanism of the Company and its affiliated companies is implemented in accordance with the relevant internal control procedures. Auditors regularly and intermittently supervise their implementation, and the information is reported to the board of directors for explanation to avoid the risk of the Company arising from the failure of affiliated companies. In addition, in accordance with the "Regulations Governing the Establishment of Internal Control Systems by Public Companies", the "Regulations Governing the Subsidiaries" and "Operating Procedures for Loaning of Funds and Endorsements and Guarantees" have been established to implement the risk control mechanism for subsidiaries. 2. To ensure the risk management of the company's information security, we have established the Group Information Security Management Regulations, Computerized Information System Cycle Processing, and Computer Software and Hardware Management Regulations in accordance with the Guidelines	

Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
			<p>for the Establishment of Internal Control Systems by Public Companies. We clearly define and specify various control operations for all information system processors to follow and execute. Strengthen the risk management of information security and establish the information asset emergency response guidelines. Information processors can follow the guidelines to respond to specific incidents to improve processing efficiency. To ensure the safety and security of information communication, the internal audit unit and the external audit vendor formulate annual audit plans based on the risk assessment results and implement them in order to evaluate the Company's internal control system.</p> <p>3. The Company initiated the Group Information Security Improvement Project in 2023. In response to the requirements of the competent authority's laws and regulations, the Company has gradually established an independent information security management organization, initiated the Group's information security management, and conducted a comprehensive and in-depth review of the entire Group based on the ISO27001 international information security standard, including the current status of information operations, information environment, and information systems at each plant site. They will be analyzed to clarify potential information security risk factors, and to formulate software and hardware improvement plans and medium and long-term information security management strategies to effectively control and reduce information security incidents, strengthen the factory information infrastructure, information security protection framework, and management systems.</p>	

Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
(IV) Does the Company have internal regulations in place to prohibit insiders from using undisclosed information to trade securities?	V		(IV) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" and the "Management Procedures for Handling Material Inside Information and Prevention of Insider Trading" to prohibit insiders from utilizing undisclosed information to trade the Company's stock or other equity-type securities, applicable to the Company's directors, managers, and employees, and relevant information is updated and promoted on a regular basis.	
III. Composition and Responsibilities of the board of directors (I) Does the board of directors have a diversity policy formulated and implemented?	V		(I) The Company has established the "Corporate Governance Best Practice Principles" to screen for director candidates based on the diversity approach in terms of professional background, academic (experience), integrity or relevant professional qualifications, etc. All of them have a wealth of academic experience and diverse composition. Members of the board of directors shall generally possess the necessary knowledge, skills, and competencies to perform their duties. In order to achieve the ideal goal of corporate governance, the board of directors as a whole should be equipped with the abilities of operational judgment, accounting and financial analysis, business management, crisis management, industry knowledge, international market outlook, and leadership and decision-making. For the specific management objective that the number of directors who are also managers of the Company does not exceed one-third of the total number of directors, the Company has exercised its management decision-making and supervisory functions to implement the	None

Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			diversity of the board of directors. Please refer to pages 11-15 for details.	
(II) In addition to the Remuneration Committee and Audit Committee established by law, does the Company voluntarily establish other functional committees?	V		(II) The Company established the Remuneration Committee (established in 2017) and the Audit Committee (established in 2020) according to laws. Sustainability Committee (established in 2022): An independent director serves as a committee member and is responsible for convening meetings and formulating sustainability strategies. It also assigns a chief sustainability officer to advance control and the assignment of tasks, and report on the implementation results and future work plans to the board of directors on a quarterly basis. Other functional committees will be set up as needed.	None
(III) Has the Company defined the performance evaluation rules and methods of the board of directors, conducted performance evaluations regularly every year, and reported the results of the performance evaluations to the board of directors, and used them in the compensation and remuneration of individual directors and nominations for renewal of office?	V		(III) The Company passed the Regulations Governing the Performance Evaluation of the board of directors in 2019. An internal evaluation of the performance of the board of directors shall be conducted once a year, and the evaluation of the performance of the board of directors may be commissioned to external professional independent institutions or external teams of experts and scholars as required. The evaluation shall be disclosed on the Company's website, in the annual report, and on the Market Observation Post System in accordance with the regulations. 1. On November 8, 2019, the board of directors passed the "Guidelines for the Evaluation of the Performance of the board of directors", which extended the evaluation to functional committees.	

Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
	V		<p>2. The execution of the evaluation of the board of directors in 2022 is disclosed in the Annual Report and disclosed on the Company's website.</p> <p>3. The Company completed the self-evaluation of the board of directors in 2022. The evaluation results have been submitted to the Remuneration Committee on March 24, 2023 and reported to the board of directors as the basis for review and improvement. The overall average score of the self-assessment of the board of directors was 4.66 (out of 5). The overall average score of the individual director in the self-assessment was 4.459 (out of 5). One of the items in the self-assessment of the board of directors was rated as "average (3)" and "there is sufficient communication and communication between the director and the CPAs". The Audit Committee was established on June 19, 2020, and the independent communication meeting between independent directors and CPAs has been improved on March 24, 2023, indicating that the overall Board of Directors is functioning well.</p> <p>4. In the self-assessment results of the Remuneration Committee and the Audit Committee, all members agreed with each item with a score of 4.97/4.87 (out of 5), indicating that the overall operation was sound. The members of the board of directors all gave positive evaluations of "better than standard" and compliance with the requirements of corporate governance, and considered that the operation is good and can effectively develop its functions.</p>	None

Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(IV) Does the Company evaluate the independence of CPAs regularly?			(IV) The Company's Audit Committee assesses the independence and suitability of the CPAs regularly every year, and requires the CPAs to provide a "Declaration of Independence" and "Independence Report", and reports the results to the board of directors. The latest annual assessment was approved by the Audit Committee on March 23, 2023 after discussion and approval of the "Audit Quality Indicators (AQIs)", and the board of directors resolution on March 23, 2023 approved the assessment of the independence and suitability of accountants. Evaluations are conducted based on the independence assessment items and AQI indicators. It has been confirmed that the accountant and the company have no other financial interests and business relationships other than visa and financial and tax case fees, and the accountant's family members have not violated the independence requirements, and with reference to AQI index information, it has been confirmed that the accountant and the firm have better audit experience and training hours than the industry average.	
IV. Does the TWSE/TPEX listed company have the appropriate number of corporate governance personnel in place and has a corporate governance officer been designated to be responsible for corporate governance-related affairs (including but not limited to providing directors and supervisors with the information	V		The Company established the Finance Division as a part-time corporate governance unit. The Chief Financial Officer is responsible for supervising and overseeing the protection of shareholders' rights and interests and strengthening the functions of the board of directors. It was deliberated and approved by the board of directors on June 17, 2023. Vice President Pan Su-Chiu was appointed as the head of corporate governance to protect shareholders' rights and strengthen the functions of the board of directors. Pan Su-Chiu has served as Special Assistant to the Chairman and Manager of the Finance Department of Hu Lane,	None

Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
needed to perform their duties, assisting directors and supervisors in complying with laws and regulations, handling matters related to the board of directors and Shareholders' Meetings, preparation of minutes of the board of directors and Shareholders' Meetings, etc)?			<p>Director of the Chairman's Office and Special Assistant to Hulian Precision, and Vice President of the Group's Finance Department. He has met the qualification requirements for Corporate Governance Officer.</p> <p>The scope of authority of the Head of Corporate Governance and the implementation of business activities in the current year are as follows:</p> <ol style="list-style-type: none"> 1. Assist the general directors and independent directors in executing their duties, providing the required documents, and arranging for the directors to undergo further education: <ol style="list-style-type: none"> (1) According to the latest laws and regulations related to the company's business field and corporate governance, the board members are appointed upon assuming office and are updated regularly. (2) Review the confidential level of relevant information and provide directors with the required company information to maintain smooth communication channels between directors and business managers. (3) Assist in arranging meetings with the internal audit chief or CPAs when an Independent Director needs to understand the Company's financial operations on a case-by-case basis. (4) Assist directors and independent directors in devising annual continuing education plans and arranging courses based on the Company's industry characteristics and director education. 2. Assisting in the procedures and resolutions of legal compliance matters for the board of directors and Shareholders' Meetings: 	

Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>(1) Report the status of the Company's corporate governance to the board of directors and Independent Directors and ensure that the shareholders' meetings and Board of Directors meetings are in compliance with the applicable laws and the Corporate Governance Best Practice Principles.</p> <p>(2) Assist and remind directors of the laws and regulations that shall be complied with when executing business activities or making formal resolutions of the board of directors, and give suggestions when illegal resolutions are about to be made.</p> <p>(3) After the board meeting, review the release of important information of the important resolutions of the board of directors to ensure the legitimacy and correctness of the content to protect the parity of trading information for investors.</p> <p>3. Prepare the board meeting agenda and inform the directors seven days before the meeting, convene the meeting and provide meeting materials. If the motions require the avoidance of conflicting interests, it should be reminded in advance, and the board meeting minutes will be completed within 20 days after the meeting.</p> <p>4. Organize shareholders' meeting registration in advance according to the laws, prepare meeting notices, meeting handbooks, and minutes within the statutory deadline, and register changes in the case of amendments to the Articles of Incorporation or re-election of directors.</p> <p>5. Please refer to [Appendix 2] for the continuing education of the Head of Corporate Governance.</p>	

Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Summary description	
V. Does the Company create channels for communication with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up a stakeholder section on the company's website, and respond appropriately to material corporate social responsibility issues of concern to stakeholders?	V		The Stakeholders section has been set up on the Company's website, and a dedicated unit has been set up to respond to issues of concern to stakeholders and respond to important corporate social responsibility issues that are of concern to stakeholders. Please refer to the Company's sustainability report "Stakeholder Communication and Responsibilities" for details.	None
VI. Does the Company appoint a professional shareholder service agency to handle the affairs of the Shareholders' Meeting?	V		The Company has appointed a professional stock registration agent, "Sino Pacific Securities Share Registration Department" to handle the affairs of the Shareholders' Meeting.	None
VII. Information disclosure (I) Does the Company set up a website to disclose financial, business, and corporate governance information? (II) Has the Company adopted other means of information disclosure (e.g. setting up an English website, appointing dedicated personnel to collect and disclose information about the Company, enacting the spokesperson	V		(I) The Company's financial, business, and corporate governance-related information is disclosed on the Market Observation Post System and on the Company's website (http://www.hulane.com) as required, and is regularly updated by dedicated personnel. (II) For the collection and disclosure of corporate information, each department has designated personnel in charge of the collection and reporting in accordance with the authority of each department. A spokesperson system has also been implemented. In addition to the traditional and simplified Chinese websites, the Company has also established English and Japanese websites to provide relevant information	None



Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>system, and posting the proceedings of corporate briefing conferences on the Company's website)?</p> <p>(III) Does the company announce and declare the annual financial report within two months after the end of the fiscal year, and announce and declare the first, second, and third quarter financial reports and the monthly operation status earlier than the specified deadline?</p>			<p>disclosure. Investors can also check the information about the institutional investor conference on the website.</p> <p>(III) The Company expects to announce and declare its annual financial statements within two months after the end of a fiscal year from the next year. The first, second, and third quarter financial statements and the operating conditions of each month are to be announced and declared within the prescribed time limit.</p>	

VIII. Does the Company have other important information that helps to understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, risk management policies and risk measurement standards, implementation of customer policies, and the purchase of liability insurance for directors and supervisors)?	V	<p>(I) Employee rights: The Company treats its employees with integrity and protects the legitimate rights and interests of employees in accordance with the labor laws and regulations of each operating location.</p> <p>(II) Employee care: Through the welfare system that provides employees with a stable life and diversified education and training systems, the Company has established a good relationship of mutual trust and mutual dependence with employees. Such as: employee health checkups, employee trips, family days, provision of employee dormitories, accommodation for employees' daily life care, employee satisfaction surveys and improvement measures, parking lots and communication channels with the President's mailbox, etc.</p> <p>(III) Investor relations: There is an investor section on the Company's website (http://www.hulane.com) to disclose the Company's financial business and other related information.</p> <p>(IV) Supplier relations: The Company has established the "Supplier Selection and Management Procedures" to ensure that suppliers meet the demand for delivery, quality, and price. In the spirit of sustainable management, the Company is committed to requiring suppliers to comply with environmental protection, industrial safety and human rights standards, and organizing supplier exchange activities regularly to establish good communication and partnership.</p> <p>(V) Continuing education for directors: The Company arranges directors to participate in relevant training courses and seminars on a regular basis. For the continuing education of directors in 2022, please refer to [Annex 1].</p> <p>(VI) Implementation of risk management policies and risk measurement standards: At the end of 2021, a risk management tool – Key Risk Indicators was established in accordance with the latest version.</p>	None
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Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			<p>Please refer to [Annex 3] for regular tracking, evaluation, and treatment. The latest version of the "Risk Management Regulations" was approved by the board of directors on December 23, 2022. These regulations serve as the basis for the Company's internal risk management and are reported to the board of directors and disclosed on the public information website. In the future, the Bank will regularly review the appropriateness of key risk indicators in line with globalization policies, and adjust and continue to implement risk management mechanisms.</p> <p>For the organizational structure of the Enterprise Risk Management Committee as of 2022, please refer to [Annex 4].</p> <p>(VII) Implementation of customer policy: A customer complaint and feedback mechanism has been established to provide good communication channels between customers and the business, and strive to improve customer satisfaction. In addition, a customer satisfaction survey is conducted once a year to maintain good relationships with customers and implement them in daily customer management to create company profits.</p> <p>(VIII) Purchase of liability insurance for directors: The Company has purchased liability insurance for directors, independent directors, and key managers since 2004.</p>	
<p>IX. Please explain the improvements made based on the corporate governance evaluation results published in the most recent year by the Corporate Governance Center of the Taiwan Stock Exchange, and propose enhancements and measures for the areas that have not yet been rectified.</p> <p>In the 2022 evaluation of the Company, the Company was rated among the top 6% - 20% of the 9th TPEX-listed companies.</p> <p>Improvements:</p>				



Assessment items	Operation status (Note 1)			Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<div>1. The regulations governing the performance evaluation of the board of directors are formulated and submitted to the board of directors for approval. Self-evaluation is conducted once a year and the evaluation results are disclosed on the Company's website or in the annual report.</div> <div>2. The Sustainability Promotion Committee and the ethical corporate management unit of the Company regularly report the execution results and future work plans to the board of directors, and disclose the results on the Company's website and annual report.</div> <div>3. Disclose these results on the company's website or in the annual report on the implementation of the ethical corporate management policy and the prevention against unethical practices in the current year.</div> <div>In the future, the Company will continue to build effective mechanisms for corporate governance in all aspects of its operations, and implement transparent and clear information disclosure to enhance shareholders' interests.</div>				

[Annex 1] Continuing education for directors in 2022

Job title	Name	Date	Organizer	Course title	Amen dment
Chairman	Chang Tzu-Hsiung	5/6	Taiwan Institute of Directors	Board Governance under the Reality of Sustainability.	3
Director	Hu Sheng-Ching	5/6	Taiwan Institute of Directors	Board Governance under the Reality of Sustainability.	3
Director	Chang Ping-Chun	5/6	Taiwan Institute of Directors	Board Governance under the Reality of Sustainability.	3
Director	Hu Shao-Ju	5/6	Taiwan Institute of Directors	Board Governance under the Reality of Sustainability.	3
Director	Liu Chun-Hsiang	5/6	Taiwan Institute of Directors	Board Governance under the Reality of Sustainability.	3
Director	Chan Yi-Min	5/6	Taiwan Institute of Directors	Board Governance under the Reality of Sustainability.	3
Independent Director	Chang Shyueh-Chih	5/6	Taiwan Institute of Directors	Board Governance under the Reality of Sustainability.	3
Independent Director	Lin Yuan-Li	5/6	Taiwan Institute of Directors	Board Governance under the Reality of Sustainability.	3
Independent Director	Lin Jaan-Lieh	5/6	Taiwan Institute of Directors	Board Governance under the Reality of Sustainability.	3
Chairman	Chang Tzu-Hsiung	8/10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3
Director	Hu Sheng-Ching	8/10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3
Director	Chang Ping-Chun	8/10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3
Director	Chang Ping-Chun	8/18	Taiwan Institute of Directors	SAP NOW Taiwan Creating a sustainable and smart enterprise.	3
Director	Hu Shao-Ju	8/10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3
Director	Liu Chun-Hsiang	8/10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3
Director	Chan Yi-Min	8/10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3
Independent Director	Chang Shyueh-Chih	8/10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3
Independent Director	Chang Shyueh-Chih	9/28	The National Federation of Certified Public Accountant Associations of the Republic of China	Interpretation of Statement of Auditing Standards No. 75 – Identification and assessment of the risk of material misstatement.	6

Job title	Name	Date	Organizer	Course title	Amendment
Independent Director	Lin Yuan-Li	8/10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3
Independent Director	Lin Jaan-Lieh	8/10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3

[Annex 2] Continuing education for corporate governance managers in 2022

Name	Date	Organizer	Course title	Amendment
Pan Su-Chiu	7/27	Taiwan Stock Exchange and Taipei Exchange	Sustainability Roadmap Industry Conference	2
	8/10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3
	8/31	Securities and Futures Commission	Workshops for directors and supervisors (including independent directors) and corporate governance officers.	12
	10/11	Taiwan Stock Exchange and Taipei Exchange	Reference guidelines for independent directors and the Audit Committee in exercising their functions and powers and board/supervisor awareness meeting.	3

[Annex 3] Key Risk Indicators

關鍵風險指標 Key Risk Indicator									
外部風險 External Risk	關注項目 Index	更新週期 Update Cycle	資訊更新單位 Information Update Unit	資料來源 Data Source	標準值 Standard	觀察值 Observation value	控管目標/區間 Target/Range	情境 Situation	對策回饋單位 Countermeasures feedback unit
經濟環境 Economy situation	國內生產毛額 Gross Domestic Product (GDP)	每月_月底 (25日+5) Monthly_25th~30th	總經理室_林佳怡 General Manager Office_LIN	單位 Unit 網址 Website 1.預測值：經濟部國際貿易局_IHS Markit 最新發布經濟預測 2.實績值：IMF & 世界銀行(參考公佈) http://www.trade.gov.tw/Pages/Details.aspx?NodeID=1591	官方未設定標準 No Standard	預測值 & 實際值 Forecast Value & Actual Value	標準：與上月預測成長率差距為正值 (Positive) 控管：連續六個月數值與上月預測成長率差距為負值 Control: The difference between the forecast growth rate and the previous period was negative from six consecutive months.	標準：N/A 控管：對策 Control: Countermeasures	各功能單位 Functional Division
	製造業採購經理人指標 Purchasing Managers' Index (PMI)	每月_月初 Monthly_1st~10th	總經理室_林佳怡 General Manager Office_LIN	單位 Unit 網址 Website IHS Markit Ltd. https://www.markit-economics.com/Public/Release/PressReleases	> 50	實際值 Actual Value	標準：X ≥ 50 (擴張, Expansion) 控管：連續六個月數值持續呈現萎縮 (≤ 50) Control: six consecutive months ≤ 50	標準：N/A 控管：對策 Control: Countermeasures	各功能單位 Functional Division
	【銅鋅】長短天期價差 Metals (Copper & Zinc) Long & Short-term period Purchase Spread	每月_月初 Monthly_1st~10th	採購部_殷麗珍 Procurement Dept._Wendy Yin	單位 Unit 網址 Website 倫敦金屬交易所 London Metal Exchange (LME) https://www.lme.com/press/press-releases	官方未設定標準 No Standard	預測值 Forecast Value	標準：長天期與短天期價差持續走高 (正值, Positive) 控管：連續三個月長天期與短天期價差持續走低 (負值, negative) Control: three consecutive months = negative	標準：N/A 控管：對策 Control: Countermeasures	各功能單位 Functional Division
	消費者信心指數 Consumer Confidence Index (CCI)	每月_月底 Monthly_20th~30th	總經理室_林佳怡 General Manager Office_LIN	單位 Unit 網址 Website 1.投資級經濟指標使用指南 2.財經M平方 http://www.stock.com.tw/2017/07/	> 100	預測值 Forecast Value	標準：X ≥ 100 (樂觀, optimism) 控管：連續三個月數值呈現悲觀 (≤ 100) Control: three consecutive months ≤ 100	標準：N/A 控管：僅觀察	各功能單位 Functional Division
市場需求、車市發展趨勢(新能源車、智慧車) Car market development trend (New energy vehicles, Intelligent Car)	燃油車銷售量 Fuel Vehicle Sales	每月_15~20號 Quarterly_15th~20th	總經理室_林佳怡 General Manager Office_LIN	單位 Unit 網址 Website 1.車網中心 2.中國汽車工業協會 3.台灣車網公會 MarkLines全球汽車信息平台,需註冊,系統每月會發送銷售量資訊	官方未設定標準 No Standard	實際值 Actual Value	N/A	標準：N/A 控管：僅觀察	各功能單位 Functional Division
	新能源車銷售量 New Energy Vehicles Sales	每月_15~20號 Quarterly_15th~20th	總經理室_林佳怡 General Manager Office_LIN	單位 Unit 網址 Website 需從經銷資訊獲得	官方未設定標準 No Standard	實際值 Actual Value	N/A	標準：N/A 控管：僅觀察	各功能單位 Functional Division
	機車銷售量 Scooter Sales	每月_15~20號 Quarterly_15th~20th	總經理室_林佳怡 General Manager Office_LIN	單位 Unit 網址 Website 1.經銷資訊 2.AIISI 3.VAMM 4.車協汽機車聯盟網站 從以上1~4單位獲得資訊	官方未設定標準 No Standard	實際值 Actual Value	N/A	標準：N/A 控管：僅觀察	各功能單位 Functional Division
國際情勢 International situation	匯率 Exchange rate								
	美金 USD 人民幣 CNY 歐元 EUR	每月_月初 Monthly_1st~10th	財務處_高士翔 Group Finance Division_John Kao	單位 Unit 網址 Website 台灣銀行 Bank of Taiwan http://tw.boc.com.tw/jw/ta.html?zh-tw	官方未設定標準 No Standard	預測值 Forecast Value	N/A	標準：N/A 控管：僅觀察	集團財務處 Group Finance Division
	胡建集團_匯率管理 HL Exchange rate management	每月_月底 Monthly_20th~30th	財務處_高士翔 Group Finance Division_John Kao	單位 Unit 集團財務處 Group Finance Division	胡建集團_OC_19_匯率管理：累計合併匯兌損益佔合併營收±1% accumulated consolidated currency exchange loss and gain account for accumulated revenue within ±1%	實際值 Actual Value	標準：-1% ≤ X ≤ +1% 控管：連續三個月累計合併匯兌損益佔合併營收±1% (X±1%) Control: accumulated consolidated currency exchange loss and gain account for accumulated revenue within ±1%	標準：N/A 控管：對策 Control: Countermeasures	集團財務處 Group Finance Division
人力需求 Labor Needs	自動化組裝機開發 Automated assembly machine development	每季_月底 quarterly_20th~30th	人資處_王曉琪 Group HR Division_Claire Wang	單位 Unit 集團營運中心_人資處統籌(台北/南京/東湖生技單位)	2022年 【集團30台】 台北8台、南京14台、東湖8台	實際值 Actual Value	標準：依各廠每季目標。 控管：依各廠每季目標。	標準：N/A 控管：對策 Control: Countermeasures	人資處統籌(各生產廠區生技單位)
	人均產值 per-capita production value	每月_月底 Monthly_20th~30th	人資處_王曉琪 Group HR Division_Claire Wang	單位 Unit 集團營運中心_人資處統籌	2022年 集團 每月 284,389元 (TWD) 年度 3,412,667元 (TWD)	實際值 Actual Value	標準：X ≥ 每月284,389元 (TWD) 控管：連續三個月數值未達目標	標準：N/A 控管：對策 Control: Countermeasures	人資處統籌
近年重大外部環境影響時間軸	重大環境變動事件	不定期	總經理室_林佳怡 General Manager Office_LIN	單位 Unit 網路資訊	N/A	實際值 Actual Value	N/A	標準：N/A 控管：對策 Control: Countermeasures	各功能單位 Functional Division

[Annex 4] Organizational structure of the Company's Enterprise Risk Management Committee

The organizational structure and management of risk management are as follows:

- I. The board of directors: The highest guiding body of the Company's risk management. It aims to comply with laws and regulations, and to promote and implement the Company's overall operational risk management. It also has a clear understanding of the risks faced by sustainable development, ensures the effectiveness of risk management, and is ultimately responsible for risk management.
- II. Operation and management meeting: An executive meeting or operations meeting chaired by the Chairman, President, CEO, or relevant operational supervisors. It is responsible for reviewing and controlling the risk assessment of various plans and projects initiated by each responsible department, and giving contingency instructions.
- III. Audit unit: an independent department under the board of directors, responsible for the implementation of internal audits, to assist the board of directors and managers in examining and reviewing the deficiencies of the internal control system, measuring the effect and efficiency of operations, and providing suggestions for improvement in a timely manner to ensure that the internal control system is functioning properly. Additionally, effectively implement the internal control system on an ongoing basis.
- IV. All functional units: Employees of each functional unit are responsible for the first-line risk management in their daily operations. They analyze, monitor, and prevent the related risks in their respective units, emphasize comprehensive risk control for all employees, and implement layers of prevention in a timely manner to ensure that risk control mechanisms and procedures can be effectively implemented.

(IV) If the Company has set up a remuneration committee, composition, professional qualifications and experience, independence, responsibilities, operation status and other records of the committee shall be disclosed:

1. According to the Company's "Organizational Rules for the Remuneration Committee", the chairman of the board of directors submits it to the board of directors for a resolution to appoint three compensation committee members, three of whom are independent directors, for the fourth term of the Compensation Committee from June 19, 2020 to June 18, 2023, the same date as the expiration of the current term of the board of directors.
2. The function of the Remuneration Committee is to evaluate the Company's directors and managers' compensation policies and systems in a professional and objective manner, and make recommendations to the board of directors for reference in its decision-making.

3. Membership of the Remuneration Committee

Separation	Condition Name	Professional qualifications and experience	Independence	No. of 3 independent directors or 3 independent directors who concurrently serve as members of the Remuneration Committee of other public companies
Convener and Independent Director	Chang Shyueh-Chih	Please refer to pages 11-26 for information on directors' professional qualifications and independent director independence.	(1) Not an employee of the company or its affiliated company.	
Independent Director	Lin Yuan-Li		(2) Not a director or supervisor of the Company or any of its affiliated companies. Except for the independent director appointed by the company, its parent company, or subsidiary in accordance with the Act or the laws and regulations of the local country	
Independent Director	Lin Jaan-Lieh		(3) Not a natural-person shareholder holding more than 1% of the Company's outstanding shares in the name of his/her spouse, underage children, or someone else in the name of the shareholder.	
			(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship who is not a spouse or relative of any of the managers listed in (1) or personnel listed in (2) and (3).	
			(5) The director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total issued shares of the company, or who is one of the top five holders of shares, or who has appointed a representative as a director or supervisor of the company in accordance with Article 27-1 or 2 of the Company Act. However, this does	



			<p>not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(6) Directors, supervisors, or employees of other companies not holding more than half of the company's directors and voting shares are controlled by the same person. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(7) Not a director, supervisor, or employee of any other company or institution where the chairman, general manager, or person holding an equivalent position of the company is the same person or spouse. However, this does not apply to the fact that the independent directors of the company or its parent company, subsidiaries or subsidiaries belonging to the same parent company are established in accordance with this Act or the laws of the local country to serve concurrently with each other.</p> <p>(8) Not a director, supervisor, manager, or shareholder holding more than 5% of the shares of any company or institution that has financial or business relationship with the Company (except for independent directors appointed in accordance with the Act or the laws and regulations of the local country by the Company and its parent company, subsidiaries, or subsidiaries of the same parent company, unless the above circumstances do not exceed 50% but more than 20%).</p> <p>(9) Not a professional, sole-proprietorship, partnership, company, or institution owner, partners, directors, supervisors, managers and their spouses that provides audits or commercial, legal, financial, or accounting-related services and</p>	
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			<p>consultation for the Company or any of its affiliated companies for less than NT\$500,000 in remuneration in the last two years. The members of the Remuneration Committee, Public Acquisition Review Committee, or M&A Special Committee who perform their functions and powers in accordance with the Securities and Exchange Act or the Business Mergers and Acquisitions Act are not subject to this restriction.</p> <p>(10) Does not meet any of the conditions specified in Article 30 of the Company Act.</p>	
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4. Operational status of the Remuneration Committee

- I. The Company's Remuneration Committee consists of 3 members.
- II. The term of office of the current members: June 19, 2020 to June 18, 2023. The Remuneration Committee held 3 meetings (A) in the most recent year (2022), and the qualifications and attendance of members are as follows:

Job title	Name	Actual attendance rate (B)	Number of proxy attendances	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Chang Shyueh-Chih	3	0	100%	Re-appointment
Committee members	Lin Yuan-Li	3	0	100%	Re-appointment
Committee members	Lin Jaan-Lieh	3	0	100%	Re-appointment

Other matters to be recorded:

- I If the board of directors does not adopt or amend the Remuneration Committee's proposal, please describe the date and session of the board of directors meeting, details of the agenda, the resolution of the board of directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration approved by the board of directors is better than the recommendation of the Remuneration Committee, the circumstances and reasons for the discrepancy shall be stated):

1. Regular review of salary and remuneration

The function of the Remuneration Committee of the Company is to evaluate the remuneration policy and system of the Company's directors and managers in a professional and objective manner. It meets at least twice a year and may call a meeting at any time as needed to make recommendations to the board of directors. for reference in decision-making.

Powers of the Remuneration Committee

- (1) Review the Company's remuneration policies on a regular basis and propose amendments.
- (2) Establish and regularly review the policies, systems, standards, and structures for the performance and compensation of directors and managers of the Company.
- (3) Regularly evaluate the compensation and remuneration of the Company's directors and managers.
2. When performing its duties, the Remuneration Committee shall comply with the following standards
 - (1) Salary management shall be consistent with the compensation philosophy of the Company.
 - (2) The performance evaluation and remuneration of directors and managers should be based on the general level of payment in the same industry, and the

reasonableness of the connection between individual performance and the company's operating performance and future risks.

- (3) Directors and managers shall not be induced to engage in behaviors that exceed the Company's risk appetite in pursuit of compensation.
- (4) The percentage of short-term performance bonus paid to directors and senior managers and the timing of payment of some variable salaries shall be determined in consideration of industry characteristics and the nature of the Company's business.
- (5) Members of the Committee shall not be allowed to participate in the discussion and voting of their own salary and remuneration.

3. Remuneration Committee Meeting Information

Date	Motion content	Resolution of the Remuneration Committee	The Company's handling of the opinions of the Remuneration Committee
2022.03.25 The 5th meeting of the 4th session	Matters to be Reported: 1. 2021 Performance Evaluation of the board of directors, Directors, the Audit Committee, and the Remuneration Committee .	The motion was unanimously approved by all attending members and presented to the board of directors for resolution.	The proposal was passed as proposed by all Remuneration Committee members who had no opinions or suggestions at the meeting.
	Matters to be discussed: 1. Review of remuneration to employees and directors for 2021 .	The motion was unanimously approved by all attending members and presented to the board of directors for resolution.	The proposal was passed as proposed by all Remuneration Committee members who had no opinions or suggestions at the meeting.
2022.05.06 The 6th meeting of the 4th session	Matters to be discussed: 1. Allocation of remuneration to directors in 2021 .	The motion was unanimously approved by all attending members and presented to the board of directors for resolution.	The proposal was passed as proposed by all Remuneration Committee members who had no opinions or suggestions at the meeting.
2022.06.17 The 7th meeting of the 4th session	1. Allocation of remuneration to managerial officers and employees of the	The motion was unanimously approved by all attending members and presented to the	The proposal was passed as proposed by all Remuneration Committee members who had no opinions or suggestions at the meeting.

	Company in 2021.	board of directors for resolution.	
2023.03.24 The 8th meeting of the 4th session	1. 2022 Performance Evaluation of the board of directors, Directors, the Audit Committee, and the Remuneration Committee.	The motion was unanimously approved by all attending members and presented to the board of directors for resolution.	The proposal was passed as proposed by all Remuneration Committee members who had no opinions or suggestions at the meeting.
	2. Reviewed the remuneration to employees and directors for 2022 .	The motion was unanimously approved by all attending members and presented to the board of directors for resolution.	The proposal was passed as proposed by all Remuneration Committee members who had no opinions or suggestions at the meeting.
	3. Amendment to the Company's "Rules Governing the Payment of Remuneration to Directors and Functional Committee Members".	The motion was unanimously approved by all attending members and presented to the board of directors for resolution.	The proposal was passed as proposed by all Remuneration Committee members who had no opinions or suggestions at the meeting.

II For decisions made by the Remuneration Committee, if any members have objections or reservations that are recorded or stated in writing, the date of the Remuneration Committee meeting, the session number, the content of the proposal, and the handling of the opinions of all members and the opinions of the members should be described: No such situation.



V. Operational Status of Sustainability Committee

1. The Company's Sustainability Committee consists of 7 members.
2. The term of office of the current members: December 30, 2022 to June 18, 2023. The Sustainability Committee held 1 meetings (A) in the most recent year (2022), and the qualifications and attendance of members are as follows:

Job title	Name	Professional qualifications and experience	Actual attendance rate (B)	Number of proxy attendances	Actual attendance rate (%) (B/A)	Remarks
Convener	Chang Shyueh-Chih	Professional qualification information of each committee discloses the relevant contents	1	0	100%	First time in office
Committee members	Lin Yuan-Li		1	0	100%	First time in office
Committee members	Lin Jaan-Lieh		1	0	100%	First time in office
Sustainable Development Officer	Pan Su-Chiu		1	0	100%	First time in office
Steering Committee member	Chang Ping-Chun		1	0	100%	First time in office
Steering Committee member	Chang Shao-Chien		1	0	100%	First time in office
Steering Committee member	Chang Chung-Yi		1	0	100%	First time in office



Sustainability Committee Meeting Information				
	Date	Motion content	Resolution of the Sustainability Committee Resolution:	The Company's handling of the opinions of the Sustainability Committee
	December 23, 2022 The 1st meeting of 1st session	Matters to be Reported: 1.Sustainability Committee Performance Report. Matters to be discussed: 2.Formulate the "Procedures for Compilation and Verification of Sustainability Report", proposal for review. 3.Development Committee proposal organization chart, proposed for review. 4.Amendment to the “Code of Practice on Sustainability Reports”.	The motion was unanimously approved by all attending members and presented to the Board of Directors for resolution.	The motion was approved as proposed by all Sustainability Committee members who had no opinions or suggestions.
	March 24, 2023 The 2nd meeting of 1st session	Matters to be discussed: 1.2023 three key ESG sustainability planning projects and amounts, and 2022 performance report.	The motion was unanimously approved by all attending members and presented to the Board of Directors for resolution.	The motion was approved as proposed by all Sustainability Committee members who had no opinions or suggestions.

1. Membership and operation status of the Nomination Committee: Not applicable.

(V) Implementation of sustainable development and deviations from the Sustainable Development Best-Practice Principles for TPEx-Listed Companies and the causes

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies
	Y es	N o	Executive summary (Note 2)	
I. Has the Company established a governance framework for the promotion of sustainable development, and established a dedicated (or part-time) unit to promote sustainable development that is handled by senior management authorized by the board of directors, and supervised by the board of directors?	V		<p>(I) The Company established the "Hu Lane Group Sustainability Development Committee" in 2022 in order to practice sustainable development. It is the highest-level sustainability decision-making center within the Company. Independent directors serve as sustainability committee members, responsible for formulating sustainability strategies, and assign the progress of sustainability control and task allocation. The Group's Finance Department runs a full-time Sustainable Development Committee and forms a sustainable development promotion team with representatives from related units.</p> <p>(II) The sustainability director of the "Sustainability Committee" reports to the board of directors on the achievement of sustainability and future work plans. A total of six meetings were held in 2022. Proposals included (1) a zero-carbon future sustainability project (ESG) plan; (2) amendments to the "Sustainability Reporting Practice Principles" and "Sustainability Reporting Principles". (3) Report on the Implementation and Implementation of Corporate Social Responsibility in 2021, and Report on the Implementation of the ESG Project in 2022.</p> <p>(III) the board of directors listens to reports from the management team (including the ESG report) on a quarterly basis. The management must propose the company's strategies to the board of directors, and the board of directors must evaluate the probability of success of these strategies, and must constantly review the progress</p>	None

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Y es	N o	Executive summary (Note 2)	
II. Does the Company follow the principle of materiality, conduct risk assessments on environmental, social, and corporate governance issues related to corporate operations, and formulate relevant risk management policies or strategies?	V		<p>of the strategies and urge the management team to make adjustments when necessary</p> <p>II. The Company's Board of Directors approved the "Corporate Social Responsibility Best Practice Principles" on December 27, 2017. We evaluate the development trend of domestic and foreign enterprises' social responsibility and the relevance of their core business, and review the effectiveness of its implementation and continuous improvement at any time to ensure the implementation of CSR policies. To fulfill the corporate social responsibility, and to promote economic, environmental and social progress, in order to achieve the goal of sustainable development. On May 6, 2022, the board of directors reported the "Sustainable Development Best-Practice Principles" in the board meeting. According to the "Sustainable Development Best-Practice Principles", the Company's risk assessment standards and risk management strategies for material issues related to environmental, social and corporate governance will be regularly tracked by the Risk Management Committee, adjusted in a timely manner, reported to the board of directors, and disclosed on the public information website.</p> <p>1. Hu Lane Group has established a risk management mechanism since 2012. the board of directors passed the "Risk Management Regulations" as the basis for the company's internal risk management. The Company follows the Risk Management Regulations and Key Risk Indicators to ensure regular tracking, evaluation, and treatment. In the future, the company will adjust its risk management mechanism in a timely manner in line with the globalization</p>	None

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Y es	N o	Executive summary (Note 2)	
			policy, report to the board of directors at the end of each year, and disclose its operation status on the public information website. 2. Risk management of material issues related to the environment, society, and corporate governance (please refer to Annex 2).	
III. Environmental issues				
(I) Has the Company established an appropriate environmental management system based on the characteristics of its industry?	V		(I) In addition to maintaining the original ISO14001 and RoHS management systems, the Company also uses an ISO third-party certification body on a yearly basis to ensure the effectiveness of in-factory environmental management, covering domestic and overseas factories. The Company will introduce ISO14064-1 greenhouse gas inventory in the second half of 2022 (validation required) to strengthen the company's requirements for setting greenhouse gas emission limits to improve greenhouse gas management, calculate organizational greenhouse gas emissions and removals, and identify company-specific measures and activities.	None
(II) Is the company committed to improving the efficiency of energy use and using recycled materials with low impact on the environment?	V		(II) In addition to continuing to recycle and reuse raw materials, the Company's production units have also continued to replace old production machines with new ones. High-power and low-energy production machines have been introduced to effectively reduce energy consumption. Administrative units have introduced paperless machines in all aspects to replace paper with an electronic sign-off system. Please refer to the figure below for statistics on energy use and recycling of renewable materials.	None

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies																																																																																										
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(III) Does the company pay attention to the potential risks and opportunities of climate change at present and in the future, and take measures to respond to climate-related issues?	V		<table border="1"> <caption>能源使用統計^{註1}</caption> <thead> <tr> <th>項目^{註2}</th><th>年度</th><th>2020 年^{註1}</th><th>2021 年^{註1}</th><th>2022 年^{註1}</th></tr> </thead> <tbody> <tr> <td>原料^{註2}</td><td></td><td></td><td></td><td></td></tr> <tr> <td>銅料(公噸)^{註2}</td><td></td><td>2,650,531^{註1}</td><td>3,496,485^{註1}</td><td>2,922,480^{註1}</td></tr> <tr> <td>塑膠(公噸)^{註2}</td><td></td><td>3,900,318^{註1}</td><td>4,438,256^{註1}</td><td>5,804,264^{註1}</td></tr> <tr> <td>電力(千度)^{註2}</td><td></td><td>24,127,778^{註1}</td><td>44,566,202^{註1}</td><td>48,771,749^{註1}</td></tr> <tr> <td>太陽能自發自用(千度)^{註2}</td><td></td><td>-^{註1}</td><td>-^{註1}</td><td>350,057^{註1}</td></tr> <tr> <td>柴油(公噸)^{註2}</td><td></td><td>5.62^{註1}</td><td>8.8^{註1}</td><td>13.52^{註1}</td></tr> <tr> <td>汽油(公噸)^{註2}</td><td></td><td>45.04^{註1}</td><td>66.18^{註1}</td><td>97^{註1}</td></tr> <tr> <td>能源使用總計(GJ)^{註2}</td><td></td><td>86,860.00^{註1}</td><td>160,438.33^{註1}</td><td>175,578.30^{註1}</td></tr> <tr> <td>能源密度(GJ/百萬銷售額)^{註2}</td><td></td><td>12.06^{註1}</td><td>15.74^{註1}</td><td>13.14^{註1}</td></tr> <tr> <td>自來水(百萬公升)^{註2}</td><td></td><td>128.82^{註1}</td><td>158.27^{註1}</td><td>121.8^{註1}</td></tr> </tbody> </table> <p>註1: Covid-19 疫情因素，廠區停工導致 2020 年所有數據偏低。^{註1}</p> <p>註2: 因 2023 年投入新設備 4000 萬持續廢水回收建設，故 2022 提升對外電鍍產能導致水量下降。^{註1}</p> <table border="1"> <caption>回收及再生物料統計^{註1}</caption> <thead> <tr> <th>項目^{註2}</th><th>年度^{註2}</th><th>2020 年^{註1}</th><th>2021 年^{註1}</th><th>2022 年^{註1}</th></tr> </thead> <tbody> <tr> <td>再生料^{註2}</td><td></td><td></td><td></td><td></td></tr> <tr> <td>紙漿板^{註2}</td><td></td><td>-^{註1}</td><td>-^{註1}</td><td>287^{註1}</td></tr> <tr> <td>回收料^{註2}</td><td></td><td></td><td></td><td></td></tr> <tr> <td>銅料(公噸)^{註2}</td><td></td><td>95,245^{註1}</td><td>164,676^{註1}</td><td>131,666^{註1}</td></tr> <tr> <td>塑膠(公噸)^{註2}</td><td></td><td>52,265^{註1}</td><td>119,881^{註1}</td><td>114,484^{註1}</td></tr> <tr> <td>回收包材^{註2}</td><td></td><td>697,993^{註1}</td><td>1,005,299^{註1}</td><td>1,145,466^{註1}</td></tr> </tbody> </table> <p>註: 由設計生產製程降低回收料產出。^{註1}</p>	項目 ^{註2}	年度	2020 年 ^{註1}	2021 年 ^{註1}	2022 年 ^{註1}	原料 ^{註2}					銅料(公噸) ^{註2}		2,650,531 ^{註1}	3,496,485 ^{註1}	2,922,480 ^{註1}	塑膠(公噸) ^{註2}		3,900,318 ^{註1}	4,438,256 ^{註1}	5,804,264 ^{註1}	電力(千度) ^{註2}		24,127,778 ^{註1}	44,566,202 ^{註1}	48,771,749 ^{註1}	太陽能自發自用(千度) ^{註2}		- ^{註1}	- ^{註1}	350,057 ^{註1}	柴油(公噸) ^{註2}		5.62 ^{註1}	8.8 ^{註1}	13.52 ^{註1}	汽油(公噸) ^{註2}		45.04 ^{註1}	66.18 ^{註1}	97 ^{註1}	能源使用總計(GJ) ^{註2}		86,860.00 ^{註1}	160,438.33 ^{註1}	175,578.30 ^{註1}	能源密度(GJ/百萬銷售額) ^{註2}		12.06 ^{註1}	15.74 ^{註1}	13.14 ^{註1}	自來水(百萬公升) ^{註2}		128.82 ^{註1}	158.27 ^{註1}	121.8 ^{註1}	項目 ^{註2}	年度 ^{註2}	2020 年 ^{註1}	2021 年 ^{註1}	2022 年 ^{註1}	再生料 ^{註2}					紙漿板 ^{註2}		- ^{註1}	- ^{註1}	287 ^{註1}	回收料 ^{註2}					銅料(公噸) ^{註2}		95,245 ^{註1}	164,676 ^{註1}	131,666 ^{註1}	塑膠(公噸) ^{註2}		52,265 ^{註1}	119,881 ^{註1}	114,484 ^{註1}	回收包材 ^{註2}		697,993 ^{註1}	1,005,299 ^{註1}	1,145,466 ^{註1}	
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(IV) Does the company count greenhouse gas emissions, water consumption, and total weight of	V		(IV) The Company cooperates with the government's energy conservation and carbon reduction policy to upgrade high-efficiency and low-energy-consuming related production equipment every year. The energy use efficiency in 2021 is 495.28,																																																																																											

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies															
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waste in the past two years, and formulate energy conservation and carbon reduction, greenhouse gas reduction, water consumption, or other waste management policies?			<p>which effectively saves energy and reduces energy loss. The Company completed the 2021 ISO 14064-1 greenhouse gas inventory and third-party verification of the Taipei Factory in 2022. In 2023, the Group (covering all subsidiaries) will conduct a 2022 ISO 14064-1 Type I, II and III inventory, and the third-party verification is expected to be completed by the end of November 2023. It is hoped that the adoption of ISO14064-1 will help enterprises effectively calculate the amount of greenhouse gas emissions and removals, and assist the company in formulating specific measures and activities.</p> <p>1. Greenhouse gas emissions in the past two years (In 2021, only the Taipei Factory was inventoried/verified; the scope of the inventory in 2022 covered all of the Group's factories and subsidiaries; data is self-contained.</p> <p style="text-align: right;">Unit: tonnes CO₂e/NTD million</p> <table border="1"> <thead> <tr> <th>Year</th><th>Category 1</th><th>Category 2</th><th>Unit emission</th><th>Scope 3</th></tr> </thead> <tbody> <tr> <td>Data of Group in 2022</td><td>502.68</td><td>51,268.91</td><td>7.9322</td><td>1421.79</td></tr> <tr> <td>Parent company data in 2021</td><td>159.586</td><td>3,447.028</td><td>1.7336</td><td>1067.57</td></tr> </tbody> </table> <p>In 2021, the total emission of Category 1 and 2 greenhouse gases was 3,606.614 tons CO₂e, and the emission per unit product was 1.7336 tons CO₂e/yuan, mainly from Category 2 electricity, accounting for 95.6% of Category 1 and 2 emissions; followed by Emission from the fuel of category 1 corporate vehicles, which accounted for 2.3%.</p>	Year	Category 1	Category 2	Unit emission	Scope 3	Data of Group in 2022	502.68	51,268.91	7.9322	1421.79	Parent company data in 2021	159.586	3,447.028	1.7336	1067.57	
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	Y es	N o	Executive summary (Note 2)							
			<p>In order to continuously achieve the international trend of carbon reduction, the Company has set a five-year (2023-2027) sustainable development strategic goal, and promoted and tracked related sustainable projects through the Sustainable Development Committee. It is expected that with active carbon reduction, The carbon emission per unit of product and the absolute total carbon emission can be adjusted downward gradually.</p> <p>2. <u>Water consumption in the past 2 years</u> (In 2021, only the Taipei Factory was inventoried/verified; the scope of the inventory in 2022 covered all of the Group's factories and subsidiaries; data is self-contained.</p> <p style="text-align: right;">Unit: Million tonnes</p> <table><tr><th>Year</th><th>Total water consumption (kWh)</th></tr><tr><td>Data of Group in 2022</td><td>0.1218</td></tr><tr><td>Parent company data in 2021</td><td>0.0569</td></tr></table> <p>Remark: One degree of water = 1 tonne In terms of water-saving plans, the Company has set annual water reduction targets for each plants, and publicized and promoted the implementation of water conservation in daily life. The equipment is replaced with energy-saving labels certified by the government. 2023 Taipei plant is expected to complete the improvement of the plating plant wastewater recycling equipment in Q2, and is expected to recover 20% of the plating process wastewater each year.</p>	Year	Total water consumption (kWh)	Data of Group in 2022	0.1218	Parent company data in 2021	0.0569	
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Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
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			<p>The Company expects to utilize the available water resources to bring greater benefits to the Company.</p> <p>3. <u>Waste production in the last 3 years</u> Output of general + hazardous waste (number of companies) 2020: 965.25 tonnes 2021: 1,203.98 tonnes 2022: 1,360.19 tonnes (see Annex 3 for waste production)</p>	
IV. Social Issues (I) Has the Company established relevant management policies and procedures in accordance with applicable laws and international conventions on human rights?	V		(I) The Company complies with the "Labor Code" adopted by the production sites all over the world and refers to the Convention on the Rights of the Child, the Convention on the Rights of Indigenous Peoples, the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families, and the Convention on the Rights of Persons with Disabilities. The Company shall comply with the spirit of the International Covenants on Human Rights, protect the lawful rights and interests of employees and the non-discriminatory treatment in the employment policy, and establish appropriate management measures and procedures as the basis for personnel management and respect for human rights. The Company's human rights policies and specific measures are as follows: 1. Equal Employment Opportunity by Eliminating Unlawful Discrimination We provide foreign workers with a good accommodation environment and living space, and strictly prohibit workplace violence. Employees are	None

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Y es	N o	Executive summary (Note 2)	
(II) Does the Company establish and implement reasonable employee welfare measures (including	V		<p>provided with minimum wages and benefits that meet or exceed the requirements of local laws and regulations.</p> <p>2. Policies to protect persons with disabilities Pursuant to Article 38 of the "Persons with Disabilities Protection of Rights and Interests Act", the Company provides protection for employees with disabilities through promotion.</p> <p>3. Prohibition of Child Labor Policy It is prohibited to hire employees under the age of 15.</p> <p>4. Prohibition of all forms of forced labor</p> <p>5. Help employees maintain physical and mental health and work-life balance policy The Company has clearly defined a legal and reasonable working hour management plan, and regularly cares and manages the attendance of employees. The Company respects the rights of employees, employees may set up diverse clubs, and employees are encouraged to join the clubs.</p> <p>6. Gender equality policy A sexual harassment prevention hotline has been set up. The Company implements a parental retention policy without pay, and provides employees with family care leave, menstrual leave, maternity leave, paternity leave, and rehabilitative leave, as well as the provision of nursing rooms and breaks.</p> <p>(II) 1. The Company works with external consultants on a long-term basis to design a fixed compensation system that is in line with the market and update the salary scale regularly to ensure competitiveness. At the same time, it clearly defines the</p>	None

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
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<p>remuneration, leave of absence, and other benefits), and appropriately reflect the business performance or results in the employee's remuneration?</p> <p>(III) Does the Company provide employees with a safe and healthy work environment and provide employees with regular safety and health education?</p>	V		<p>individual performance and development management and reward and punishment system, and discloses employee benefits related information on the Company's website.</p> <p>2. The Company's operating results and individual performance are positively and highly correlated with the variable compensation system.</p> <p>3. In addition to the regular two days off, the Company also grants special leave in accordance with the Labor Standards Act. In the case of childcare, serious injury, illness, or accident, the Company may also apply for leave without pay.</p> <p>4. Diversity and equality in the workplace: Men and women are entitled to equal pay and promotion opportunities for equal work. Female managers make up 37.74% of managerial positions on average, and are increasing year by year.</p> <p>(III) The Company conducts annual employee health checkups and health education channels, and implements occupational safety and health education and training in accordance with the law. The operating environment is monitored twice a year on operating sites to ensure the safety of employees in the workplace. The test results meet the national standards, and employee health examination reports are analyzed annually. The health consultations are arranged by on-site nursing staff to effectively manage the physical health of employees.</p> <p>1. Employee health care activity_Monthly exercise day: Started in November 2022, a total of 205 employees have participated.</p> <p>2. Annual Fat Loss Contest: A total of 148 employees (including 29 teams) participated in the competition, of which 73 (including 16 teams) succeeded in</p>	None

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Y es	N o	Executive summary (Note 2)	
			<p>losing fat. A total of 76.29kg of fat was reduced (equivalent to a 587,400-calorie reduction = a 2.51kg reduction in carbon emissions).</p> <p>3. Health consultation with on-site doctors: A doctor is arranged to visit the factory once a month to provide health consultation services for colleagues. In 2022, a total of 56 colleagues were arranged to have an interview with the doctor, so that they can better understand their physical health.</p> <p>4. In order to prevent occupational safety accidents, create a safe and happy environment, and protect the safety of our employees and visitors, we have implemented ISO 45001:2018 and completed the first stage of certification on March 28, 2023 and the second stage on April 6 and 7, 2023, and expect to obtain the Occupational Safety and Health Management System certificate at the end of April.</p> <p>5. In 2022, there were 2 reports of occupational accident involving 2 employees, accounting for a ratio of 0.0038 to the total number of employees. Both employees were involved in a traffic accident on their way to work. Both were accidental injuries. Employees are reminded to drive defensively. If the employee is hit by a bicycle, the head protection will be given priority. If the employee is able to leave the driveway on their own, move to a safe place before reporting the incident and wait for the ambulance. The Company's nurses will also continue to care for and track the recovery of the employee after the injury.</p>	

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Y es	N o	Executive summary (Note 2)	
(IV) Has the Company established an effective career capacity development training program for employees?	V		(IV) The Company regards employees as an important asset, attaches great importance to the cultivation and development of talents, and conducts various general training for new employees to enhance colleagues' understanding and recognition of the Company. We also work with external consultants on a long-term basis to conduct leadership and management training activities for junior and senior executives, and link personal performance management and development systems at the same time (the total number of professional training hours is 34,731 hours, and the average is 17.12 man-hours), and encourage employees to continuously improve themselves.	None
(V) Does the Company comply with applicable laws and international standards on issues such as customer health and safety, customer privacy, marketing and labeling of products and services, and establish relevant policies and grievance procedures for the protection of consumers' or customers' interests?	V		(V) 1. According to the client/consumer protection policy of Social in the ESG Corporate Social Indicators, the Company not only continues to improve products and services, but also provides a channel for customers to complain and give feedback. For example, customers, distributors (traders, agents), trading partners merchants, agents, suppliers (including contractors), and the general public may use any form of correspondence, telephone, fax, or e-mail. 2. The internal ordering procedures (Doc. No. 2038) have also made detailed settings for communication with customers according to the provisions of IATF16949. If the customer receives feedback on the product and service after the transaction, the post-delivery activities and customer complaint handling procedures are defined (Doc. No. 2061.) and Customer Satisfaction Management Guidelines (Doc. 2073) to maintain good communication with customers.	None

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Executive summary (Note 2)	
(VI) Does the Company have a supplier management policy defined to require suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and the implementation status thereof?	V		<p>(VI) 1. Supplier management policy: The Company has established the "Supplier Selection and Management Procedure" to select qualified third-party suppliers to meet the Company's needs. Suppliers are regarded as important partners. To maintain long-term cooperative relations with suppliers, in addition to ensuring product quality, delivery and cost, we also work with suppliers to implement sustainable development of environmental protection, human rights, and resource recycling to fulfill social responsibilities and promote the sustainable development of the supply chain.</p> <p>2. Supply chain management practices Supplier evaluation: It must be legally registered with the government and certified by the company with ISO9001 and/or IATF16949. It is a priority candidate. It must meet the requirements of EU environmental regulations, cooperate with the implementation of the Company's prohibited substance standards, sign environmental agreements with suppliers, and do not use conflict minerals/Integrity Commitment signed with suppliers</p> <p>3. Regular supplier assessment: Conduct supplier evaluation on a regular basis. The ISO9001 and ISO14001 management systems are used to establish supplier qualification procedures, supplier evaluation and performance tracking procedures, and guide suppliers to cooperate with the Company in the implementation of sustainable corporate social responsibility. Regular analysis of domestic risk changes with foreign suppliers, including product safety/regulatory requirements, quality management</p>	None

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Y es	N o	Executive summary (Note 2)	
			system verification level, delivery quantity & quality performance, whether the supplier is an oligopoly. Those with higher risk levels are included in the following year's annual supplier audit schedule.	
V. Does the Company refer to the international report compilation standards or guidelines for the preparation of sustainability reports and other reports that disclose the Company's non-financial information? Did the preliminary report obtain the assurance or guarantee opinion of the third-party verifier?	V		(I) The Company has compiled its first sustainability report (formerly known as the "CSR report") in 2013 and started preparing it on a voluntary basis in accordance with the GRI standards published by the Global Standards Board (GSSB) in June each year. We publish the CSR report on the Company's website and the OTC website, and disclose CSR-related information in the annual report. (II) The Sustainability Report is a voluntary disclosure and the 10th edition of the Sustainability Report has been issued as of the end of June 2022. Starting in 2023, the Type 1 medium assurance level was verified by an external independent organization, BSI Hong Kong, British Standards Institute Pacific Limited, Taiwan Branch in accordance with the AA1000ASv3 Assurance Standard, which confirmed compliance with the GRI criteria and obtained a verification statement.	None
VI. If the company has established its own sustainability principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies", please describe the current practices and any deviations from the principles: The Company's Board of Directors approved the "Corporate Social Responsibility Best Practice Principles" on December 27, 2017. The Company is fully committed to charity activities every year to fulfill its corporate social responsibilities, and compiled its first corporate social responsibility report in 2013. The Company regularly reviews its operations in accordance with the principles and makes improvements accordingly. So far, there has been no material deviation from the implementation.				
VII. Other important information for understanding the promotion of sustainable development: 1. Hu Lane Scholarship:				

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Y es	N o	Executive summary (Note 2)	
<p>Since 2004, Hu Lane has been oriented towards the public welfare by setting up the "Hu Lane Scholarship" to subsidize the low-income, needy, or academically outstanding students to relieve the pressure in their life and to overcome their difficulties, hoping they can overcome the difficulties and go upstream to complete their studies successfully. The universities that are open to applications are National Taipei University of Technology, National Kaohsiung University of Science and Technology, Kin-Yi University of Science and Technology, Huwei National University of Science and Technology, National Yilan University, Chung Yuan Christian University, Tamkang University, Feng Chia University, National Pingtung University of Science and Technology, and National Changhua University of Education. The subsidy is applicable to the students of the ten universities. Letters are sent to the above-mentioned universities in late September each year. Applications are open until mid-November. After the documents are submitted by all universities, preliminary written by the Company, and reviewed by conferences, the accepted candidates are notified in late December, and a scholarship award ceremony is held in mid-January of the following year. In addition to receiving NT\$12,000 of scholarship and stipend per student, the Company will also provide NT\$500 in subsidy for travel expenses, for a total of NT\$12,500 per student. The source of the budgeted total scholarship and grants is 0.1% of the parent company's net profit after tax in the previous year.</p> <p>2. Response to social welfare activities:</p> <p>In order to practice the concept of "take from society, use for society" and implement the public welfare aspect of corporate social responsibility. A series of charity events are held regularly between July and August each year, and these two months are designated as the Charity Month for Hu Lane. Since the material donation event was launched in 2008, the Company held the 15th "Caring for the disadvantaged and spreading love" charity event in 2022. By the end of the 15th year, the Company had made donations totaling NT\$3,129,230; employees had donated NT\$841,744 and participated in charity sales for NT\$345,041; colleagues voluntarily participated in sponsorships, and as of 2022, they have sponsored 42 children 31 children); 209 boxes of supplies have been donated (including daily supplies, school supplies, clothing, toys, and other supplies); the Company invested in making love jars and placed them at the merchants by the World Peace Society for donations from the public. So far, a total of NT\$1,227,412 has been raised. With the human resources and resources possessed by the company, we invite all employees of Hu Lane to participate in this grand event and do our part for the society, so that disadvantaged families can feel the warmth of society.</p>				

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Y es	N o	Executive summary (Note 2)	
Sustainability of the Seas_New Jinshan Beach Cleanup: In response to the care of the environment as a sustainable corporate responsibility, the Company selected the new Jinshan Beach on December 3, 2022, and called on the Company's current colleagues and their families, relatives, and friends. There are 90 people in total to participate in the beach cleaning activity, promote the concept of protecting precious marine resources, raise the importance of marine ecological environment conservation, water resources protection, and promote the interaction between parents, children and company colleagues. Take concrete actions for global environmental protection in order to jointly maintain the environmental cleanliness of the sea. Result of the event: 357kg of trash was collected. 1. Blood donation: Dongguan Hu Lane Technology Co., Ltd. has gradually progressed to its present day and continued to implement the corporate social responsibility aspect of public welfare activities. Every March and April, we call on all employees to donate blood. On April 29, 2022, we held the [Dongguan Hu Lane Blood Donation Event]. A total of 47 employees participated in the event and donated 15,200ml of blood. 2. [COVID-19 prevention donation/volunteer participation] Since 2019, Covid_19 has spread all over the world. When the epidemic broke out in Dalang Town, Dongguan in 2022, the Dalang Taiwan Business Association organized various Taiwanese businesses to donate and purchase anti-epidemic materials at the end of February. Dongguan Hu Lane donated RMB: \$5,000 to Dalang Government. At the same time, three employees were arranged to support the Dalang Epidemic Prevention Center in distributing anti-epidemic supplies and maintaining order of nucleic acid testing on site. 3. The labor union in Vietnam Hu Lane sends love home: Hu Lane (Vietnam) Trade Union, based on the Vietnamese tradition of kindness - "Love your neighbor as yourself", helped employees who are unable to return to their hometowns for the holidays due to financial difficulties. After internal discussion and approval by the trade union, with the sponsorship of the trade union and the call for donations by Vietnamese cadres, six employees in financial difficulty were assisted to buy bus tickets on January 25, 2022 to return home during the Chinese New Year, so that employees and				

Assessment items	Status of execution (Note 1)			Deviation and causes of deviation from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies
	Y es	N o	Executive summary (Note 2)	
their families can enjoy a warm Chinese New Year. A total of 20 people participated in the fund-raising event and a total of VND 14,800,000 (approximately NT\$17,760; trade union donated VND 6,800,000, and colleagues donated VND 8,000,000) in total.				
3. 2022 Awards				
1. Taipei Hu Lane was awarded the Outstanding Enterprise Award, the Inspirational Brand Award, and the Individual Chairman Award from the Business Council of Asia.				
2. Dongguan Hu Lane was awarded the "Top 10 Enterprise Benefit Contribution Award" in Dalang Town, Dongguan City, the qualification of Dongguan Creative Small and Medium-sized Enterprise, and the honor of Specialized, Precision, Special and New Enterprise by the Dongguan Engineering Center.				
3. Dongguan Puguang won the "Customer Best Quality Award"; Continental Auto Parts (Suzhou) Co., Ltd. was an outstanding supplier and was awarded the "Excellent Delivery Award"; Geely Automobile Supply Chain Gouda (Zhejiang) Auto Parts Co., Ltd. commended the supplier.				
4. Nanjing Hu Lane was awarded the Specialized, Special, and New SME Award in Jiangsu Province.				
5. PT. HULANE TECH MANUFACTURING won the 3rd place in the Astra Honda Motor (AHM).				

Company climate information

1. Implementation of climate-related information

Item	Status of implementation
<ol style="list-style-type: none"> 1. Describe the monitoring and governance of climate-related risks and opportunities by the board of directors and the management. 2. Describe how the identified climate risks and opportunities affect the Company's business operations, strategies, and finance (for short-term, medium-term, and long-term). 3. Describe the financial impacts of extreme climate events and transformational actions. 4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system. 5. If scenario analysis is used to assess the resilience to climate change risks, the used scenarios, parameters, assumptions, analysis factors, and main financial impacts shall be described. 6. If there is a transformation plan in place to manage climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical and transformational risks. 7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be stated. 8. If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning period, and the progress of each year should be explained; if carbon offsets or Renewable Energy Certificates (RECs) are used to achieve the relevant target, the source and quantity of carbon reduction credits to be offset or the quantity of renewable energy certificates (RECs) to be used should be specified. 9. Greenhouse gas inventory and assurance (indicated separately in 1-1). 	<p>The Group has not yet identified climate-related risks and opportunities, and has no information on strategies and risk management mechanisms to disclose.</p> <p>It has been included in the Group's business plan and is expected to be introduced in 2024, with the launch of the TCFD counseling project and third-party certification.</p>

Item			Status of implementation	
1-1 Greenhouse gas inventory and assurance				
Basic information of the Company Companies with capital of less than NT\$5 billion			According to the Roadmap for Sustainable Development for TWSE/TPEX Listed Companies, at least the parent company's individual inventory and consolidated financial report of subsidiaries should be disclosed. Assurance of the parent company's consolidated financial statements Assurance of the subsidiaries	
Category 1	Total emissions	Intensity (tonnes CO2e/NT\$ million) (Note 2)	Authenticating institution	Disclosure of information
Parent company	159.586	0.0767	BSI Taiwan Branch	On December 12, 2022, BSI issued ISO-14064-1 Greenhouse Gas Verification and Declaration (please refer to Attachment 1)
Subsidiary	1. Data not collected and verified in 2021 2. The data for 2022 is scheduled to be verified by a third-party company in 2023.			
Category 2	Total emissions	Intensity (tonnes CO2e/NT\$ million) (Note 2)	Authenticating institution	Disclosure of information
Parent company	3,447.028	1.6569	BSI Taiwan Branch	On December 12, 2022, BSI issued ISO-14064-1 Greenhouse Gas Verification and Declaration (please refer to Attachment 1)
Subsidiary	1. Data not collected and verified in 2021 2. The data for 2022 is scheduled to be verified by a third-party company in 2023.			
Total	3,606.614	1.7336		

Attachment 1. ISO-14064-1 Greenhouse Gas Verification and Declaration

bsi.

Opinion Statement



Greenhouse Gas Emissions Verification Opinion Statement

This is to verify that: Hu Lane Associate Inc.
No. 68, Huanhe St.
Xizhi Dist.
New Taipei City
221014
Taiwan

胡連精密股份有限公司
臺灣
新北市
汐止區
環河街 68 號
221014

Holds Statement No: GHGEV 779399

Verification opinion statement

As a result of carrying out verification procedures in accordance with ISO 14064-3:2006, it is the opinion of BSI with reasonable assurance that:

- The Greenhouse Gas Emissions with Hu Lane Associate Inc. for the period from 2021-01-01 to 2021-12-31 was verified, including direct greenhouse gas emissions 159,586 tonnes of CO₂ equivalent and indirect greenhouse gas emissions from imported energy 3,447,028 tonnes of CO₂ equivalent.
- No material misstatements for the period from 2021-01-01 to 2021-12-31 Greenhouse Gas Emissions calculation were revealed.
- Data quality was considered acceptable in meeting the principles as set out in ISO 14064-1:2018.
- The emission factor for electricity of year 2021 is 0.509 kgCO₂ per kWh.

The other selected indirect GHG emissions listed in the attached table on the next page were also reported and thus verified with limited assurance, and data quality was not considered unacceptable in meeting the principles as set out in ISO 14064-1: 2018.

For and on behalf of BSI:

Managing Director BSI Taiwan, Peter Pu

Originally Issues: 2022-12-12

Latest Issue: 2022-12-12

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Attachment 2. Risk Management of Material Issues Related to Environmental, Social, and Corporate Governance

Risk category		Stakeholders	Concerned issues	Risk description	Risk management strategies (Responding measures)
Environmental aspect	Sustainable supply chain (environmental protection & occupational safety & human rights)	Suppliers; Employees	Government/Authority: Operational Performance/Supply Chain Sustainability (Environmental Protection, Occupational Safety & Human Rights) /Occupational Health and Safety / Talent Development / Innovation and Research /	1. Suppliers not moving towards ESG sustainability 2. Inadequate supplier implementation of ESG activities	1. It is expected that an ESG assessment sheet will be developed in 2023 to provide partners with the ESG directions promoted by the partners, and supplier awareness meetings will be held regularly to continue to promote supplier sustainability activities. 2. Expected to increase ESG assessment results for supplier audits in 2023
	Raw material management	Supplier	Information Security / Energy Saving and Carbon Reduction / Labor Communication Employees: Sustainable supply chain (environmental protection, occupational safety and human rights) / Operational performance / Occupational health and safety /	1. Raw materials provided by suppliers do not meet environmental protection requirements 2. No reduction in procurement carbon footprint 3. Raw materials sourced from conflict minerals	1. Request the supplier to sign the Prohibited Substances List and the Environmental Protection Agreement 2. Increase the ratio of local procurement to reduce carbon footprint 3. Sign the Supplier Social Responsibility Commitment to prohibit the use of 100% raw materials from conflict mineral areas
	Energy conservation and carbon reduction	Government/authority; employees; customers; investors; suppliers	Customer relations / Innovative R&D Customer: Innovation and R&D/Customer relationship/Information security/Operational performance/Supply chain (environmental protection, occupational safety and human rights) Investors: Operational performance/Customer relations/Supply chain sustainability (environmental protection & occupational safety	Carbon emissions increase as production and output increase	1. Improve the energy efficiency of equipment. 2. Adopt clean energy. 3. It is expected to be introduced into Taipei Hu Lane in 2023. ISO 50001 Energy Management System and Group Conduct ISO 14064 Greenhouse Gas Inventory and Verification to confirm the effectiveness of energy conservation and carbon reduction. 4. Provide energy-saving counseling to suppliers and build a sustainable supply chain.
Social aspect	Customer relationship	Customer	performance/Customer relations/Supply chain sustainability (environmental protection & occupational safety	Customer complaints and returns	1. Ensure that the company operates in accordance with the customer relationship management and customer complaint procedures planned by the quality management



			& human rights)/Innovative R&D/Raw material management/Information security		system.
	Occupational health and safety	Employees	Suppliers: Sustainable supply chain (environmental protection, occupational safety and human rights) / Operational performance / Customer relationship / Innovative R&D / Raw material management / Information security / Trade secret protection and transaction security	Risk of unsafe work environment	<ol style="list-style-type: none"> 1. Management system promotion is expected in 2023: The ISO 45001 management system will be introduced and certified, operational control will be implemented, and occupational safety and health protection measures will be promoted to prevent occupational disasters. 2. Implementation of employee care system: Employee health checkup is implemented every year to care for employees' health. Four major plans have been implemented to provide a friendly workplace. 3. Strengthen hazard identification and risk assessment: Take appropriate preventive measures for high-risk work environments and influencing factors to control risks within an acceptable range. 4. Plan and formulate a supply chain audit plan: include contractors in the scope of audit to reduce unsafe behaviors, strengthen counseling and improvement, and jointly create a secure supply chain system.
	Talent training	Employees		Talent gap in key positions	<ol style="list-style-type: none"> 1. In the 2022 high-potential talent pool plan, inventorying of key positions for approximately 1.04% (=23 employees/2,202 employees) of the Group's human resources has been completed; the Group has completed training activities for 23 high-potential talents, of which 15 participated in the internal high-level mentor system, and external 8 people participated in the team coaching course. 2. In 2022, we have invested TWD 1,450,000 in the training of GGS grader certification, and the Group has 10 graders certified. 3. In 2022, the Group invested NT\$855,400 in education and training expenses, with an annual training hour of 34,731 hours, or 17.12 hours per person.
2	Trade secret	Customers;		1. Disclosure of	1. Establish relevant rules and



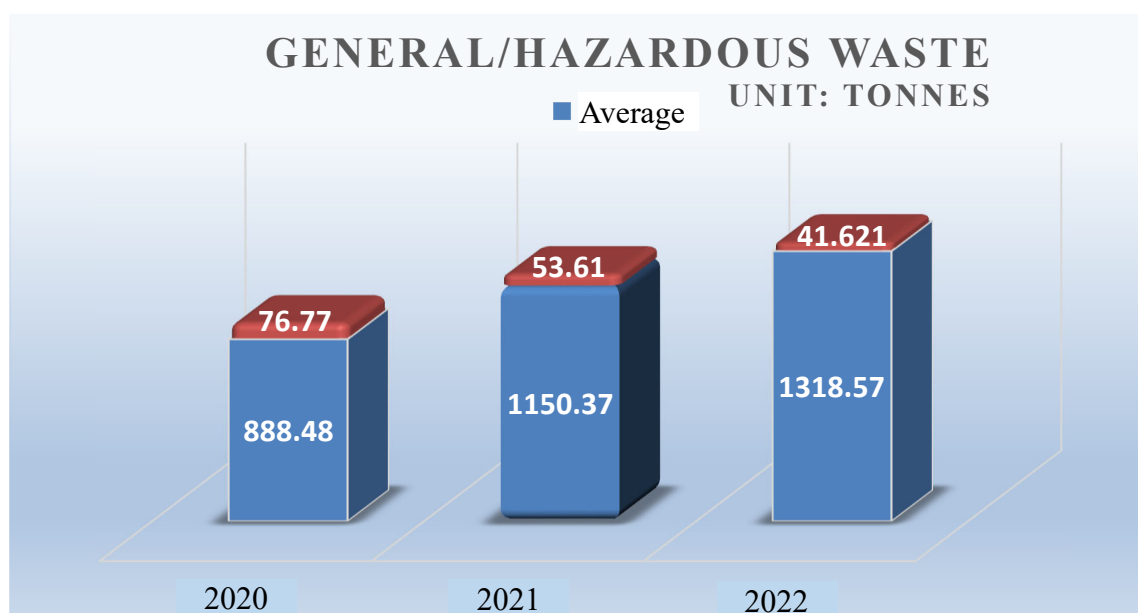
	protection and transaction security	employees	(confidential) trading information 2. Leakage of cooperation details (technology, products)	regulations (employee ethical code of conduct, ethical management procedures, and code of conduct), and conduct education, training and promotion every year. 2. The sign-off process is based on the content and amount of sign-off from the appropriate level. 3. Internal audits are conducted on a yearly basis.
	Innovative R&D	Customer; Supplier	1. Risk of patent infringement 2. Difficult to break through in key technologies	1. Raise patent search requirements for high-risk products, evaluate new design proposals, and reduce the risk of patent infringement. 2. Continue to research and develop new technologies. Technical consultants are on-site for guidance, and the design proposals for manufacturability are evaluated for manufacturability. Outsourcing supplier resources are actively expanded to ensure compliance with technology and quality requirements and targets, and reduce the risk of development failure.
	Information security	Government /authority; employees; customers; investors; suppliers	Occurrence of information security incident	1. Improve information governance strategies and establish an Information Security Management Committee to review the Company's information security protection status on a regular basis. 2. Conduct an inventory of ISO/IEC 27001 control items and aim to achieve compliance certification. 3. Regularly perform information security risk assessments and implement risk improvement plans for high-risk information security projects. 4. Establish an inventory of information assets to improve risk management capabilities.
	Operational performance	Government /authority; employees; customers; investors; suppliers	Foreign currency assets and liabilities exposed to the risk of foreign currency exchange rate	1. It monitors the percentage of monthly consolidated foreign exchange gains and losses to consolidated revenue, performs an inventory of the foreign currency assets and liabilities of each subsidiary, and performs



				fluctuations	<p>necessary hedging through financial instruments through external collections and borrowings.</p> <p>2. Conduct appropriate derivatives operations based on the actual conditions of the Group's subsidiaries to achieve exchange rate hedging.</p> <p>3. In 2022, the Group conducted a total of 3 USD/TWD exchange operations for foreign currency exchange rate hedging. As of the end of 2022, the total amount of the aforementioned operating contract has been NT\$90,424 thousand, and the realized profit has been NT\$1,573 thousand.</p>
				Risk of overdue accounts receivable	<p>1. Control over customers with receivable maturities exceeding 135 days for six consecutive months</p> <p>2. The Bank continuously monitors credit exposure and the credit rating of its counterparties, distributes the total transaction amount to customers with qualified credit ratings, and control the credit exposure through the counterparty credit limit limit reviewed and approved by the vice president of finance and the audit, accounting and other relevant units every year.</p> <p>3. Results of control over accounts receivable duration: The Group's account receivable turnover days from non-related parties were 152 days in 2021 and 137 days in 2022, representing a decrease of about 10%.</p>

Attachment 3: Waste production (number of companies)

Type of waste	Waste items	2020	2021	2022	Recycling
General commercial waste	Waste wood	8.02	11.06	10.80	V
	Waste paper	3.73	5.42	5.20	V
	Scrap iron	1.83	4.04	3.62	V
	Waste plastics	374.60	475.60	567.30	V
	Silica gel waste	7.50	23.60	42.00	V
	Copper scrap	389.00	500.00	562.00	V
	General garbage	103.80	130.65	127.65	
Hazardous commercial waste	Spent activated carbon	1.00	4.10	4.22	V
	Waste oil	6.21	1.37	3.81	V
	Waste mold cleaning fluid	0.24	0.09	0.17	
	Waste emulsion	0.15	0.00	0.04	
	Waste sludge	68.22	47.58	32.70	
	Waste filter element	0.28	0.13	0.19	
	Waste container and bottle	0.67	0.34	0.49	
Waste output	Fair + Harmful	965.25	1,203.98	1,360.19	
	Average	888.48	1,150.37	1,318.57	
	Harmful	76.77	53.61	41.62	





(VI) Ethical corporate management practices and deviations from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons

Assessment items	Operation status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
I. Formulate ethical management policies and plans				None
(I) Has the Company formulated an ethical management policy approved by the Board of Directors and expressly stated this in its regulations and external documents as the policy and method of ethical management, and the commitment of the board of directors and senior management to actively implement the business policy?	V		(I) Integrity is one of the six core functions of the Company. The Company has established the "Ethical Corporate Management Procedure and Code of Conduct" and the "Ethical Code of Conduct for Employees" to regulate the corporate integrity policy, and conducts regular promotion and dissemination to ensure that employees, directors, and senior management are aware of and follow them.	
(II) Has the Company established an assessment mechanism for the risk of unethical conducts, regularly analyzing and evaluating business activities with higher risks of unethical conduct within the business scope, and formulated plans to prevent unethical conduct in accordance with the Article 7 Paragraph 2 of the "Guidelines"?	V		(II) The Company has established the "Procedures for Ethical Management and Code of Conduct" and the "Employee Code of Ethics". New recruits shall learn the Company's corporate profile for training and promotion to raise ethical standards of conduct for employees. The "Procedures for Ethical Management and Code of Conduct" and the "Employee Code of Conduct" also regulate the relevant rewards, disciplinary measures, and grievance systems.	
(III) Does the company have the operating procedures,	V		(III) The Company has established an effective	



Assessment items	Operation status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
behavioral guidelines, disciplinary measures, and complaint system clearly defined in the plan to prevent unethical conduct, and are they implemented, and is the pre-disclosure plan regularly reviewed and amended?			accounting system, internal control system, and internal material information processing and disclosure mechanism for business activities with a higher risk of unethical behavior, to prevent unethical behavior, and reviews them from time to time to ensure the continuity of the design and implementation. The "Procedures for Ethical Management and Guidelines for Conduct" and the "Ethical Code of Conduct for Employees" have also established relevant preventive measures for business activities with a higher risk of unethical behavior.	
II. Fulfilling Business Integrity (I) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?	V		(I) When the Company establishes business relationships with others, it will understand the legality of the counterparty, general business status, transaction records, and ethical corporate management policy of the counterparty, and avoid doing business with those with abnormal operations or non-performing transaction records. Based on the principle of honesty and trust, the rights and obligations of both parties are clearly defined when the contract is concluded.	None
(II) Has the company set up a dedicated unit under the	V		(II) The Company's human resources unit has defined	



Assessment items	Operation status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
board of directors to promote corporate ethical management, and regularly (at least once a year) reports to the board of directors on its ethical management policies, plans to prevent unethical practices, and supervision and implementation?			the "Ethical Corporate Management Procedures and Code of Conduct" to disseminate the code of conduct on a regular basis. Employees are encouraged to report any suspected or found violation of laws, regulations, or ethical code of conduct to the management. In 2022, Huang Kuo-Ming of Huan Ying Law Firm was commissioned to conduct Corporate Governance 3.0 on April 28, 2022 and anti-corruption and anti-money laundering training on November 24, 2022. The number of participants in the training was about 220. Compliance promotion is conducted through seminars and video walls to educate employees on integrity and ethical behavior. The human resources unit reports "compliance, measures taken, and effectiveness" to the board of directors on a regular and intermittent basis .	
(III) Has the Company formulated and implemented policies to prevent conflicts of interest?	V		(III) The Company's "Ethical Corporate Management Procedures and Code of Conduct" and "Employee's Code of Ethical Conduct" specify the conflict of interest prevention policy. Employees shall not engage in any business, investment, or related activities that may	



Assessment items	Operation status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
(IV) Has the Company established an effective accounting system and internal control system for the implementation of honest management, and has the internal audit unit prepared an audit plan based on the assessment results of the risk of dishonest acts, and checked the compliance of the dishonest act prevention plan accordingly, or appointed an accountant to perform an audit?	V		constitute a conflict of interest between themselves and the Company, and shall conduct their business in an objective and efficient manner. Employees are also encouraged to report any conduct that is suspected to have violated laws, regulations, or the Code of Ethics to the management. The Company will provide whistleblowers with comprehensive protection measures to ensure the quality of the investigation and to prevent the whistleblowers from suffering unfair retaliation or treatment. (IV) The Company's management has established an effective accounting system and the accuracy and completeness of the internal control system. The internal auditors also conduct regular audits according to the annual audit plan, and prepare audit reports for reporting to the board of directors.	
(V) Does the Company organize internal and external education and training on ethical management on a regular basis?	V		(V) The Company organizes regular publicity campaigns to promote "The Procedures and Code of Conduct for Ethical Management" and "Ethical Code of Conduct for	



Assessment items	Operation status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
			Employees" to raise employees' standards of honesty and ethical conduct, and always pay attention to the development of relevant norms of integrity management at home and abroad, encourage directors, managers, and employees to make suggestions, and review and improve the integrity management code formulated by the company to enhance the effectiveness of the company's integrity management.	
III. Operation of the Company's Whistleblowing System				
(I) Does the company have a specific reporting and reward system, and has it established a channel to facilitate reporting and assigned appropriate staff to receive reports on the subject?	V		(I) The Company has established an employee complaint system and the President's mailbox system. If an employee is found to have violated the ethical code of conduct for business integrity, the Company will take appropriate sanctions depending on the severity of the incident. If the disciplined person believes that the Company's improper handling has resulted in infringement of his or her lawful rights and interests, he or she may file a complaint with the Company's human resources unit for relief.	None
(II) Has the Company established any standard procedures for handling	V		(II) The Company accepts reports in accordance with the "Procedures for Ethical	



Assessment items	Operation status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>reported misconduct, any follow-up measures to be taken upon completion of an investigation, and any confidentiality measures?</p> <p>(III) Has the Company taken measures to protect whistleblowers from undue treatment for whistleblowing?</p>	V		<p>Management and Guidelines for Conduct", handles such matters with confidentiality and diligence, and provides comprehensive protection measures for the whistleblower and the object of the whistleblowing.</p> <p>(III) The identity of the whistleblower and the content of the report shall be kept confidential by the relevant personnel of the Company who handle the whistleblowing. Whistleblowing is handled in a confidential and prudent manner of seeking evidence, and thorough protection measures are given to whistleblowers to ensure the quality of investigations and avoid unfair retaliation or treatment of whistleblowers.</p>	
<p>IV. Enhanced information disclosure</p> <p>(I) Does the company disclose the contents of the Ethical Corporate Management Best Practice Principles and the promotion effect on its website and Market Observation Post System?</p>	V		<p>(I) The Company discloses the "Ethical Corporate Management Procedure and Code of Conduct" on the Company's website, and will update the relevant regulations when the Company revises the relevant regulations. Also, the Company's promotion of ethical corporate management is disclosed in the annual report.</p>	None
<p>V. If the Company has established its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice</p>				

Assessment items	Operation status			Deviation and causes of deviation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description	
<p>Principles for TWSE/GTSM Listed Companies", please describe the current practices and any deviations from the principles:</p> <p>The "Procedures for Ethical Management and Guidelines for Conduct" established by the Company cover the relevant requirements of the "Ethical Corporate Management Best Practice Principles for TWSE Listed and TPEX Listed Companies", and the dedicated unit is responsible for the related promotion, disciplinary actions, and complaints to ensure the establishment of a corporate culture of integrity management and the establishment of a good business operation structure.</p>				
<p>VI. Other important information for understanding the Company's integrity operations:</p> <p>(1) On December 27, 2017, the board of directors approved the establishment of the "Ethical Corporate Management Procedure and Code of Conduct" to regulate the precautions for the Company's personnel when conducting business.</p> <p>(2) Firmly implement corporate governance regulations, establish legal compliance, internal control and audit systems, risk management mechanisms, strengthen the functions of the board of directors, exert the independence of the Audit Committee, respect the rights and interests of stakeholders, and enhance information transparency.</p> <p>(3) Matters concerning major operational policies, investments, acquisition and disposal of assets, endorsements and guarantees, loaning of funds, and bank financing are all evaluated and analyzed by the relevant responsible departments and resolved by the board of directors.</p> <p>(4) For major cases or cases of concern, we consult relevant legal consultants for confirmation according to the nature of professionalism.</p> <p>(5) The accounting department reviews the transactions in accordance with the accounting principles, and consults the accountants for major cases or suspicious cases.</p> <p>(6) The Audit Office conducts audits on various departments on a regular and intermittent basis to implement supervision mechanisms and control various risk management.</p> <p>(7) Establishment of the "Ethical Code of Conduct for Practitioners". In 2022, Huang Kuo-Ming of Huan Ying Law Firm was commissioned to conduct Corporate Governance 3.0 on April 28, 2022 and anti-corruption and anti-money laundering training on November 24, 2022. The number of participants in the training was about 220. Conduct integrity and ethical conduct publicity to employees through lectures and video walls, conduct regular education and training to enhance employees' standards of honesty and ethical conduct, pay attention to the development of relevant norms of integrity management inside and outside the island, and encourage directors, managers, and employees to make suggestions to review and improve the integrity management code formulated by the company to enhance the effectiveness of the company's integrity management.</p> <p>(8) Fair and transparent day-to-day business activities, conduct business with integrity, explain the company's determination, policies, preventive plans, and consequences of violations of integrity to counterparties engaged in business activities.</p>				

(VII) If the Company has established Corporate Governance Best Practice Principles and related regulations, the methods of accessing them shall be disclosed:

The Company has established (amended) the "Corporate Governance Best-Practice Principles", "Sustainable Development Best-Practice Principles", "Ethical Corporate Management Procedure and Code of Conduct", "Organizational Rules Governing the Remuneration Committee", and "Rules of Procedure for Board of Directors Meetings" to implement corporate governance. Please refer to the Company's website (<http://www.hulane.com>) for the content of the above-mentioned regulations.

(VIII) Other information material to the understanding of corporate governance

1. Disclosure of relevant domestic and foreign licenses obtained by the Company's financial, , and audit personnel:
 - (1) Domestic certifications: 2 procurement management specialists, 1 securities analyst, and 1 financial planner.
 - (2) Other certifications: 1 CIA, 1 CFA, and 1 PMP.
2. Managers' participation in corporate governance-related education and training in 2022:

Job title/name	Date	Organizer	Course title	Duration of advanced study
President Hu Sheng-Ching	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5
	2022.05.06	Taiwan Institute of Directors	Board Governance under the Reality of Sustainability.	3.0
	2022.08.10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3.0
CEO Chang Tzu-Chieh	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5
Executive Vice President Chang Ping-Chun	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5
	2022.05.06	Taiwan Institute of Directors	Board Governance under the Reality of Sustainability.	3.0
	2022.08.10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3.0

	2022.08.18	Taiwan Institute of Directors	SAP NOW Taiwan Creating a sustainable and smart enterprise.	3.0
Executive Vice President Chang Shao-Chien	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5
Assistant Manager Chang Chung-Yi	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5
Vice President Jaw Jing-Shan	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5
Vice President Fang Kai-Ping	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5
Vice President Wang Chih-Hsin	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5
Vice President Pan Su-Chiu	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5
		Kejian Enterprise Management Co., Ltd.	Greenhouse effect 14064-1	1.5
		Citibank	Global Sustainability Overview	2.0
		Small and Medium Enterprises Association	Advanced ESG deployment	3.0
	2022.07.27	Taiwan Stock Exchange and Securities Counter Trading Center	Propaganda Meeting for Theme of Sustainable Industry Development	2.0
	2022.08.10	Taiwan Institute of Directors	Green transformation – the key talents of the future.	3.0
	2022.08.30 ~31	Securities and Futures Commission	WORKSHOP FOR DIRECTORS AND SUPERVISORS (INCLUDING INDEPENDENT	12

			DIRECTORS) AND CORPORATE GOVERNANCE OFFICERS – TAIPEI	
Vice President Chen Ko- Chou	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5
Vice President Lin Ming- Niao	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5
Vice President Li Ying-Te	2022.04.28	Ying Huan Law Offices	Corporate governance – insider trading and securities regulations.	4.5

3. Establishment of the "Material Inside Information Handling and Insider Trading Prevention Management Operating Procedures":

In order to establish a good mechanism for the Company's handling and disclosure of material inside information, and to strengthen the prevention of insider trading, the Company's Board of Directors resolved on December 29, 2009 to establish the "Management Operating Procedures for the Handling of Material Inside Information and Prevention of Insider Trading". The Company shall announce and issue the same in accordance with the Company's Internal Document Management Regulations.

4. Appointment and dismissal, evaluation, salary, and remuneration of internal auditors

The Company has established the Regulations Governing the Appointment and Removal of Internal Audit Personnel. The appointment and dismissal of internal auditors and their compensation shall be reported to the board of directors of the Company. The internal audit personnel evaluation is conducted once a year, and the audit supervisor signs off to the Chairman of the Company. The appointment and dismissal regulations have been disclosed in the section of the internal regulations webpage of the Company.



(IX) Implementation of internal control policies

1. Internal Control Statement:

Hu Lane Associate Inc.
Declaration of Internal Control System

Date: March 24, 2023

Based on the results of self-examination on the Company's internal control system in 2022, we declare as follows:

- I. The Company recognizes that the establishment, implementation, and maintenance of the internal control system is the responsibility of the Company's Board of Directors and managers, and the Company has established such a system. The purpose is to provide reasonable assurance for the achievement of operational effectiveness and efficiency (including profitability, performance, and protection of asset security), the reliability of financial reports, and compliance with relevant laws and regulations.
- II. The internal control system has its innate limitations. No matter how perfect the design is, an effective internal control system can only provide reasonable assurance for the achievement of the above three goals. Moreover, due to changes in the environment and situation, the effectiveness of the internal control system may increase with time. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take corrective action.
- III. The Company judges the effectiveness of the design and implementation of its internal control system based on the items for judging the effectiveness of the internal control system specified in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). According to the management control process, the criteria for internal controls adopted in the "Regulations" divide the internal control system into five elements: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, 5. Supervision. Each component includes several items. Please refer to the "Regulations" for details.
- IV. The Company has adopted the above judgment items to check the effectiveness of the design and implementation of the internal control system.
- V. Based on the inspection results referred to above, the Company believes that as of December 31, 2022, the Company's internal control system (including the supervision and management of subsidiaries), including the design and implementation of the internal control system relating to the knowledge of the effectiveness and efficiency of operations, the reliability of financial reporting and the compliance with relevant laws and regulations, was effective and could reasonably ensure the achievement of the above objectives.
- VI. This statement shall form an integral part of the Company's annual report and the prospectus, and shall be disclosed to the public. The Company shall be held liable under Articles 20, 32, 171, and 174 of the Securities and Exchange Act for any violation of laws such as fraud or concealment of the above-mentioned disclosure.
- VII. This Declaration was approved at the meeting of the Company's Board of Directors on March 24, 2023. Of the 9 directors present, 0 held an opposing view and the rest agreed to the contents of this statement and hereby declare.

Hu Lane Associate Inc.

Chairman: Chang Tzu-Hsiung

President: Hu Sheng-Ching



1. If the internal control system is reviewed by a CPA on an ad hoc basis, the review report shall be disclosed: None.

(X) In the most recent year and up to the publication date of this annual report, the company and its internal personnel have been punished according to law, or the company's internal personnel have been punished for violating the internal control system. The result of the punishment may have a significant impact on shareholders' equity or securities prices, the content of the punishment, major deficiencies, and improvements should be listed: None.

(XI) Major resolutions reached in shareholders' meetings and board of directors meetings in the most recent year, up until the publication date of this annual report:

1. Major resolutions of shareholders' meetings and their implementation

(1) Important resolutions

Date	Sessions of regular and extraordinary sessions	Important resolutions
2022.06.17	2022 General Shareholders' Meeting	<p>Reporting matters</p> <p>(1) 2021 Business Report</p> <p>(2) Audit Committee's review of the 2021 financial statements.</p> <p>(3) 2021 Distribution of Remuneration to Employees and Directors</p> <p>Matters of approval</p> <p>(1) Recognition of 2021 financial statements.</p> <p>(2) Approved 2021 earnings appropriation proposal.</p> <p>Matters for discussion</p> <p>(1) Revised "Guidelines for Handling Acquisitions and the Disposal of Assets"</p> <p>(2) Distribution of cash to shareholders from additional paid-in capital.</p>

(2) Status of implementation

- A. All the above proposals have been completed in accordance with the resolutions of the shareholders' meeting.
- B. The Company's 2021 earnings appropriation was resolved in the annual general shareholders' meeting on June 17, 2022, namely, to distribute cash dividends of NT\$4 per share and to distribute cash dividends of NT\$1 per share to shareholders from its capital surplus. The distribution was completed on September 30, 2022.

2. Major resolutions of the board of directors

Date	Session of session	Important resolutions
2022.02.08	The 11th meeting of the 7th session	<p>I. The Company's 2022 organizational and personnel adjustments.</p> <p>Independent director's opinion: None. The Company's response to the opinions of independent directors: None. Resolution: Unanimously approved by all directors present at the meeting.</p>
2022.03.25	The 7th and the 12th session	<p>I 2021 employees' and directors' remuneration.</p> <p>II The Company's individual financial statements and consolidated financial statements 2021.</p> <p>III Approval for issuing the "Declaration of Internal Control System for 2021".</p> <p>IV Date and place of the general shareholders' meeting in 2022 and the agenda.</p> <p>V Date of acceptance of written proposals from shareholders with more than a 1% ownership interest.</p> <p>VI Extension of credit line between the Company and Cathay United Bank.</p> <p>VII The limit of credit between the Company and First Commercial Bank.</p> <p>VIII Report of the Company's financial derivatives transactions.</p> <p>IX EVERVALUE INVESTMENTS LIMITED, had extended the loan to PT. Hulane Tech Manufacturing.</p> <p>X The Company assigns senior executives of the Company to supervise and control the risk of derivative transactions.</p> <p>XI The "Guidelines for Handling Acquisition and Disposal of Assets" was revised.</p> <p>XII Regarding the Company's implementation of the sustainable project (ESG) towards the net zero carbon emission in the future.</p> <p>XIII The Company's reinvestment in the equity of EAGLE GOOD LIMITED., a subsidiary of Shangyi Investment Co., Ltd.</p> <p>XIV The Company's reinvestment in the equity transaction of Shang Ho Industry Co., Ltd., a subsidiary of Shang Yi Investment Co., Ltd.</p> <p>XV the board of directors resolved to update the 2022 financial forecast on December 24, 2021.</p> <p>XVI Appointment and dismissal of managerial officers of the Company.</p> <p>Other important reporting matters:</p> <p>I. Report of the meeting minutes of the 5th meeting of the 4th Remuneration Committee in 2022.</p> <p>II. Report of the meeting minutes of the 9th meeting of the 1st Audit Committee in 2022.</p> <p>III. 2021 Performance Evaluation of the board of directors, the members, the Audit Committee, and the Remuneration Committee.</p> <p>Independent director's opinion: None. The Company's response to the opinions of independent directors: None. Resolution: Unanimously approved by all directors present at the meeting.</p>

Date	Session of session	Important resolutions
2022.05.06	The 13th meeting of the 7th session	<p>I. Presentation of the Company's consolidated financial statements for the first quarter of 2022.</p> <p>II. The Company's 2021 business report.</p> <p>III. Appropriation of the Company's 2021 earnings.</p> <p>IV. Distribution of cash to shareholders from additional paid-in capital.</p> <p>V. Amendment to the agenda of the Company's 2022 regular shareholders' meeting.</p> <p>VI. Allocation of remuneration to directors in 2021.</p> <p>VII. The Company provided a guarantee to Taipei Fubon Bank for the financing and/or guarantee of debts between Hu Lane Electronic (Vietnam) Co., Ltd., and Taipei Fubon Bank.</p> <p>VIII. The Company provides Citibank with a guarantee for the current financing, foreign exchange, derivative transactions, and/or guaranteed obligations between PT. Hulane Tech Manufacturing and Citibank (as defined in the guarantee letter).</p> <p>IX. Amendment to the "Code of Practice on Sustainability Reports".</p> <p>X. Change of registered business address.</p> <p>Other important reporting matters:</p> <p>I. Minutes Report of the 6th meeting of the 4th Remuneration Committee in 2022.</p> <p>II. Minutes Report of the 10th meeting of the 1st Audit Committee in 2022.</p> <p>III. The Company accepts written proposals from shareholders with more than a 1% ownership interest.</p> <p>IV. Implementation report on the Company's re-investment in EAGLE GOOD LIMITED., a subsidiary of Shangyi Investment Co., Ltd.</p> <p>V. Implementation Report on the Company's Reinvestment in Shang Ho Industry Co., Ltd., a subsidiary of Shangyi Investment Co., Ltd.</p> <p>Independent director's opinion: None.</p> <p>The Company's response to the opinions of independent directors: None.</p> <p>Resolution: Unanimously approved by all directors present at the meeting.</p>
2022.06.17	The 14th meeting of the 7th session	<p>I. Allocation of remuneration to managerial officers and employees of the Company in 2021.</p> <p>II. Appointed the Company's perpetual president and the Head of Corporate Governance.</p> <p>III. Re-invested in Jiaying Shang Ho Electronics Technology Co., Ltd.</p> <p>IV. Appointed as director and supervisor to the subsidiaries, Jiaying Shangho Electronic Technology Co., Ltd., and Shang Ho Industry Co., Ltd.</p> <p>V. Purchased liability insurance for directors.</p> <p>VI. The Company engaged in derivative financial product (foreign exchange exchange) transactions in June 2022.</p> <p>Other important reporting matters:</p> <p>I. Report of the minutes of the 7th meeting of the 4th Remuneration Committee in 2022.</p> <p>II. Minutes Report of the 11th meeting of the 1st Audit Committee in 2022.</p> <p>Independent director's opinion: None.</p> <p>The Company's response to the opinions of independent directors: None.</p> <p>Resolution: Unanimously approved by all directors present at the meeting.</p>
2022.08.10	The 15th meeting of the 7th session	<p>I. The Company's consolidated financial statements for Q2, 2022</p> <p>II. 2021 cash dividend to shareholders and cash allocation to capital surplus shareholders.</p> <p>III. The line of credit between the Company and Taipei Fubon Bank.</p>

Date	Session of session	Important resolutions
		<p>IV. Acting as the endorser and guarantor for EVERVALUE INVESTMENTS LIMITED</p> <p>V. The Company provided guarantees for Cathay United Bank (Mainland China) in terms of financing, foreign exchange, derivative transactions and/or guarantees of debt in relation to Dongguan Hu Lane Puguang Trading Co., Ltd., and Cathay United Bank (Mainland China) Limited, Shenzhen Branch (as defined in the letter of guarantee).</p> <p>VI. The Company provided guarantees to Cathay United Bank (China) Limited Shanghai Branch in connection with the current financing, foreign exchange, derivative transactions and/or guaranteed debts of Hu Lane Electronics (Nanjing) Co., Ltd., and Cathay United Bank (China) Limited Shanghai Branch (as defined in the Letter of Guarantee).</p> <p>Other important reporting matters:</p> <p>I. Minutes Report of the 12th meeting of the 1st Audit Committee in 2022.</p> <p>II. 2021 Promotion and Implementation Report on Corporate Social Responsibility.</p> <p>III. Sustainability project (ESG) implementation report.</p> <p>Independent director's opinion: None.</p> <p>The Company's response to the opinions of independent directors: None.</p> <p>Resolution: Unanimously approved by all directors present at the meeting.</p>
2022.11.08	The 16th meeting of the 7th session	<p>I. Presentation of the Company's consolidated financial statements for the third quarter, 2022.</p> <p>II. The credit limit of the Company and Citibank (Taiwan) Commercial Bank.</p> <p>III. The Company has provided Citibank with a guarantee for the current financing, foreign exchange, derivative transactions, and/or guarantee obligations of Dongguan Hu Lane Puguang Trading Co., Ltd., and Citibank (as defined in the guarantee letter).</p> <p>IV. The Company provides Citibank with a guarantee for the current financing, foreign exchange, derivative transactions, and/or guarantee of debts between PT. Hu Lane Tech Manufacturing and Citibank (as defined in the guarantee letter).</p> <p>V. The Company has provided Citibank with a guarantee for the current financing, foreign exchange, derivative transactions, and/or guarantee obligations between Hu Lane (Vietnam) Co., Ltd., and Citibank (as defined in the guarantee letter).</p> <p>VI. Report of the Company's financial derivatives (foreign exchange swap) transactions.</p> <p>VII. The Company engaged in derivative financial instrument (foreign exchange swap rollover) transactions in September 2021.</p> <p>VIII. The credit line between the Company and Cathay United Bank.</p> <p>IX. Amendment to the "authority and proxy system".</p> <p>X. Amendments to the "Regulations Governing Public Information Reporting".</p> <p>XI. Establishment of the "Greenhouse Gas Inventory Management Procedure".</p> <p>XII. The Indonesian subsidiary (PT. Hulane) proposed to raise capital by USD4 million in cash.</p> <p>XIII. Sustainability project (ESG) implementation report_sustainable development material topic selection report .</p> <p>XIV. Sustainability project (ESG) implementation report_ 2021 Taipei Factory greenhouse gas emissions source data, internal verification report .</p> <p>XV. Relevant matters concerning the establishment of the subsidiary in Italy.</p>

Date	Session of session	Important resolutions
		<p>Other important reporting matters: Minutes Report of the 13th Meeting of the 1st Audit Committee in 2022.</p> <p>Independent director's opinion: None. The Company's response to the opinions of independent directors: None. Resolution: Unanimously approved by all directors present at the meeting.</p>
2022.12.23	The 17th meeting of the 7th session	<p>I. The Company's 2023 business plan B. II. The Company's 2023 financial budget B. III. The Company's 2023 audit plan. IV. Independence Assessment Report of CPAs of the Company. V. Replacement of CPAs. VI. Amendments to the "Risk Management Guidelines" of the Company. VII. Amendments to the "Material Inside Information Handling and Insider Trading Prevention Management Procedures". VIII. Stipulation of the "Procedures for Compilation and Verification of Sustainability Report". IX. Revised organizational chart for the Group's Sustainability Committee. X. Amendment to the Company's "Sustainable Development Best-Practice Principles". XI. Establishment of the Company's information security organizational structure and mission development goals. XII. Report of the Company's financial derivatives (foreign exchange swap) transactions. XIII. The Company engaged in derivative financial instruments (foreign exchange swap rollover) transactions in December 2022. XIV. EVERVALUE INVESTMENTS LIMITED, loaning funds to its parent company, Hu Lane Associate Inc. XV. EVERVALUE INVESTMENTS LIMITED, loaning to HuLane Electronic (Vietnam) Co., Ltd.</p> <p>Other important reporting matters: I. Minutes Report of the 14th meeting of the 1st Audit Committee in 2022. II. Improvements in the preparation of financial statements of the Company. III. Report on the performance of risk management. IV. The Company's intellectual property management plan and implementation report. V. Sustainability Committee Performance Report – Corporate governance matters such as ethical management, anti-corruption, anti-bribery, and compliance.</p> <p>Independent director's opinion: None. The Company's response to the opinions of independent directors: None. Resolution: Unanimously approved by all directors present at the meeting.</p>
2023.03.24	The 18th meeting of the 7th session	<p>I. 2022 employees and directors remuneration. II. The Company's 2022 individual and consolidated financial statements. III. Approval for issuing the "Declaration of Internal Control Systems for 2022". IV. Date and venue of the 2023 regular shareholders meeting and agenda. V. Duration and venue for accepting written motions from shareholders with more than 1% ownership interest and director candidate nominations. VI. By-election of directors of the Company. VII. Removal of non-compete restrictions for directors. VIII. Amendment to the "Articles of Incorporation".</p>

Date	Session of session	Important resolutions
		<p>IX. Amendment to the Company's "Rules of Procedure for Board of Directors Meetings".</p> <p>X. Amendment to the Company's "Corporate Governance Best-Practice Principles".</p> <p>XI. The non-assurance services are pre-approved by the CPAs.</p> <p>XII. Amendment to the Company's "Audit Committee Charter".</p> <p>XIII. Amendments to the Company's "Regulations Governing the Payment of Remuneration to Directors and Functional Committee Members".</p> <p>XIV. 2023 three key ESG sustainability planning projects and amounts, and 2022 performance report.</p> <p>XV. The Company's proposed offering and issuance of the 1st unsecured convertible corporate bond in Taiwan.</p> <p>XVI. The Indonesian subsidiary (PT. Hulane) raised capital by US\$4 million in cash.</p> <p>XVII. The Company acquired the marketable securities of HD Renewable Energy Co., Ltd.</p> <p>XVIII. Report of the Company's financial derivatives (foreign exchange swap) transactions.</p> <p>XIX. The credit line extended between the Company and Chinatrust Commercial Bank.</p> <p>XX. Line of credit between the Company and First Commercial Bank</p> <p>Other important reporting matters:</p> <p>I. Report of the meeting minutes of the 2nd session of the 1st Sustainable Development Committee in 2023.</p> <p>II. Meeting minutes of the 15th meeting of the 1st Audit Committee in 2023</p> <p>III. Report of the meeting minutes of the 8th meeting of the 4th Remuneration Committee in 2023.</p> <p>IV. 2022 Performance Evaluation of the board of directors, Directors, the Audit Committee, and the Remuneration Committee.</p> <p>V. Implementation Report on the Corporate Governance Evaluation of the Company.</p> <p>VI. Report on the construction of the Indonesia plant.</p> <p>VII. Organizational report on group investment projects of the Company.</p> <p>Independent director's opinion: None.</p> <p>The Company's response to the opinions of independent directors: None.</p> <p>Resolution: Unanimously approved by all directors present at the meeting.</p>

- (XII) In the most recent year and up to the publication date of the annual report, if there is a record or written declaration of a director or supervisor having a different opinion on the important resolutions of the board of directors: As of the publication date of the annual report, the Company has no relevant opinion.
- (XIII) Resignation or dismissal of related personnel of the Company (including the Chairman, President, head of accounting, head of finance, head of internal audits, head of corporate governance, and head of R&D) in the most recent year up until the publication date of this annual report: None



V. Information on the CPA's professional fees

Amount of CPA fees Unit: NTD Thousand

Name of the Accounting Firm	Name of the CPAs	CPA audit Term	Audit public expenditure	Non-audit public expenditure	Total	Remarks
Deloitte Taiwan	Lin Wang-Sheng	2022/01/01~2022/12/31	3,895	578	4,473	Public fees on the audit of the 2022 financial statement
	Li Kuan-hao					
	Shih Jun-Hung					
PwC Taiwan	Tuan Shih Liang	2022/01/01~2022/12/31	-	2,335	2,335	Public expenditures on transfer pricing (2022)

1. If the accounting firm is changed and the public audit fee paid in the replacement year is reduced compared with the public audit fee of the previous year of replacement, the amount of public audit fee before and after the replacement and the reason should be disclosed: N/A.
2. When the audit fee is reduced by more than 10% from the previous year, the amount, percentage, and reason of the reduction must be disclosed: N/A.
3. Non-audit fees were mainly related to tax certification (including transfer pricing and country-by-country reporting), NT\$2,748 thousand, translation of English financial statements, NT\$99 thousand, and others, NT\$66 thousand.
4. The Company's Audit Committee assesses the independence and suitability of the CPAs regularly every year, and requires the CPAs to provide a "Declaration of Independence" and "Independence Report", and reports the results to the board of directors.

The latest annual assessment was approved by the Audit Committee on March 23, 2023 after discussion and approval of the "Audit Quality Indicators (AQIs)", and the board of directors resolution on March 23, 2023 approved the assessment of the independence and suitability of accountants. Evaluations are conducted based on the independence assessment items and AQI indicators. It has been confirmed that the accountant and the company have no other financial interests and business relationships other than visa, financial, and tax case fees, and the accountant's family members have not violated the independence requirements, and with reference to AQI index information, it has been confirmed that the accountant and the firm have better audit experience and training hours than the industry average.



Independent Auditors' Independence Report

Independence assessment items	Evaluation results	
	Yes	No
1. The current appointee or the survey participant engages in regular duties and receives a fixed salary or serves as a director.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. Has served as a director, manager, or staff with significant influence on the certification case of the client or the subject, and the resignation has been less than two years.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. Is a spouse, lineal relative, lineal relative by affinity, or collateral blood within the second degree of kinship with the principal or person-in-charge of the person being audited or manager.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4. The investor, spouse, or minor child of the principal has invested in or shared financial benefits with the principal or subject.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. The principal, himself/herself, spouse, or minor children have borrowed funds from the principal or the survey participant. Except where the principal is a financial institution with regular transactions.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
6. The management consulting or other non-certified services may affect the independence.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7. Does not meet the requirements of the competent authority on the rotation of CPAs, the handling of accounting affairs on behalf of others, or other regulations that may affect the independence.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Independence		

VI. Information on the Replacement of CPAs:

As resolved by the Board of Directors on December 23, 2022, in response to the need for internal adjustment of Deloitte Taiwan, our CPAs, Lin Wang-Sheng and Li Kuan-hao were replaced by Shih Jun-Hung and Lin Wang-Sheng from the fourth quarter of 2022.

VII. Any of the Company's Chairman, President, or any managerial officer in charge of finance or accounting affairs being employed by the accounting firm or any of its affiliated companies in the most recent year: None.

VIII. Transfer of shares and changes in pledges of equity interests by directors, supervisors, managers, and shareholders with more than a 10% ownership interest in the most recent year up until the publication date of this annual report

(I) Changes in shareholdings

The book closure date for the shareholders' meeting was April 21, 2023.

Job title	Name	2022		As of April 21 of the current year	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged	Increase (decrease) in the number of shares held	Increase (decrease) in the number of shares pledged
Chairman	Chang Tzu-Hsiung	0	0	0	0
Director and President	Hu Sheng-Ching	0	0	0	0
Director	Chang Ping-Chun	0	0	0	0
Director	Hu Shao-Ju	0	0	0	0
Director	Liu Chun-Hsiang	(36,000)	0	0	0
Director	Chan Yi-Min	0	0	0	0
Independent Director	Chang Shyueh-Chih	0	0	0	0
Independent Director	Lin Jaan-Lieh	0	0	0	0
Independent Director	Lin Yuan-Li	0	0	0	0
Executive Vice President	Hsu Feng-Tsai (Note 1)	0	0	0	0
Assigned general manager	Chang Tzu-Chieh (Note 2)	0	0	0	0
Assigned Vice President	Lin Ming-Niao	0	0	0	0
Vice President	Lien Hung-Ming	(27,000)	0	(18,000)	0
Vice President	Fang Kai-Ping	(7,000)	0	0	0
Vice President	Jaw Jing-Shan	2,000	0	0	0
Assigned Vice President	Chen Ko-Chou	0	0	0	0
Assistant Vice President	Yu Ching-Fu	0	0	0	0

Assistant Manager	Chang Chiu-Twei	0	0	1,000	0
Assistant Manager	Wang Chih-Hsin	0	0	0	0
Chief Financial Officer	Kao Shih-Hsiang	0	0	0	0
Accounting Officer	Chang Chia-Chi	0	0	0	0
Assistant Vice President of Human Resources	Chang Chung-Yi	0	0	0	0
Executive Vice President	Chang Shao-Chien (Note 3)	0	0	0	0
Vice President	Pan Su-Chiu (Note 3)	0	0	0	0
Vice President	Li Ying-Te (Note 4)	0	0	0	0

Note 1: Retired on January 1, 2022.

Note 2: Dispatched on January 1, 2022.

Note 3: Dispatched on February 15, 2022.

Note 4: Newly appointed on April 1, 2022.

Note 5: The Company has no major shareholder with more than a 10% shareholding.

(II) Information on the counterparty of the transfer of equity as a related party:
None.

(III) Information on the counterparty of the equity pledge as a related party:
None.

IX. Information on the top ten shareholders who are related to each other or are related by consanguinity, such as spouses or second degree relatives

Information on the top ten shareholders and their relationships with each other

The book closure date for the shareholders' meeting was April 21, 2023.

Name	Personal shareholding		Shares held by spouse and minor children		Total shares held in other's name		For the top-10 shareholders who are related, spouse, or relatives within the second degree of kinship, the names and their relationships		Remarks
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
Hu Sheng-Ching	5,775,315	5.79%	2,102,378	2.11%	0	0.00%	Li Pao-Hsi Hu Shao-Chi Hu Shao-Ju Hu Shao-Jung	Spouse First-degree relative First-degree relative First-degree relative	None
Liu Chun-Hsiang	4,106,005	4.12%	0	0.00%	0	0.00%	None	None	None
Chang Tzu-Hsiung	4,001,173	4.02%	1,256,718	1.26%	0	0.00%	Chang Chia-Chi Chang Ping-Chun Chang Shao-Chien	First-degree relative First-degree relative First-degree relative	None
Chang Chia-Chi	2,649,008	2.66%	75,497	0.08%	0	0.00%	Chang Tzu-Hsiung Chang Ping-Chun Chang Shao-Chien	First-degree relative Second-degree relatives Second-degree relatives	None
Hu Shao-Chi	2,439,251	2.45%	0	0.00%	0	0.00%	Hu Sheng-Ching Li Pao-Hsi Hu Shao-Ju Hu Shao-Jung	First-degree relative First-degree relative Second-degree relatives Second-degree relatives	None
Hu Shao-Ju	2,439,251	2.45%	0	0.00%	0	0.00%	Hu Sheng-Ching Li Pao-Hsi Hu Shao-Chi	First-degree relative First-degree relative	None



							Hu Shao-Jung	Second-degree relatives Second-degree relatives	
Hu Shao- Jung	2,439,251	2.45%	0	0.00%	0	0.00%	Hu Sheng-Ching Li Pao-Hsi Hu Shao-Chi Hu Shao-Ju	First-degree relative First-degree relative Second-degree relatives Second-degree relatives	None
Li Pao-Hsi	2,102,378	2.11%	5,775,315	5.79%	0	0.00%	Hu Sheng-Ching Hu Shao-Chi Hu Shao-Ju Hu Shao-Jung	Spouse First-degree relative First-degree relative First-degree relative	None
Chang Shao- Chien	1,959,913	1.97%	307,500	0.31%	0	0.00%	Chang Tzu-Hsiung Chang Chia-Chi Chang Ping-Chun	First-degree relative Second-degree relatives Second-degree relatives	None
Chang Ping- Chun	1,936,163	1.94%	328,000	0.33%	0	0.00%	Chang Tzu-Hsiung Chang Chia-Chi Chang Shao-Chien	First-degree relative Second-degree relatives Second-degree relative	None

Note: Shareholding ratio is calculated based on the total outstanding shares of 99,654,707 shares as of April 21, 2023.

X. The number of shares held by the Company, its directors, supervisors, managers, and businesses directly or indirectly controlled by the Company in the same reinvestment business, and the comprehensive shareholding ratio is calculated together

As of March 31, 2023 Unit: thousand shares: NTD

Transfer of Investment (Note)	Investment by the Company		Investments by directors, supervisors, managers, and directly or indirectly controlled businesses		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
EVERVALUE INVESTMENTS LIMITED	15,220 (1 share = 1USD)	100%	0	0%	15,220 (1 share = 1USD)	100%
TELFORD INVESTMENTS LIMITED	1,034 (1 share = 1USD)	100%	0	0%	1,034 (1 share = 1USD)	100%
HuLane Electronic (Vietnam) Co., Ltd.	6,300 (1 share = 1USD)	100%	0	0%	6,300 (1 share = 1USD)	100%
PT. HULANE TECH MANUFACTURING	800 (1 share = 8,990 IDR)	32%	1,200 (1 share = 14,833 IDR)	48%	2,000 (1 share = 12,496 IDR)	80%
Hu Lane Electronics (Nanjing) Co., Ltd.	0	0%	8,500 (1 share = 1USD)	100%	8,500 (1 share = 1USD)	100%
FORTUNE MASTER DEVELOPMENT LIMITED	0	0%	9,400 (1 share = 1USD)	100%	9,400 (1 share = 1USD)	100%
Dongguan Hu Lane Puguang Trading Co., Ltd.	0	0%	1,400 (1 share = 1USD)	100%	1,400 (1 share = 1USD)	100%
Dongguan Hu Lane Electronic Technology Co., Ltd.	0	0%	8,000 (1 share = 1USD)	100%	8,000 (1 share = 1USD)	100%
Yangzhou Lear & Hu Lane Automotive Parts Trading Co., Ltd.	600 (1 share = 1USD)	40%	0	0%	600 (1 share = 1USD)	40%
EAGLE GOOD LIMITED	10,680	100%	0	0%	10,680 (1 share = 1USD)	100%
Shang Ho Industry Co., Ltd.	8,660	100%	0	0%	8,660	100%
Jiaxing Shangho Electronic Technology Co., Ltd.	0	0%	10,500 (1 share = 1USD)	100%	10,500 (1 share = 1USD)	100%

Note: Investments accounted for by the Company under the equity method.



Four. Fundraising status

I. Company capital and shares

(I) Source of share capital

1. Type of shares

Unit: share, NTD

Month, Year	Issue price (NT\$)	Authorized capital		Paid-in capital stock		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Assets other than cash used to offset share value	Other s
1977.07	10	50,000	500,000	50,000	500,000	Initial share capital	None	None
1981.06	10	500,000	5,000,000	500,000	5,000,000	Capital increase in cash: 4,500,000	None	None
1990.12	10	2,970,000	29,700,000	2,970,000	29,700,000	Capital increase in cash: 24,700,000	None	None
1995.09	10	5,010,000	50,100,000	5,010,000	50,100,000	Capital increase in cash: 16,200,000 Surplus: 4,200,000	None	None
1998.01	10	10,020,000	100,200,000	10,020,000	100,200,000	Additional paid-in capital: 37,000,000 Surplus: 13,100,000	None	None
2001.01	10	19,500,000	195,000,000	19,500,000	195,000,000	Capital increase in cash: 49,710,000 Surplus: 45,090,000	None	None
2001.07	10	40,000,000	400,000,000	25,350,000	253,500,000	Surplus: 58,500,000 Ching-Shang-Shang: 09001241720	None	None
2002.09	10	40,000,000	400,000,000	30,420,000	304,200,000	Surplus: 50,700,000 Ching-Shang-Shang: 09101360870	None	None
2003.08	10	40,000,000	400,000,000	38,025,000	380,250,000	Surplus: 76,050,000 Ching-Shang-Shang: 09232568600	None	None
2004.09	10	70,000,000	700,000,000	48,996,450	489,964,500	Consolidated capital increase: 109,714,500 Ching-Shang-Shang: 09332747340	None	None
2005.01	10	70,000,000	700,000,000	52,916,166	529,161,660	Surplus: 39,197,160 Ching-Shang-Shang: 9301251280.	None	None
2005.08	10	70,000,000	700,000,000	60,324,429	603,244,290	Surplus: 21,166,470 Additional paid-in capital: 52,916,160 Ching-Shang-Shang: 09401153930	None	None
2006.11	10	70,000,000	700,000,000	63,324,429	633,244,290	Capital increase in cash: 30,000,000 Jing-Shang-Shang: 09501274490	None	None
2007.09	10	70,000,000	700,000,000	66,462,415	664,624,150	Earnings: 31,379,860	None	None

Month, Year	Issue price (NT\$)	Authorized capital		Paid-in capital stock		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Assets other than cash used to offset share value	Other s
						Jing-Shang-Shang: 09601226770		
2008.09	10	100,000,000	1,000,000,000	70,175,512	701,755,120	Surplus: 37,130,970 Ching-Shang-Shang: 09701224080	None	None
2009.09	10	100,000,000	1,000,000,000	73,684,287	736,842,870	Surplus: 35,087,750 Ching-Shang-Shang: 09801210910	None	None
2010.08	10	100,000,000	1,000,000,000	82,074,287	820,742,870	Capital increase in cash: 83,900,000 Ching-Shang-Shang: 09901188070	None	None
2011.09	10	100,000,000	1,000,000,000	86,491,001	864,910,010	Surplus: 41,037,140 Conversion of stock warrants: 3,130,000 Ching-Shang-Shang: 10001216440	None	None
2012.04	10	100,000,000	1,000,000,000	86,502,201	865,022,010	Conversion of stock warrants: 112,000 Ching-Shang-Shang: 10101067680	None	None
2012.09	10	100,000,000	1,000,000,000	88,405,105	884,051,050	Surplus: 17,330,040 Conversion of stock warrants: 1,699,000 Ching-Shang-Shang: 10101194280	None	None
2013.05	10	100,000,000	1,000,000,000	88,585,805	885,858,050	Conversion of stock warrants: 1,807,000 Ching-Shang-Shang: 10201094570	None	None
2013.11	10	100,000,000	1,000,000,000	88,604,205	886,042,050	Conversion of stock warrants: 184,000 Ching-Shang-Shang: 10201233680	None	None
2014.01	10	100,000,000	1,000,000,000	97,106,805	971,068,050	Capital increase in cash: 85,000,000 Conversion of stock warrants: 26,000 Ching-Shang-Shang: 10301014750	None	None
2014.07	10	100,000,000	1,000,000,000	97,124,405	971,244,050	Conversion of stock warrants: 176,000 Ching-Shang-Shang: 10301133980	None	None
2014.11	10	100,000,000	1,000,000,000	97,142,605	971,426,050	Conversion of stock warrants: 182,000 Ching-Shang-Shang: 10301247160	None	None

Month, Year	Issue price (NT\$)	Authorized capital		Paid-in capital stock		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of share capital	Assets other than cash used to offset share value	Other s
2015.07	10	100,000,000	1,000,000,000	97,153,205	971,532,050	Conversion of stock warrants: 106,000 Ching-Shang-Shang: 10401131210	None	None
2016.08	10	100,000,000	1,000,000,000	97,158,005	971,158,005	Conversion of stock warrants: 48,000 Ching-Shang-Shang: 10501216780	None	None
2017.03	10	100,000,000	1,000,000,000	97,181,705	971,817,050	Conversion of stock warrants: 237,000 Ching-Shang-Shang: 10601028380	None	None
2018.04	10	100,000,000	1,000,000,000	97,222,305	972,223,050	Conversion of stock warrants: 406,000 Ching-Shang-Shang: 10701041410	None	None
2018.11	10	100,000,000	1,000,000,000	97,224,105	972,241,050	Conversion of stock warrants: 18,000 Ching-Shang-Shang: 10701150600	None	None
2019.07	10	120,000,000	1,200,000,000	97,224,105	972,241,050	Ching-Shang-Shang: 10801084720	None	None
2020.09	10	120,000,000	1,200,000,000	99,654,707	996,547,070	Ching-Shang-Shang: 10901170250	None	None

Type of shares	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Common stock	99,654,707 shares (Note)	20,345,293 shares	120,000,000 shares	Listed stocks

Note: The actual number of outstanding shares as of April 21, 2023 was 99,654,707 shares. The above-mentioned outstanding shares of common stocks are the number of shares subject to change and registration approved by the Ministry of Economic Affairs on September 10, 2020.

2. Information related to the general reporting system: Not applicable.

(II) Shareholder structure

Transfer closure date: April 21, 2023 Unit: Person

Shareholder structure Quantity	Government agency	Financial institution	Other corporate entities	Individual	Foreign institutions and foreigners	Total
Number of people	4	14	68	18,239	91	18,416
Number of shares held	577,000	1,186,837	9,438,098	81,875,777	6,576,995	99,654,707
Shareholding ratio	0.58%	1.19%	9.47%	82.16%	6.60%	100%

(III) Diversification of shareholdings

1. Ordinary share

The book closure date for the shareholders' meeting: April 21, 2023 at par value of NT\$10 per share Unit: per person

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	4,890	583,200	0.59%
1,000 to 5,000	11,867	20,552,044	20.62%
5,001 to 10,000	980	7,396,210	7.42%
10,001 to 15,000	228	2,812,227	2.82%
15,001 to 20,000	143	2,638,114	2.65%
20,001 to 30,000	105	2,704,102	2.71%
30,001 to 40,000	46	1,571,479	1.58%
40,001 to 50,000	21	990,710	0.99%
50,001 to 100,000	53	3,690,503	3.70%
100,001 to 200,000	34	4,921,637	4.94%
200,001 to 400,000	22	6,613,396	6.64%
400,001 to 600,000	5	2,274,509	2.28%
600,001 to 800,000	-	-	-
800,001 to 1,000,000	5	4,510,010	4.53%
Over 1,000,001	17	38,396,566	38.53%
Total	18,416	99,654,707	100.00%

2. Dispersion of special equity: None

(IV) List of major shareholders

Shareholders with more than 5% and top 10 shares

The book closure date for the shareholders' meeting was April 21, 2023.

Name of major shareholder	Shares of Shares	Number of shares held	Shareholding ratio
Hu Sheng-Ching		5,775,315	5.79%
Liu Chun-Hsiang		4,106,005	4.12%
Chang Tzu-Hsiung		4,001,173	4.02%
Chang Chia-Chi		2,649,008	2.66%
Hu Shao-Chi		2,439,251	2.45%
Hu Shao-Ju		2,439,251	2.45%
Hu Shao-Jung		2,439,251	2.45%
Li Pao-Hsi		2,102,378	2.11%
Chang Shao-Chien		1,959,913	1.97%
Chang Ping-Chun		1,936,163	1.94%

(V) Information about market price, net worth, earnings, dividends and related information per share for the past two years

Unit: NTD

Item \ Year		2021	2022	As of March 31, 2023
Price per share	Maximum	152.50	185.50	160.50
	Minimum	91.40	100.00	141.50
	Average	121.09	139.39	151.46
Net worth per share	Before distribution	50.02	55.72	58.13
	After distribution	50.02	(Note 5)	-
Earnings per share	Weighted average number of shares		99,654,707	99,654,707
	Earnings per share	Before adjustment	7.91	10.03
		After adjustment	7.91	(Note 4)
Dividends per share	Cash dividends		4	(Note 4)
	Bonus distribution	Distribution of earnings	-	(Note 4)
		Distribution of shares to capital surplus	1	(Note 4)
	Accumulated unpaid dividends		0	(Note 4)
Analysis of investment return	PE ratio (Note 1)		15.31	13.90
	Cost-benefit ratio (Note 2)		24.22	(Note 4)
	Cash dividend yield (Note 3)		4.13	(Note 4)

Note 1: PE ratio = average closing price per share for the current year/earnings per share.

Note 2: Cost-benefit ratio = Average closing price per share for the current year/cash dividends per share.

Note 3: Cash dividend yield = cash dividends per share/average closing price per share for the year.

Note 4: Dividends per share are listed based on the distribution resolved at the shareholders' meeting in the following year. Not listed because the shareholders' meeting in 2023 has not been convened.

(VI) The Company's dividend policy and implementation

1. Dividend policy

The Company will take the environment and growth stage into consideration, in response to capital needs, long-term financial planning, and shareholders' needs for cash inflow in the future. The company will distribute cash dividends and stock dividends in combination, of which cash dividends shall not be less than 10% of the total dividends.

According to the amendments to the Company Act in May 2015, the distribution of dividends and bonuses is limited to shareholders, and employees are not eligible for the earnings distribution. In compliance with the above regulations, the Company has resolved to amend the earnings appropriation policy in the Articles of Incorporation at the annual general meeting held on June 27, 2016, and stipulated the remuneration distribution policy for employees and directors and supervisors in the Articles of Incorporation.

Pursuant to Article 21 of the Company's newly amended Articles of Incorporation, if the Company has a net profit in the annual final settlement, the accumulated losses shall be covered first (including the adjustment of the undistributed earnings) and then 10% shall be appropriated as the legal reserve. When the amount of paid-in capital of the Company is reached, no further appropriation may be required. The remaining amount shall be appropriated or reversed according to the laws or regulations. If there is still a surplus, the accumulated undistributed surplus at the beginning of the period (including adjusting the amount of the undistributed surplus) will be added to the shareholders' meeting for resolution by the board of directors to propose a proposal for the distribution of surplus.

2. Dividend distribution proposed in the current shareholders' meeting

Earnings Appropriation Table for 2022

Unit: NTD

Item	Subtotal	Total
Undistributed earnings at the beginning of the period		1,546,836,206
Net income after tax	999,901,019	
Remeasurement of the defined benefit plan recognized in retained earnings	4,020,742	
The amount of the current after-tax net income plus the items other than the current after-tax net profit and included in the current year's undistributed earnings		1,003,921,761
Appropriation of legal reserve (Note 1)		(47,306,115)
Reversal of special reserve (Note 2)		62,589,234
Distributable earnings of the current period		2,566,041,086

Distribution item		
Shareholders' cash dividend (NT\$4.6/share) (Note 3) (Note 4)	(458,411,652)	(458,411,652)
Undistributed earnings at the end of the period		2,107,629,434

Note 1: Handled in accordance with Article 237 of the Company Act. After the Company has paid all taxes and distributed earnings, it shall first set aside 10% of the earnings as legal reserve. However, this restriction does not apply when the legal reserve has reached the amount of paid-in capital.

Note 2: The reversal of the special reserve shall be processed in accordance with Article 41 of the Securities and Exchange Act. In addition, according to the regulations of FSC No. 1090150022, when there is a reversal of the net amount of the deduction of other equity, the portion of the reversal can be reversed. Special reserves are allocated from earnings.

Note 3: The Company's cash dividends are distributed based on the total share count of 99,654,707 shares as of April 21, 2023.

Note 4: The cash dividends are distributed proportionally to the nearest NT\$. Amounts below NT\$1 are rounded off. The distribution of fractional amounts less than NT\$1 is recognized in the Company's other income.

3. In case of expected significant changes to the equity policies, please specify: None

(VII) Impacts of the stock dividends proposed in the current shareholders' meeting on the Company's business performance and earnings per share: Not applicable.

(VIII) Remuneration to employees, directors, and supervisors: (The Company does not have supervisor).

1. Employees' compensation and remuneration of directors as stated in the Articles of Incorporation

In response to the amendment to the Company Act in May 2015, the Company's Articles of Incorporation was amended in the 2020 annual general meeting of shareholders. According to the newly amended Article 20 of the Company's Articles of Incorporation: if the Company makes a profit for the year (the so-called profit before tax less the distribution of employees' and directors' remuneration), 1%~10% of the profit shall be appropriated. 10% thereof shall be the remuneration to the employees and no more than 1% thereof shall be the remuneration to the Directors. However, when the Company still has accumulated deficits (including the adjustment of undistributed earnings), the Company shall reserve the amount to compensate in advance, and then appropriate the aforementioned proportion as remuneration to employees and remuneration to directors.

The remuneration to employees referred to in the preceding paragraph may be paid in shares or cash, and the recipients of the remuneration may include employees of the affiliated company who

meet certain criteria. The eligibility criteria are determined by the board of directors.

The preceding two paragraphs shall be implemented by a resolution of the board of directors and reported to the shareholders' meeting.

2. Proposal of remuneration to employees and directors approved by the board of directors

The remuneration to employees and remuneration to directors in 2022 are estimated at 3.52% and 0.86% of the aforementioned profit respectively, and are distributed in cash by the resolution of the board of directors on March 24, 2022, pending the shareholders' meeting to be held on June 19, 2023.

The remuneration to employees and remuneration to directors in 2022 is proposed to be distributed as follows:

Unit: NTD

Item	2022
Remuneration to directors	9,891,295
Cash remuneration to employees	40,221,769
Employee stock-based compensation	0

3. Actual distribution of employees' and directors' remuneration in the previous year

(1) Actual distribution

The Company's distribution of earnings for the previous year (2021) with respect to the allotment of remuneration to employees and directors was approved by the board of directors on March 25, 2022 and approved by the General Shareholders' Meeting on June 17 of the same year. The actual allotment is as follows:

Unit: NTD

	Quantity actually distributed as resolved by the shareholders' meeting	the board of directors passed the proposed allotment	Discrepancies	Reason for discrepancy
Distribution status				
Cash remuneration to employees	38,206,446	38,206,446	-	-
Employee stock-based compensation	-	-	-	-
Remuneration to directors	7,798,196	7,798,196	-	-

(IX) Shares repurchased by the Company:

As of the date the Annual Report was printed, the Company had not repurchased any of its shares.

- II. Status of corporate bonds (including overseas corporate bonds):
None
- III. Disclosure of preferred shares: None
- IV. Overseas depository receipts: None
- V. Employee stock options: None
- VI. Status of new restricted employee shares: None
- VII. Issuance of new shares for mergers and acquisitions or for the transfer of shares of other companies: None
- VIII. Implementation of the capital utilization plan: None



Five. Operational overview

I. Business activities

(I) Scope of business

1. Main business activities of the Company

- A. Manufacture, processing, and trading of electronic parts (terminals), hardware and mechanical accessories.
- B. Manufacturing and trading of electronic components.
- C. Manufacturing and trading of terminal crimping dies.
- D. Manufacturing, processing, and trading of terminal crimping machines.
- E. Manufacture, processing, and trading of industrial rubber and plastic products.
- F. Automotive wiring harness.

2. Major products as a percentage of total sales

Unit: NTD thousands

Product name	Net sales in 2021	Proportion of business operation (%)	Net sales in 2022	Proportion of business operation (%)
Connector	4,656,452	94.09%	5,503,692	84.33%
New energy connector	292,410	5.91%	1,023,057	15.67%
Others	-	-	-	-
Total	4,948,862	100.00%	6,526,749	100.00%

3. The Company's current products and services

- A. Terminal products (new energy & fuel vehicles)
- B. Plastic product connector (new energy & fuel vehicle)
- C. Wiring harness products (new energy & fuel vehicles)
- D. Header connector (new energy & fuel vehicle)
- E. Fuse box products (new energy & fuel vehicles)
- F. Rubber products (new energy & fuel vehicles)
- G. High frequency/high voltage connector (new energy & fuel vehicle)
- H. Crimping die
- I. Product/mold design proposals and complete solutions
- J. Complete connector experimental project service

4. New products (services) planned to be developed

The Company's R&D team is committed to the research and development of lighter, miniaturized, and modular connectors, and uses the design and manufacturing capabilities of vertical integration. Distributed through designated vehicle manufacturers/Tier 1 system



manufacturers. The products and markets expected to be developed are as follows:

- A. Development and design of large circuit main wiring harness
- B. Development, design, and manufacturing of automotive electronic products for system manufacturers
- C. Development, design, assembly, and manufacturing of automotive module control boxes
- D. New energy vehicle connector, a complete series of high-voltage connector/PDU/charging gun/crane system (product development)
- E. Advanced vehicle assistance (ADAS) & automotive infotainment (IVI) connector system (product development)
- F. Vehicle-mounted Ethernet (product development).
- G. Complete series of miniaturized and modular automotive connectors (product development)
- H. R&D solutions for the introduction of recycled materials & renewable energy raw materials

(II) Industry overview

1. Current status and development of the industry

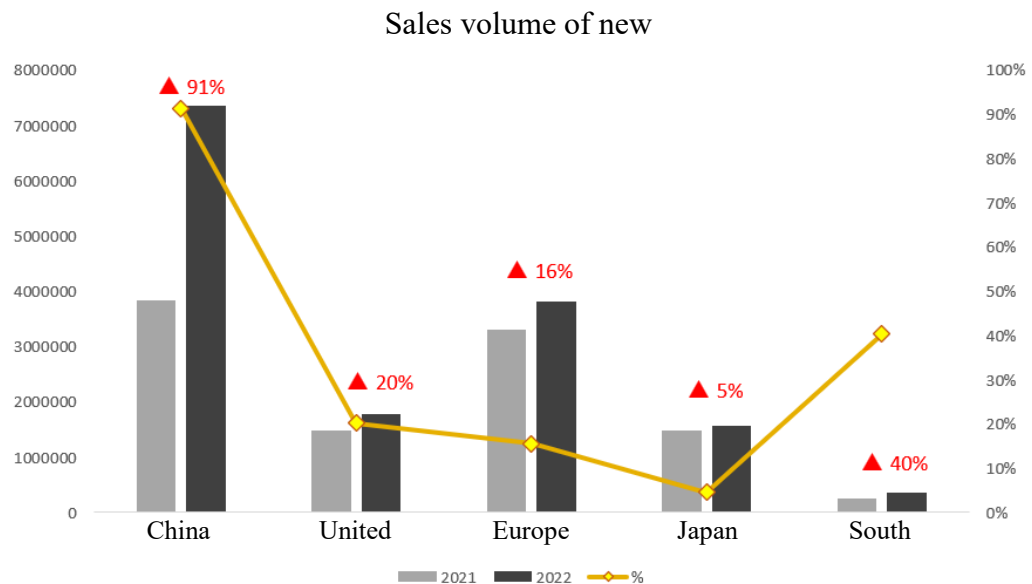
According to the World Economic Outlook Report published by the International Monetary Fund in January 2023, the global economic growth rate in 2022 is 3.4%. Compared to the previous year, economic activity continued to be impacted by central banks raising interest rates to combat inflation and the Russia-Ukraine War. The expansion of the epidemic in China will also affect the economic growth in 2022. According to the forecast, the global economic growth rate in 2023 will be revised up by 0.2% to 2.9%. The two countries with the highest growth rate were India (6.1%) and China (5.2%). The global inflation rate is also expected to drop from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024. However, it is still higher than the level before the pandemic.

In 2022, the automobile market will still be affected by factors such as global raw material shortage and inflation, which will indirectly affect the sales in the automobile market. However, at the end of 2022, China's COVID-19 epidemic was gradually being decontrolled. The supply chain is gradually recovering, and the shipping congestion problem in the past is gradually being resolved. However, energy and other issues were still affected by the Russia-Ukraine War. Directly affecting the global economy. In 2022, the global light vehicle sales volume will be approximately 80.63 million units, representing a slight decline of 1% compared to 2021 as a whole. Among them, the three major markets are China, the United

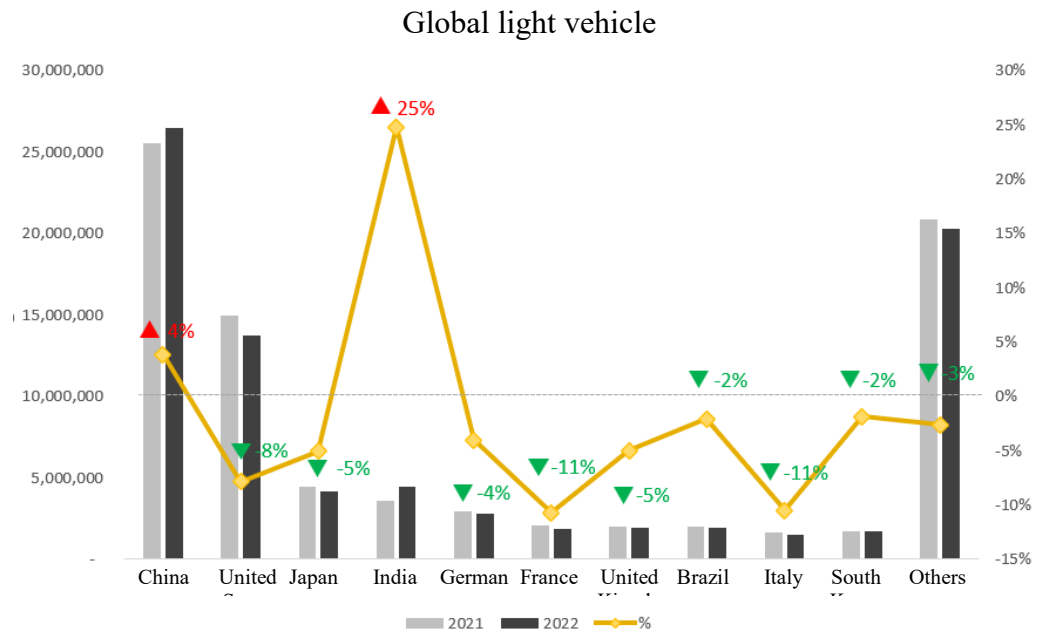


States, and Europe. However, it is worth noting that India's sales in 2022 have reached 4.4 million, surpassing Japan's 4.17 million. It is the only country other than China that has achieved growth in vehicle sales in 2022. In the future, it will also become a key country for the development of automobile and locomotive manufacturers.

Although the overall vehicle sales will not grow in 2022, due to the global trend, new energy vehicles continue to grow rapidly. Led by China, the sales number of new energy vehicles in 2022 reached 7.34 million, a year-on-year growth of 91%, and exceed 5 million for the first time. Other mature markets such as the US, Europe, Japan and South Korea all grew by 5-40%. With the improvement of infrastructure and the promotion of policy subsidies. New energy vehicles have become an irreversible focus of development. Relative energy efficiency is also one of the industrial development trends in various countries. It is estimated that the production and sales of new energy vehicles will continue to rise in the next 3-5 years.



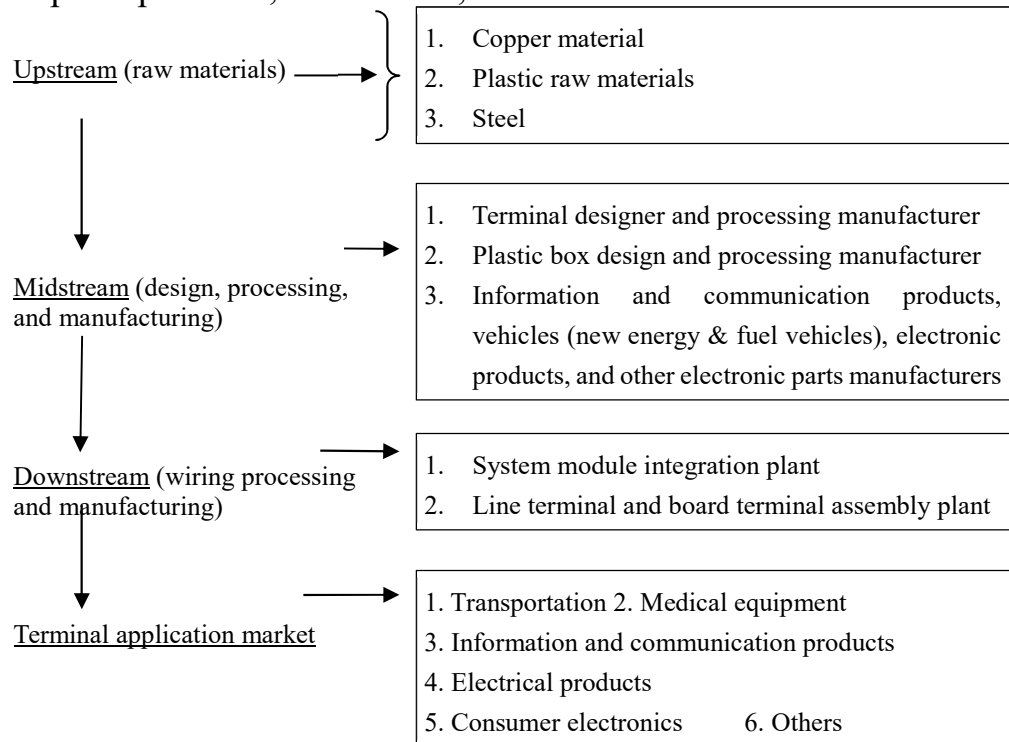
Source of data: Marklines Global Automotive Industry Platform (Unit: 10,000 units)



Source of data: Marklines Global Automotive Industry Platform (Unit: 10,000 units)

2. Correlation among the up-stream, mid-stream, and down-stream of the industry

Hu Lane is a professional connector manufacturer. The main upstream raw materials are copper and plastics, and the industries covered include copper and plastics. Terminal products are widely used in transportation, medical equipment, electronic communications, and consumer electronics industries.. The linkage map of up-stream, mid-stream, and down-stream is as follows:





3. Product development trends and competition

After entering the 21st century, the connector industry has changed from one in which each manufacturer competes with each other to the epidemic era after 2022. Large international companies such as the United States, Japan, China, and Taiwan are still among the top ten in the global connector industry. Including TE Connectivity, Amphenol, Molex, Luxshare Precision, Aptiv, Foxconn, Yazaki, JAE, JST, Hirose Electric, and occupy more than 60% of the global connector market. Its industries are further distributed in AI intelligent automation, green energy storage systems, communication data integration, industrial recycling ESG, military, aerospace, new energy transportation, medical care, etc.

In the automobile and motorcycle industry, under the development of the CASE trend of the new energy vehicle industry. It has been oriented towards electrification, automation, Internet, intelligence, and other automobile and scooter products, and has also driven the development of the connector industry, which are moving toward electrification, automation, internet, and smart motorcycle products. In addition to the traditional automotive connector manufacturers such as TE, Molex, Aptiv, and Yazaki, many professional manufacturers in different fields have also entered the automobile and scooter industry, such as Luxshare, Foxconn, and JONHON.

For nearly half a century, Hu Lane has been able to grow steadily in the automobile and motorcycle industries. In recent years, due to the attention paid to ESG sustainability issues, Hu Lane has also adhered to the concept of continuing to provide innovative technologies, solutions, and high-quality products and services to create opportunities to cooperate with world-class manufacturers.

(III) Technology and R&D overview

1. R&D expenses

R&D expenses in 2022: NT\$287,762 thousand.

2. R&D results in 2022

In 2022, we have developed a total of 115.5 sets of terminal molds, a total of 263.5 sets of plastic molds, and a total of 44 sets of rubber molds, including the development of various common connectors for traditional automobiles, as well as the development of safety connectors for automobiles and other industrial products, such as:

Increase the production capacity of high-precision composite spot welding terminals.

A. Airbags, electronic throttle valves, crankshaft sensors, ABS, and other related high-safety connectors.



- B. Development and assembly of board connector and fuse box products.
- C. Medical instrument terminals and wire assemblies.
- D. Energy-saving and carbon-reducing products: solar terminals, EV (automobile) battery swapping connectors, and EV (locomotive) direct charging system connectors.
- E. Development of PCB Junction Box.
- F. Strengthening and development of high-voltage and high-current products.
- G. Research and development of high-speed and high-frequency connectors.
- H. Development of in-vehicle Ethernet products.
- I. 050 series miniaturized connector .

3. Hu Lane Patent Overview 2022

In the past year, Hu Lane's R&D team has continued to actively develop innovative and improved product-related technologies. In 2022, a total of 4 patents have been applied for, and a total of 204 domestic and foreign patent certificates have been obtained so far .

4. Research and development personnel and their academic experience

Educational background \ Year	2021	2022	As of the end of March 2023
Doctoral degree	0	1	1
Master's Degree	7	5	9
Junior College	227	271	276
Vocational high school (inclusive)	111	115	131
Total	345	392	417

5. Recent R&D spending

Year	2021	2022
R&D expenses	212,423	287,762
Operating revenue	4,948,862	6,526,749
Percentage to operating revenue of the current year (%)	4.29	4.41

Successfully developed a technology or product

The Company has recently completed the development of various terminal modules, plastic modules, and rubber modules, including the development of various connectors commonly used in traditional automobiles and motorcycles, and is also actively developing automobile-related safety connectors and other industrial product technologies as follows:

- A. Increase the production capacity of high-precision composite spot welding terminals.
- B. Airbags, electronic throttle valves, crankshaft sensors, ABS, and other related high-safety connectors.



- C. Development and assembly of board connector and fuse box products.
 - D. Medical instrument terminals and wire assemblies.
 - E. Energy-saving and carbon-reducing products: solar terminals, EV (automobile) battery swapping connectors, and EV (locomotive) direct charging system connectors.
 - F. Development of PCB Junction Box.
 - G. Strengthening and development of high-voltage and high-current products, high-speed and high-frequency connectors, and automotive Ethernet products.
 - H. Research and development of processes for the recycling of low-carbon materials.
- (IV) Long-term and short-term business development plans
- Long-term plans:
- (1) Focusing on the automobile and scooter market, strengthening localization and close cooperation with OEMs. Establish long-term cooperative relationships with OEM/Tier-1 systems in each region.
 - (2) Independently design and develop new energy vehicle connectors, PCB fuse boxes, miniaturized hybrid connectors, charging gun/seat systems, and automotive high-frequency connectors to increase the variety of applications for products and obtain recognition from vehicle manufacturers.
- Short-term plans:
- (1) Establish a product intellectual property patent team with a complete data database.
 - (2) With OEMs as the main development goal, a more complete global organization team will be established.
 - (3) Strengthen the market share of the automobile industry in China and expand to other European and American regions.
 - (4) Actively develop the motorcycle market in Indonesia, Vietnam, and India.
 - (5) Plan capacity allocation and logistics in a comprehensive manner to meet the needs of short-chained markets in various regions.



II. Overview of the market and production and sales

(I) Market analysis

1. Locations where products (services) are mainly sold (provided)

Major sales regions: Taiwan, China, Europe, Americas, Southeast Asia

Unit: NTD thousands

by geographical area		Year		2021		2022	
				Net sales	%	Net sales	%
Domestic sales (Taiwan)				505,384	10.21	479,582	7.35
Export	Asia			3,789,686	76.58	5,472,198	83.84
	Europe			103,385	2.09	117,268	1.80
	Americas			543,326	10.98	444,971	6.82
	Others			7,081	0.14	12,730	0.19
	Subtotal			4,443,478	89.79	6,047,167	92.65
Total				4,948,862	100.00	6,526,749	100.00

2. Market shares

Since its establishment nearly half a century ago, the Company has successively introduced new technologies and new machines, and continued to improve its product/mold design and development capabilities. After years of accumulated technical experience and long-term market development, the Company has occupied a place in the automobile and scooter connector industry. In addition to consolidating the market in Taiwan and China, we are also actively exploring markets in Europe, America, and Southeast Asia. According to the report, the Company is ranked as one of the top 100 connector manufacturers in the world. In addition to the low-voltage connectors developed and produced over the years, the Company has also developed high-frequency products such as FAKRA/HSD/Ethernet, new energy high-voltage connectors, and header boards connectors, fuse boxes, and other high value-added products, and the development of vertical integration of wire harness design and assembly technical capabilities. The Company has been cultivating the markets in Taiwan, China, and Southeast Asia for many years, and has cooperated with automobile manufacturers and Tier 1 major manufacturers for many years. In particular, the Company's market share in Taiwan and Mainland China is increasing year by year. However, it is currently estimated that the market still accounts for less than 3% of the global sales of automobile and motorcycle connectors. The Company expects to achieve explosive growth in the next 3-5 years by leveraging its relationship with



regional automakers and Tier 1 cooperation, as well as cooperation with U.S.-based manufacturers.

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

In 2022, with the lifting of the lockdowns in the post-pandemic era, the economies of various countries began to recover. However, the Russia-Ukraine war and the impact of inflation have caused an effect. It will also bring new challenges to global economic activities and the automobile market. The changes and development trends of the global automotive industry in the future are worthy of attention:

A. Sales growth of new energy vehicles

In response to ESG issues, governments around the world have also introduced various policies to promote new energy vehicles. The total number of new energy vehicles in 2023 exceeded 14 million. Among them, China has adopted a mechanism to subsidize new energy vehicles heavily due to the pressure of committing to carbon reduction targets, and it accounts for half of the world's new energy vehicles. However, the serious shortage of chips and the rising prices of oil and batteries caused by the Russia-Ukraine war have also brought some instability to the new energy vehicle market.

B. Long-term partnerships between automakers and chip companies

After the outbreak of the pandemic, the shortage of semiconductor chips posed a challenge to the overall automobile and motorcycle industry. As a result, the response of the entire supply chain has also changed relatively. Major car manufacturers are also shifting from a global focus to a regional focus in their co-management strategies. From the Sino-US trade war in 2018 to the present, supply chain regionalization has gradually become clear. The Company has also initiated five-year strategic plans for different markets in response to rising risks in the economic region.

C. Automobile and motorcycle industry alliance

In response to the 2050 net-zero carbon emissions policy of the Paris Agreement, governments and major automobile manufacturers in various countries have set targets to restrict the sales and manufacturing of gasoline-powered vehicles. It has also inspired various automakers to propose different strategies for the development of electric vehicles. At present, the main battery manufacturers are still controlled by manufacturers in China, Japan, and South Korea. Various car manufacturers have signed cooperation memorandums with world-renowned battery manufacturers and plan to set up factories in various local areas. In addition to increasing production, it can also boost the local economy and reduce logistics times.

Hu Lane has been deeply involved in the Asian market for many years, and maintains a good technical cooperation relationship with independent brands in Mainland China. In the future, it will move towards joint development of technology development. Hu Lane has become a member of the MIH EV open platform's supply chain. It has also become a Tier 1 supplier of electric scooter manufacturers, and can directly collaborate with the car manufacturers for collaborative design and development, and provide complete technical solutions for car manufacturers. For the global market layout, Hu Lane is oriented towards exploring global markets to balance the balance between the weakening and the growth of each market. Therefore, a joint venture company has been established in Yangzhou with the world-renowned auto parts manufacturer Lear Cooperation. Actively expand into the European and American markets. Hu Lane has been aware of the needs of market trends and development, and has invested in the development of high and low voltage electric vehicle connectors, electric vehicle charging gun/seat modules, and related smart vehicle RF high-frequency connector system application fields, and is actively strengthening the development of high-end automotive connection device products. Furthermore, we can fully comply with ESG requirements and move toward the goal of sustainable development.

4. Competitive niche

A. Marketing

Hu Lane uses its Taiwan Headquarters as its global marketing business operations center and is actively expanding its global market. In 2022, the new Taipei Headquarters plant was commissioned, and acquired 100% of the equity of Taipei Shangho and Jiaying Shangho. Currently, the Company has 3 plants in Nanjing, Dongguan, and Jiaying and 14 sales service locations in China to serve OEM customers locally and strengthen its sales networks in various regions of China. In order to actively internationalize, in addition to strengthening the original overseas operations, we have successively established the Indonesian subsidiary of PT. Hulane Tech Manufacturing, the Vietnam subsidiary of Hulane Electronics, and the Italian subsidiary of Hulane, etc, to actively move towards overseas localized services. The system enables global customers to have zero-day, fast, and accurate electronic system service. In 2021, the Company and Lear Corporation, a major auto parts manufacturer, established Yangzhou Lear & Hu Lane Auto Parts Trading Co., Ltd., in

Yangzhou. Through Lear's partnership with global automakers, we are actively working on new projects with automakers in China, Europe, and the United States. To deepen the adhesion between Hu Lane and the automaker. Establish a more complete supply chain relationship. Under the basis of improving and continuing to promote Corporate Governance 3.0 and continuing to optimize product quality, we will actively develop global channels, and have won the recognition of international manufacturers to meet customer needs and continue to develop new customer sources. In addition to expanding and strengthening the existing sales team, the company is also providing related technical services to customers in the form of ad hoc teams, and serves customers downstream. The product quality is well recognized by customers, which enables the Company's long-term stable growth of performance. In addition to IATF 16949 and ISO14001:2015, the Taipei Factory has also obtained various certifications for ISO14064-1 – Greenhouse Gas Inventory. In order to cooperate with the European car manufacturers, the company also began to strengthen the quality management required by VDA6.3 of the German Association of the Automobile Manufacturers to improve product competitiveness. It proves that Hu Lane's efforts in product quality and management have reached the international level, and it is an important partner that customers can rely on.

B. Technology R&D

Independent design and development and Tier 1 technical cooperation with OEMs and system manufacturers. Actively develop high voltage and high frequency connectors for new energy vehicles to meet the demands for interconnection, automation, intelligence, and electrification of the CASE trend in the automobile market. In terms of terminal stamping and plastic injection molding technology, Hu Lane is actively developing in the direction of high-speed punching, high precision, short cycle, high production efficiency, and high material utilization efficiency. Develop lighter, smaller, and more modular serialized connectors. Rubber Technology develops liquid injection molds and production processes to meet the massive demand for rubber. For assembly technology, we are also actively developing semi-automatic and fully-automatic assembly machines, and strengthening the automated biotechnology development department. In response to the future smart car connector products, we established PCB electrical box production line processes to meet the application needs of PCB fuse box products. In addition, we have developed the technical capabilities of wiring harnesses,

which can provide customers with technical integration solutions for vehicle wiring harnesses and realize the ability to integrate the upper and lower supply chains. In terms of mold technology, a 24-hour automatic discharge machining center has also been established to provide more precise mold processing technology and develop in the direction of Industry 4.0. We have established a complete national laboratory for product validation and have passed ISO/IEC 17025 certification to meet the needs of product validation. It has also been certified by major international manufacturers and third parties. Product verification capabilities can reach international standards, which can be used as the backing for R&D technology. Product patents are more active in building an intellectual property patent database.

C. Production process

Hu Lane has introduced high-speed punching machines and all-electric injection molding machines to meet the production needs of terminals and plastic boxes. With the vertically integrated stamping and plating production method, we have developed various quality control equipment such as "CCD online automatic image inspection" and a "CCD anti-stamping system" to reduce the production and flow of defective products. Modular automatic assembly machines have also been developed for the assembly process to reduce mold changeovers and improve efficiency. The injection machines are equipped with mechanical arm gripping technology to increase production efficiency. The Dongguan and Vietnam factories have also developed wire harness production technology to achieve the ability to vertically integrate the upper and lower supply chains. In terms of production management, we have developed the "Manufacturing Execution System (MES)" to realize real-time, digital, transparent, and accurate information transmission in smart dispatch production, which can reduce non-value-added production activities and implement a production management model that reduces paper and energy consumption in smart factories. Warehouse management has also established an automatic warehouse system. It can effectively manage FIFO and account reconciliation, and with the SAP system, it can effectively and quickly execute inventory inquiries, production, and shipping operations. In order to pursue the direction of Industry 4.0 smart production. The Group's Operations Research Center established by Hu Lane can allocate the Group's production capacity to meet the needs of customers in all regions of the world and reduce the risk of supply chain interruption. In order to meet the ESG sustainable management concept in the future, Hu Lane Group has



also begun to implement the ISO 14064 greenhouse gas inventory, and has introduced and implemented the inventory, management, and reduction of greenhouse gases in a good manner, and established a mechanism to regularly publish the carbon reduction performance.

5. Favorable and unfavorable factors for development prospects and countermeasures

Strength(S)	Weakness(W)
<ol style="list-style-type: none"> 1. Extensive customer base and good service are Hu-Lane's greatest resources 2. The organization is gradually diversified and new management ideas are injected into it. Appropriate adjustment of working hours under the condition of information security enhances employees' sense of security and trust in the company, which helps attract, motivate, and retain talents. 3. Complete and diversified product lines 	<ol style="list-style-type: none"> 1. Lack of high-level product specialists 2. Insufficient high-end product technology core capabilities, product realization process, and production bottlenecks 3. The number of days for accounts receivable is too long and the operating cycle is high 4. Low current ratio and quick ratio
Opportunity(O)	Threat(T)
<ol style="list-style-type: none"> 1. The confrontation between China and the United States has increased foreign investment in Vietnam. (Vietnam has demographic dividends) 2. With the rapid development of the new energy industry in the automotive industry, the market size of ADAS and EV continues to grow, driving the demand for high frequency/high speed/high voltage products and increasing demand for automotive parts and components, which could increase Hu Lane's market share. 3. Through mergers and acquisitions or joint ventures, the company can improve its technology and experience, open up the international market, and expand product sales. 4. In recent years, virtual reality (AR)/VR/AI technologies have flourished. The technology is being used to assist colleagues in "experiential learning" education and training to realize the digital transformation of talents. (digitization of work and process) 	<ol style="list-style-type: none"> 1. Rising geopolitical risks, tensions between the U.S. and China, changes in the cross-strait situation turning negative, and increased restrictions on Taiwan's export trade. 2. The rapid development of automotive electronics has attracted more and more competitors to enter the automotive field. 3. The enforcement of safety and environmental protection laws and regulations in various countries has increased, which has increased the cost of expenditure and management difficulty for enterprises. The crisis of electricity shortages. 4. To enter the European and American markets, it is necessary to pay more attention to related measures and mechanisms for information security and data management.
<p>Hu Lane's response:</p> <p>W: 1. Establish high-level new product professional teams and incentive mechanisms, and improve the middle and high-level succession talent pool (26).</p> <p>2. Improve the verification capabilities of high-frequency, high-voltage, and PCB products, and establish a complete mechanism for planning/promoting new products.</p>	



T:	3. Construction of smart factory, continuous introduction/optimization of automated equipment, extension/optimization of MES systems.
	4. Raise long-term capital to repay short-term borrowing.
	1. Enhance regionalization and localization of production capacity.
	2. Strengthen the ability of wire harness development and design, integrate the capabilities of each factory, build a team, improve the development and promotion of high value-added products, and become a Tier 1 supplier
	3. Completed the inventory of 14064-1 greenhouse gases and 14067 product carbon footprint of raw materials of each group company, and have been verified by a third party, and introduced sustainability-related industries for cross-industry development and expansion
	4. Establish a supervision mechanism for subsidiaries in Europe.

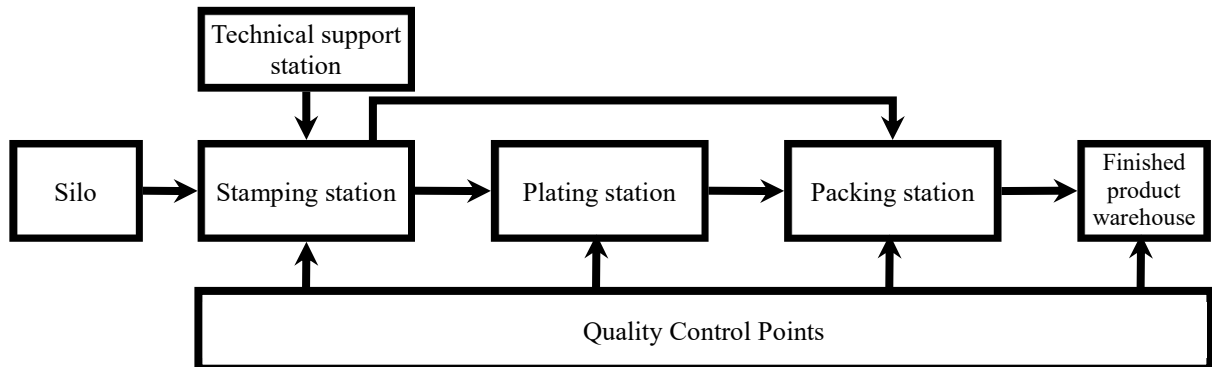
(II) Major uses and production processes of main products

1. Important uses of the main products

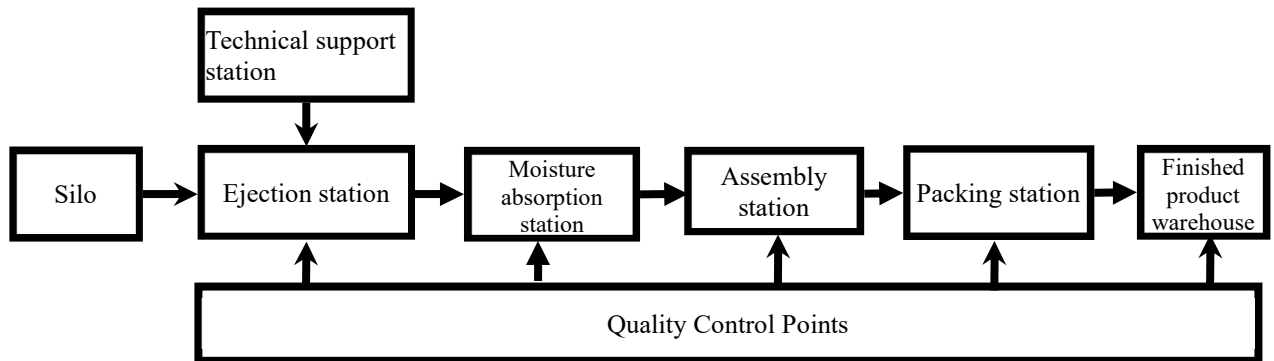
Product	Main purpose	Weight of business
Connector	<p>Vehicle wheel terminals: The connecting terminals of DC power supplies that are supplied to countries around the world, such as the connecting terminals for automobiles, motorcycles, spark plugs, and instruments.</p> <p>Power plug terminals: AC power plugs and socket terminals supplied to electrical products, such as computers and household electrical appliances.</p> <p>Electronic communication terminals: For electronic communication products, such as telephone communication terminals, wiring terminals, etc.</p> <p>Plastic parts: They are the main part of the connector together with the terminal.</p> <p>Others: Electric wires, waterproof plugs, presses, and copper materials.</p>	100%

2. Production process of main products

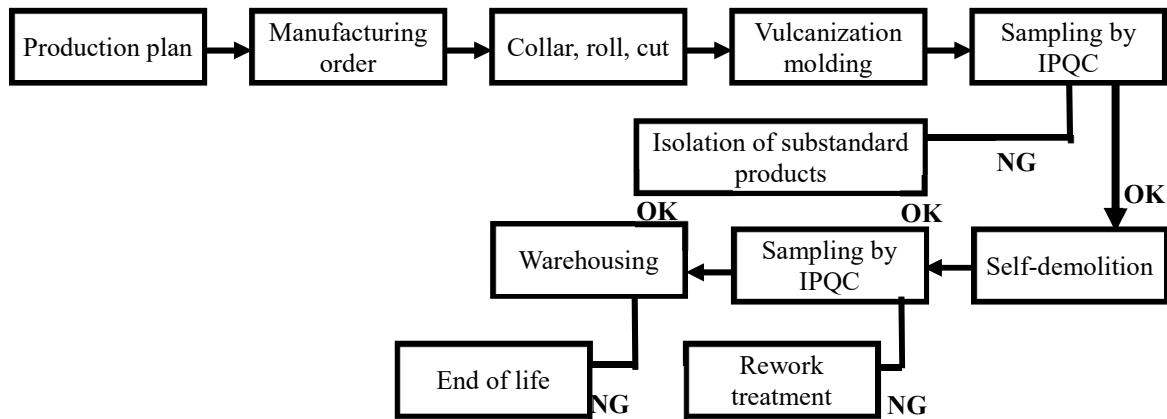
[Stamping products]



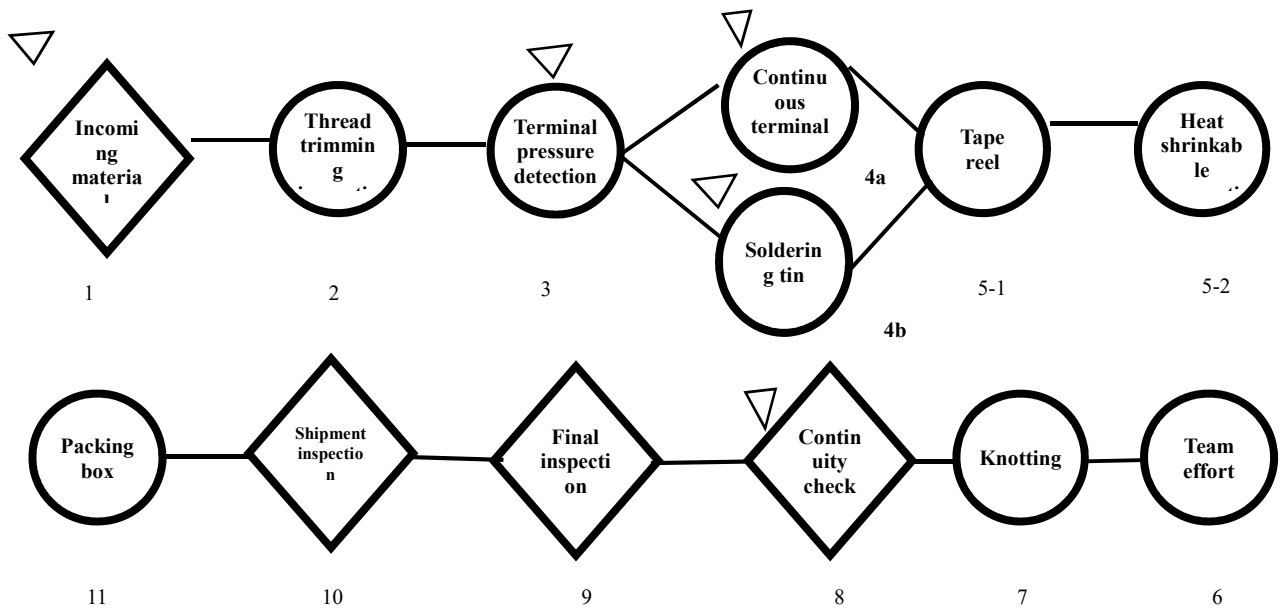
[Injection products]



[Rubber products]



[Wire harness products]





(III) Supply of main raw materials

The main raw materials required for the Company's production are copper and plastic granules. They are all bulk raw materials and are greatly affected by international market conditions and related events. For the supply of raw materials, the Company has long-term cooperation with domestic and foreign suppliers. We also adopt contract procurement, centralized price negotiation, and hedging of options to avoid risks, to effectively manage the cost of raw materials, and to ensure a stable supply of raw materials.

Main raw materials	Source of major suppliers	Supply (2022)
Copper material	Taiwan, Japan, South Korea, and China	Stable quality and supply, long-term cooperation, supply in good condition
Plastic raw materials	Taiwan, Japan, South Korea, Europe, America, and China	Stable quality and supply, long-term cooperation, supply in good condition

(IV) List of major customers with total purchases and sales in the past two years

1. Names of the top ten sales customers in the past two years, and the sales amount and proportion

Unit: NTD thousands

	2021				2022				2023 Q1			
Item	Name	Amount	Percentage to net sales of the whole year (%)	Relationship with the issuer	Name	Amount	Percentage to net sales of the whole year (%)	Relationship with the issuer	Name	Amount	Percentage to net sales of the previous quarter (%)	Relationship with the issuer
1	D	454,186	9.18	None	S	537,200	8.23	None	S	144,503	8.97	None
2	S	408,266	8.25	None	Q	413,134	6.33	None	Q	110,189	6.84	None
3	E	208,564	4.21	None	D	351,402	5.38	None	E	78,873	4.90	None
4	Q	185,774	3.75	None	W	296,958	4.55	None	I	58,504	3.63	None
5	G	119,407	2.41	None	I	293,155	4.49	None	W	52,466	3.26	None
6	N	98,804	2.00	None	E	277,393	4.25	None	G	52,111	3.24	None
7	H	93,420	1.89	None	G	228,819	3.51	None	U	31,152	1.93	None
8	T	81,706	1.65	None	U	124,991	1.92	None	D	30,755	1.91	None
9	L	73,744	1.49	None	N	118,749	1.82	None	K	27,258	1.69	None
10	C	63,279	1.28	None	L	88,399	1.35	None	X	22,606	1.40	None
	Others	3,161,712	63.89		Others	3,796,549	58.17		Others	1,002,396	62.23	
	Net sales	4,948,862	100.00		Net sales	6,526,749	100.00		Net sales	1,610,813	100.00	

2. Names of the Top 10 suppliers and their purchase amount and percentage in the last two years:

Unit: NTD thousands

	2021				2022				2023 Q1			
Item	Name	Amount	Percentage of net imports for the year (%)	Relationship with the issuer	Name	Amount	Percentage of net imports for the year (%)	Relationship with the issuer	Name	Amount	Percentage to net purchases for the year ended the previous quarter (%)	Relationship with the issuer
1	O	199,888	7.32	None	N	246,064	6.76	None	A	47,330	6.61	None
2	N	195,341	7.15	None	O	226,249	6.22	None	N	41,161	5.75	None
3	A	178,146	6.52	None	X	222,643	6.12	None	B	32,244	4.50	None
4	V	126,145	4.62	None	A	214,576	5.90	None	O	31,074	4.34	None
5	W	89,847	3.29	None	B	160,900	4.42	None	S	30,107	4.20	None
6	E	88,183	3.23	None	W	134,596	3.70	None	W	26,360	3.68	None
7	C	81,793	2.99	None	E	95,808	2.63	None	X	23,249	3.25	None
8	M	82,008	3.00	None	V	91,932	2.53	None	Y	17,883	2.50	None
9	S	78,609	2.88	None	S	90,749	2.49	None	E	16,959	2.37	None
10	T	78,352	2.87	None	M	78,491	2.16	None	T	16,912	2.36	None
	Others	1,457,351	56.13		Others	2,075,314	57.07		Others	433,065	60.44	
	Net purchases	2,731,154	100.00		Net purchases	3,637,322	100.00		Net purchases	716,344	100.00	

(V) Production value in the most recent two years

Unit: Thousand pcs/NTD thousand

Annual Production value Major commodities	2021			2022		
	Production capacity	Output	Production value	Production capacity	Output	Production value
Connector	6,981,819	5,991,865	3,888,566	7,359,289	5,538,131	4,470,309
New energy connector	319,924	269,056	244,189	833,250	734,926	830,966
Total	7,301,743	6,260,921	4,132,755	8,192,539	6,273,057	5,301,275

(VI) Sales volume in the past two years

Unit: Thousand pcs/NTD thousand

Annual sales volume Major commodities	2021				2022			
	Domestic sales (Taiwan)		Export		Domestic sales (Taiwan)		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Connector	649,372	505,384	4,261,468	4,151,068	507,829	479,582	4,446,206	5,024,110
New energy connector			220,514	292,410			657,415	1,023,057
Total	649,372	505,384	4,481,982	4,443,478	507,829	479,582	5,103,621	6,047,167

(VII) Industry-specific key performance indicators

In terms of safety, the auto parts industry is highly dependent on high precision and experienced technical manpower. In order to sustainably operate in this industry, the Company focuses on continuous value creation for shareholders, targeting a pre-tax ROE of 25%, as well as customized new product development to meet customer needs as the Company's key performance indicators.

KPIs	Target value	Actual performance	Remarks
ROE before tax	25%	23.78%	Statistical period: January 1, 2022 to December 31, 2022
New product development achievement rate	100%	126%	Statistical period: January 1, 2022 to December 31, 2022



III. Employee information in the most recent two years and up to the publication date of this annual report

Unit: Person

Year		2021	2022	2023 Q1
Number of employees	R&D department	345	386	417
	Business department	131	147	169
	Management department	173	173	221
	Manufacturing sector	1252	1381	1296
	Total	1,901	2087	2103
Average age		33.3	34.52	35.14
Average years of service		5.8	5.36	6.14
Education background ratio	Doctoral degree	0.0%	0.05%	0.04%
	Master's Degree	1.8%	1.72%	2.38%
	Junior College	35.3%	38.28%	38.61%
	Senior high (vocational)	36.1%	36.23%	25.44%
	Below senior high school (vocational) level	26.8%	23.72%	33.53%

IV. Information on environmental protection expenditures

- (I) Losses due to environmental pollution in the most recent year and up to the publication date of this annual report (including environmental protection audit results of violations of environmental protection laws and regulations, the date of penalty, penalty number, provisions of violation of laws and regulations, content of violation of laws and regulations, and content of penalties should be listed): The Company has no violation of laws and regulations and content of penalties.
- (II) Estimate the amount of money that may occur in the future and responsive measures. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be stated

1. In accordance with the provisions of the law, those who should apply for a pollution facility installation permit or a pollution discharge permit, or those who should pay pollution prevention and control fees, or those who should establish a special unit for environmental protection, the application, payment, or establishment of the situation is described as follows:

In accordance with the law, the company applied for permits to discharge water, a waste cleanup plan, and a toxic chemical registration document, and established a Grade A occupational safety manager, a Grade A waste specialist, two Grade B waste specialists, and two Grade B toxic chemical specialists, and paid pollution prevention fees totaling \$272,005 from January 2022 to March 2023.



2. The Company's investment in major equipment for environmental pollution prevention and control, as well as the intended use and possible benefits:

Equipment name	Quantity	Date of acquisition	Investment cost	Undiscounted balance	Intended use and expected benefits
Sludge sewage plant and peripheral equipment	1	1990/11/09	1,260,000	0	Reduction of hazardous sludge production
Electric control box of wastewater equipment	1	2006/07/27	690,000	0	Upgrading of wastewater equipment
Sludge dewatering machine and peripheral equipment	1	2021/04/17	856,760	666,368	Reduction of hazardous sludge production

1. Additional pollution prevention equipment at each plant

Currently, the Company continues to add environmental protection equipment and improve related old systems at a cost of about 90,000.

In 2022, a budget of NT\$20 million was allocated for the construction of new wastewater treatment equipment, process wastewater recovery systems, and sludge drying systems. The design and planning can recycle 20% of the water consumption in the electroplating process and reduce the sludge moisture content by 25%, which can effectively save water consumption and the Quantity of hazardous commercial waste produced.

2. The Company has always attached great importance to environmental protection issues, and spared no effort to prevent environmental protection issues from occurring, whether it is strengthening employees' awareness of environmental protection or organizing on-the-job education and training for employees.
3. For the government's tightened control over various pollution discharge standards, the Company has prepared well for management and is technically capable of overcoming the tightened control issue.
4. Expenses paid for pollution prevention: The chemical costs required to operate the wastewater treatment equipment is about 140,000 per month.
5. Information on "RoHS" and "REACH" environmental regulations:
 - A. In recent years, the international awareness of environmental protection has risen. In order to reduce the impact of advanced technology on the environment, the "RoHS" and "REACH" environmental protection regulations formulated by the



European Union and the European Chemicals Agency are the environmental protection regulations that companies around the world must follow when promoting green products.

B. The "RoHS" and "REACH" regulations stipulate that the concentration of hazardous substances in the products listed in this regulation shall not exceed the prescribed limits because they can cause serious pollution to the environment and cause cancer to human beings.

C. In order to promote environmental protection and comply with international environmental regulations and customer requirements, the Company budgeted NT\$1,003,800 in 2022 to entrust various raw materials to a third-party certification organization for testing to verify its raw materials are in Compliance with international environmental standards such as RoHS and REACH.

6. New green energy equipment and energy-saving systems

In 2022, the plan was to build a factory-wide smart production monitoring system (Taipei Factory) to optimize power consumption during production through software monitoring. It is expected that when the equipment is completed in late 2023, it will be able to reduce carbon emissions per unit of product by 5%.

In 2023, the Company plans to construct a solar power generation system (Taipei Factory) with an estimated investment of NT\$30,000,000 to build solar modules with a power generation capacity of 400-450Kw and an estimated total annual power generation of 450,000 KWH.

Taipei Factory completed the ISO 14064-1 greenhouse gas inventory and third-party verification in 2022. It is planned to complete the group's greenhouse gas inventory and third-party verification in 2023.

The Taipei Factory will be implementing the ISO 50001 energy management system in 2023, and the external certification is expected to be completed in the third quarter.

Short-term goals	Medium-term Goals	Long-term goals
1. Complete ISO 14064-1 greenhouse gas inventory and third-party verification of all Group companies. 2. Confirm the ISO 14067 product carbon footprint for 3 types of raw materials, complete product inventory of 3 series, and obtain third-party verification.	1. Capital expenditure on solar energy equipment projects by group companies 2. ISO 14067 product carbon footprint x 5% (data inventory completed in 2023), and has been verified by a third party. 3. ISO 14064-1 Greenhouse Gas Inventory_Reduction of 5% for the Group's total data	1. Group companies have completed the construction of solar energy green power equipment 2. ISO 14067 product carbon footprint x 3% (data inventory completed in 2023), and has been verified by a third party. 3. ISO 14064-1 Greenhouse Gas Inventory_Reduction of the Group's total data by 3%



Base year (2021): Taipei's total greenhouse gas emissions were 4,614 tonnes. (Comparison by the Company's size: above-average)	4. Assessed the redevelopment of Taipei 68 and the green energy optimization of Taipei Shangho Plant (former former site). 5. Effluents from the electroplating plant in Taipei 68 can be recycled up to 20%.	
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V. Labor/management relations

(I) Employee Code of Conduct

The Company has established the "Ethical Code of Conduct for Employees" to enable all employees to understand the meaning of ethical and upright business behaviors, and to provide principles for employees to follow. The main contents are as follows:

1. Employee conduct must comply with ethical standards and honesty.
2. Avoid conflicts of interest with the Company and selfish attempts.
3. Information that is not disclosed to the public without the Company's approval shall be kept confidential.
4. Treat customers, suppliers, competitors, and other employees of the Company on an arm's length basis.
5. Inappropriate or illegal use of Company resources is strictly prohibited.
6. Comply with government laws and regulations, including laws and regulations related to insider trading.
7. Appropriate gifts and entertainment.
8. Encouragement to report any illegal acts or violation of ethical code of conduct.

(II) Employee welfare measures

The company has an employee welfare committee, which organizes employee travel, wedding and funeral related subsidy regulations and application methods, employee on-the-job training scholarships and subsidies, and employee children's education scholarships and subsidies every year in the employee welfare part. In the company's welfare part, there are various benefits such as on-the-job education and training, profit sharing policy, and employee canteen.

(III) Retirement system:

The Company complies with the Labor Standards Act and appropriates labor pension expenses to the Trust Department (formerly Central Trust Bureau) and Labor Insurance Bureau of the Bank of Taiwan on a monthly basis. The Company's pension under the new labor retirement system is 6%.

(IV) Employer/employee meeting:

The Company holds quarterly labor coordination meetings to facilitate communication and coordination between labor and management.

(V) Continuing education and training for employees

To cultivate the talents needed for the Company's operation and development, the Company has established the Company's education and training procedures and regulations to regulate the education and training system and training guidelines, and review the annual training plan for the needs of the Company and employees. Training is conducted accordingly to enhance knowledge and skills. Through the talent training system, the Company strengthens management ability development and business knowledge, reserves management and professional talents at all levels, and encourages employees to self-study at the same time.

The Company's training system is divided into orientation training for new recruits and training for in-service employees. On-the-job training can be divided into professional (technical) training, management training, development training, project training, and self-enlightenment according to the nature of training.

The Company's education and training expenses amounted to NT\$855,400 in 2022, and the total training hours (including the training hours of E-learning) was 34,731 hours.

(VI) Also work environment and employee safety protection measures

The work environment harbors risks such as noise, dust, specific chemicals, etc. Engineering control and personal protective gear are used to protect and implement health checks and management for employees working in general (on a regular basis), special health checks are also arranged annually for employees working in special health hazards (such as noise, dust, specific chemicals, organic solvents, etc). If there are any abnormalities in the special health examination and the employees are classified as second-level management, evaluation and health education will be arranged. The safety and health system and management measures are as follows:

1. Establishment of the company's safety, health, and environmental management dedicated unit or personnel:

The head office and each factory site at home and abroad have established a safety and health committee, which operates within the company and each factory. The chairman of the safety committee is the head of each department, and meetings are held regularly to review and formulate safety and health management policies and other related issues, of which, labor representatives constitute more than one-third of all committee members by law, providing an official channel for managers and employees to communicate on safety and health issues face-to-face. Each plant has set up a safety and health management unit with the establishment of a safety and health business supervisor, a safety/health manager and a safety and health manager to perform safety and health business, which has been

approved by the competent authorities in each place. In terms of environmental protection, the Head Office and each plant have set up dedicated units and personnel for environmental protection management-related operations.

2. Supplier and contractor management:

The Company is committed to becoming a good corporate citizen and fulfilling corporate social responsibilities. Not only is it committed to providing a safe working environment for employees, but it is also committed to working with suppliers to enhance corporate social responsibilities. Therefore, the Company's supplier management policy is "Suppliers are required to comply with relevant regulations on environmental, safety, and health issues, and to have sufficient understanding and communication to encourage them to improve environmental, safety, and health performance". In practice, we regard our suppliers as our colleagues and work together to improve workplace safety and protection, and to strengthen environmental protection requirements in order to fulfill our corporate social responsibility. In addition to the above, due to the characteristics of the industry, the Company also pays close attention to the regulatory risks of suppliers to ensure the safety of employees in the workplace: (1) Define high-risk operations and carry out key control. (2) Require contract suppliers to provide professional and technical personnel skill certification according to law.

3. Key tasks of safety and health management:

- (1) In response to changes in laws and regulations, the safety and health work rules are regularly revised, compiled in compliance with the factory 6S handbook and the safe operation standards of various machinery and equipment for employees to follow.
- (2) Machinery and equipment: Automatically inspect daily, weekly, monthly, quarterly, semi-annual, annual, and annual inspections and inspection items, and conduct regular inspections by the competent authority for hazardous machinery and equipment on an annual basis to ensure the safe operation of machinery and equipment.
- (3) Operating environment: Implement 6S management and refine factory environmental maintenance systems, for special workplaces, employee operating environment testing records are implemented quarterly, every six months, and annually.
- (4) Education and training: New recruits, exchange personnel, mechanical equipment operators, automatic inspection personnel, special operations personnel, and supervisors shall be trained according to laws, and relevant certifications have been obtained.

- (5) Health checkup: Health checkups are conducted before new recruits start work, on a yearly basis for special operations workers, and on a yearly basis for general workers at each plant in Xizhi. The purpose of this test is to understand the health status of employees, and to serve as a basis for assigning employees to work replacements and improving the management of the operating environment.
- (6) Fire safety: The Company has established a comprehensive fire-fighting system in accordance with the Fire Protection Act of Taiwan and Mainland China, and has conducted regular inspections and declarations. Fire-fighting training is conducted for employees every six months, and emergency preparedness and response drills are conducted every year.
- 4. Safety and environmental management and performance evaluation measures:
 - (1) Regular inspections of hazardous machinery and equipment: All hazardous machinery in the factory has passed the regular inspections required by law. All special-purpose operators have obtained professional licenses and undergo regular on-the-job training.
 - (2) Safety and health audits: The head office develops a plan every year to conduct regular (quarterly) on-site audits on the safety, health, environmental protection, and fire safety operations of each factory, and gives appropriate improvement suggestions to provide a safe working environment for colleagues.
- 5. Future plans:

In order to raise employees' occupational safety awareness and motivation, the Company expects to introduce the ISO 45001 occupational safety and health management system in 2022 to help the Company improve its risk control and management capabilities, and reduce risks by setting goals, indicators, and division of responsibilities.
- (VII) Losses suffered as a result of labor disputes (including labor inspection results in violation of the Labor Standards Law, the date of the sanction, the sanction number, the provisions of the law violated, the content of the law violated, and the content of the sanction), the estimated amount of current and potential future losses, and measures to address them: In the most recent year and as of the date of the annual report, the Company's labor relations were harmonious and there were no labor disputes.

VI. Information and communication security management



- (I) Describe the information security risk management framework, information security policies, specific management plans, and resources invested in information security management.
1. Establish information security policies and procedures: Establish comprehensive information security policies and procedures to regulate employees' information use behaviors and reduce information security risks.
 2. Enhanced access control: Access control is an important means to protect corporate information security. It helps companies ensure that databases, applications, and systems can only be accessed by authorized personnel, thereby reducing risks to confidentiality, integrity, and availability.
 3. Strengthen risk assessment and vulnerability management: Risk assessment and vulnerability management are critical management items for assessing system, application, and network vulnerabilities.
 4. Sound information security organization manpower and job responsibilities: At least 1~2 information security professionals will be recruited in 2023 to build up sufficient information security management capacity to gradually promote various information security management activities within the Group to meet the requirements of the higher authorities and reduce operational risks.
 5. In 2022, the Group did not experience any risk of business interruption due to information security incidents, and there were no information security incidents with financial aspects or losses to shareholders' equity.
- (II) List the losses, possible impacts, and response measures suffered due to major information security incidents in the latest year and as of the date of publication of the annual report, and if they cannot be reasonably estimated, the company shall state the facts that cannot be reasonably estimated: None.

VII. Important contract

March 31, 2023

Nature of contract	Party concerned	Start and end dates	Main content	Restrictions
Procurement	Yazaki	2022/06/30~2023/06/29	Raw material procurement	Average
Lease	Tuoguang Technology Co., Ltd.	2022/07/21~2023/07/20	Charging pile setup	Average
Procurement	Magna Mirrors South East Europe DOOEL Struga	2022/12/20~2023/12/19	Parts procurement	Average



Six. Financial overview

I. Condensed balance sheet, income statement, and independent auditor's audit opinion for the most recent five years

(I) Condensed balance sheet – International Financial Reporting Standards (consolidated)

Unit: NTD thousands

Item \ Year		Financial information for the most recent five years (Note 1)					By the end of the current year March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Current assets		3,680,972	3,582,929	3,648,085	4,445,867	6,317,205	5,912,508
Property, plant, and equipment (Note 2)		2,854,475	3,021,828	3,180,225	3,473,745	4,076,970	4,160,686
Intangible assets (Note 2)		21,996	18,212	11,394	19,778	42,838	42,441
Other assets		221,947	195,141	188,921	261,124	535,193	570,728
Total assets		6,779,390	6,818,110	7,028,625	8,200,514	10,972,206	10,686,363
Current liabilities	Before distribution	2,265,127	2,303,056	2,214,583	2,975,257	4,885,811	4,339,637
	After distribution	2,654,023	2,594,728	2,613,201	3,473,530	(Note 2)	(Note 3)
Non-current liabilities		210,223	200,999	198,534	221,214	511,740	530,446
Total liabilities	Before distribution	2,475,350	2,504,055	2,413,117	3,196,471	5,397,551	4,870,083
	After distribution	2,864,246	2,795,727	2,811,735	3,694,744	(Note 2)	(Note 3)
Equity attributable to owners of the parent company		4,301,762	4,312,066	4,603,622	4,984,994	5,553,232	5,792,742
Share capital		972,241	972,241	996,547	996,547	996,547	996,547
Additional paid-in capital	Before distribution	1,279,327	1,279,327	1,133,491	1,033,387	934,183	934,183
	After distribution	1,279,327	1,133,491	1,033,387	934,183	(Note 2)	(Note 3)
Retained earnings	Before distribution	2,210,285	2,287,833	2,676,091	3,158,365	3,763,668	3,985,403
	After distribution	1,821,389	2,141,997	2,377,127	2,759,746	(Note 2)	(Note 3)
Other equity		(160,091)	(227,335)	(202,507)	(203,755)	(141,166)	(123,391)
Treasury stock		-	-	-	-	-	-

Non-controlling equity		2,278	1,989	11,886	19,049	21,423	23,538
Total equity	Before distribution	4,304,040	4,314,055	4,615,508	5,004,043	5,574,655	5,816,280
	After distribution	3,915,144	4,022,383	4,216,890	4,505,770	(Note 2)	(Note 3)

Note 1: International Financial Reporting Standards have been applied since January 1, 2013. Financial information of each year has been audited by CPAs. The financial information of Q1, 2023, has been audited by CPAs.

Note 2: The above figure after distribution is based on the resolution reached in the shareholders' meeting in the following year. The post-distribution figures for 2022 were not provided as the 2023 shareholders' meeting had not been convened.

Note 3: The post-distribution figures above are based on the resolutions reached by the board of directors or the Shareholders' Meeting in the following year.



(II) Condensed statement of comprehensive income – International Financial Reporting Standards (consolidated)

Unit: NTD thousands (Note 2)

Item \ Year	Financial information for the most recent five years (Note 1)					By the end of the current year Financial position on March 31, 2023 (Note 1)
	2018	2019	2020	2021	2022	
Operating revenue	4,079,781	3,791,279	3,653,272	4,948,862	6,526,749	1,610,813
Gross operating profit	1,410,290	1,230,499	1,329,917	1,735,840	1,965,163	512,573
Net operating profit	743,612	591,510	693,642	967,598	1,037,748	269,051
Non-operating income and expenses	(20,157)	(28,702)	(13,764)	(11,783)	220,048	10,954
Net income before tax	723,455	562,808	679,878	955,815	1,257,796	280,005
Net income of continuing operations	581,895	463,873	558,226	795,708	1,002,275	223,850
Losses from discontinued operations	-	-	-	-	-	-
Current net profit (loss)	581,895	463,873	558,226	795,708	1,002,275	223,850
Other comprehensive income (net amount after tax)	(26,226)	(64,962)	25,828	(8,555)	66,610	17,775
Total comprehensive income for the period	555,669	398,911	584,054	787,153	1,068,885	241,625
Net income attributable to the owners of the parent company	583,304	464,271	557,460	788,545	999,901	221,735
Net income attributable to non-controlling equity	(1,409)	(398)	766	7,163	2,374	2,115
Total comprehensive income attributable	557,259	399,200	583,228	779,990	1,066,511	239,510



to the owners of the parent company						
Total comprehensive income attributable to non-controlling equity	(1,590)	(289)	826	7,163	2,374	2,115
Earnings per share (NT\$)	6.00	4.78	5.59	7.91	10.03	2.23

Note 1: International Financial Reporting Standards have been applied since January 1, 2013. Financial information of each year has been audited by CPAs. The financial information of Q1, 2023, has been audited by CPAs.

Note 2: Except for earnings per share, which is expressed in NTD, all others are expressed in NTD thousand.



(III) Condensed balance sheet – International Financial Reporting Standards
(parent company only)

Unit: NTD thousands

Year		Financial information for the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		1,937,476	1,669,405	1,594,389	1,859,158	2,073,148
Property, plant, and equipment		1,655,465	1,814,195	1,878,782	2,027,333	2,213,228
Intangible assets		6,592	3,524	1,241	3,684	6,329
Other assets		2,650,873	2,661,431	2,978,629	3,439,750	4,396,699
Total assets		6,250,406	6,148,555	6,453,041	7,329,925	8,689,404
Current liabilities	Before distribution	1,745,549	1,646,520	1,663,235	2,154,748	2,946,350
	After distribution	2,134,445	1,938,192	2,061,853	2,653,021	(Note 2)
Non-current liabilities		203,095	189,969	186,184	190,183	189,822
Total liabilities	Before distribution	1,948,644	1,836,489	1,849,419	2,344,931	3,136,172
	After distribution	2,337,540	2,128,161	2,248,037	2,843,204	(Note 2)
Equity attributable to owners of the parent company		-	-	-	-	-
Share capital		972,241	972,241	996,547	996,547	996,547
Additional paid-in capital	Before distribution	1,279,327	1,279,327	1,133,491	1,033,837	934,183
	After distribution	1,279,327	1,133,491	1,033,837	934,183	(Note 2)
Retained earnings	Before distribution	2,210,285	2,287,833	2,676,091	3,158,365	3,763,668
	After distribution	1,821,389	2,141,997	2,377,127	2,759,746	(Note 2)
Other equity		(160,091)	(227,335)	(202,507)	(203,755)	(141,166)
Treasury stock		-	-	-	-	-
Non-controlling equity		-	-	-	-	-
Total equity	Before distribution	4,301,762	4,312,066	4,603,622	4,984,994	5,553,232
	After distribution	3,912,866	4,020,394	4,205,004	4,486,721	(Note 2)

Note 1: International Financial Reporting Standards have been applied since January 1, 2013. Financial information of each year has been audited and certified by CPAs.

Note 2: The above figure after distribution is based on the resolution reached in the shareholders' meeting in the following year. The post-distribution figures for 2022 have not been provided as the 2023 shareholders' meeting has not yet been convened.



(IV) Condensed Income Statement – IFRS (Parent Company-only)

Unit: NTD thousands(Note 2)

Item \ Year	Financial information for the most recent five years (Note 1)				
	2018	2019	2020	2021	2022
Operating revenue	2,170,254	1,958,851	1,781,128	2,468,244	2,671,927
Gross operating profit	703,432	611,801	557,567	728,887	702,130
Net operating profit	419,303	367,101	250,078	376,468	331,322
Non-operating income and expenses	260,974	186,734	383,106	516,481	762,276
Net income before tax	680,277	553,835	633,184	892,949	1,093,598
Net income of continuing operations	583,304	464,271	557,460	788,545	999,901
Losses from discontinued operations	-	-	-	-	-
Current net profit (loss)	583,304	464,271	557,460	788,545	999,901
Other comprehensive income (net amount after tax)	(26,045)	(65,071)	25,768	(8,555)	66,610
Total comprehensive income for the period	557,259	399,200	583,228	779,990	1,066,511
Earnings per share (NT\$)	6.00	4.78	5.59	7.91	10.03

Note 1: International Financial Reporting Standards have been applied since January 1, 2013. Financial information of each year has been audited and certified by CPAs.

Note 2: Except for earnings per share, which is expressed in NTD, all others are expressed in NTD thousand.



- (V) Condensed Balance Sheet – R.O.C. Financial Accounting Standards (Consolidated): Not applicable
- (VI) Condensed Income Statement – R.O.C. Financial Accounting Standards (Consolidated): Not applicable
- (VII) Condensed balance sheet – R.O.C. Financial Accounting Standards (Parent Company-only): Not applicable
- (VIII) Condensed Income Statement – R.O.C. Financial Accounting Standards (Parent Company-only): Not applicable
- (IX) Names of CPAs and their audit opinions in the most recent five years

Year	Name of the Accounting Firm	Name of the CPAs	CPA's audit opinion
2018	Deloitte Taiwan	Cheng Hsu-Jan, Lin Wang-Sheng	Unqualified opinion
2019	Deloitte Taiwan	Lin Wang-Sheng, Chen Ying-Chou	
2020	Deloitte Taiwan	Lin Wang-Sheng, Chen Ying-Chou	
2021	Deloitte Taiwan	Lin Wang-Sheng, Li Kuan-Hao	
2022	Deloitte Taiwan	Shih Jun-Hung, Lin Wang-Sheng	

Note: For any change of CPAs in the last 5 years, a description of the reasons for the change by the Company and its predecessor and successor:

Year	Reasons for change of auditor
2018	None
2019	Adjustments to Deloitte Taiwan's internal operations
2020	None
2021	Adjustments to Deloitte Taiwan's internal operations
2022	Adjustments to Deloitte Taiwan's internal operations



II. Financial analysis for the past five years

(I) Financial analysis – International Financial Reporting Standards (consolidated)

Analysis items \ Year		Financial analysis for the most recent five years (Note 1)					Financial information for the current year as of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to assets ratio	36.51	36.73	34.33	38.98	49.19	45.57
	Long-term capital as a percentage of property, plant, and equipment	150.78	142.76	145.13	144.05	136.74	139.79
Solvency (%)	Current ratio	162.51	155.57	164.73	149.43	129.30	136.24
	Quick ratio	119.01	118.02	126.86	101.82	88.54	92.17
	Interest coverage ratio	28.81	23.37	46.57	72.39	33.46	19.13
Operating capacity (%)	Accounts receivable turnover (times)	2.20	2.27	2.01	2.40	2.54	2.21
	Average collection days	165.90	160.79	181.59	152.08	143.70	165.16
	Inventory turnover (times)	2.53	2.63	2.51	2.67	2.56	2.13
	Accounts payable turnover (times)	6.16	6.60	4.94	7.67	4.65	4.62
	Average number of days of sales	144.26	138.78	145.41	136.70	142.57	171.36
	Property, plant, and equipment turnover (times)	1.55	1.29	1.18	1.49	1.73	1.56
	Total asset turnover (times)	0.59	0.56	0.53	0.65	0.68	0.59
Profitability (%)	Return on assets	8.76	7.12	8.24	10.59	10.78	2.18
	Return on equity	13.16	10.77	12.50	16.54	18.95	3.93
	Pre-tax profit as a percentage of paid-in capital	74.41	57.89	68.22	95.91	126.22	28.10
	Net profit margin	14.26	12.24	15.28	16.08	15.36	13.90
	Earnings per share (NT\$)	6.00	4.66	5.59	7.91	10.03	2.23
Cash flow (%)	Cash flow ratio	42.70	45.27	27.36	19.88	16.20	(0.05)
	Cash flow adequacy ratio	73.22	81.62	83.10	64.03	58.76	53.44



	Cash flow reinvestment ratio	3.39	11.51	5.09	2.81	3.75	(0.03)
Degree of leverage	Operating leverage	1.30	1.44	1.40	1.31	1.37	1.43
	Financial leverage	1.04	1.04	1.02	1.01	1.04	1.06
<p>Reasons for changes in financial ratios in the past two years: If the increase or decrease does not reach 20%, no analysis is required</p> <ol style="list-style-type: none"> 1. The increase in liabilities to assets ratio was a result of the significant increase in total assets. 2. The decrease in the interest coverage ratio was a result of the increase in interest expenses. 3. The increase in pre-tax net profit as a percentage of paid-in capital was a result of the increase in pre-tax net profit. 4. The increase in earnings per share was a result of the increase in the net profit after tax. 5. The decrease in cash reinvestment ratio was a result of the decrease in net cash inflow from operating activities and increase in cash dividends distributed. 							

Note 1: International Financial Reporting Standards have been applied since January 1, 2013. Financial information of each year has been audited by CPAs. The financial information of Q1, 2023, has been audited by CPAs.



(II) Financial analysis – International Financial Reporting Standards
(standalone)

Analysis items \ Year		Financial analysis for the most recent five years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	31.18	29.87	28.66	31.99	36.09
	Long-term capital as a percentage of property, plant, and equipment	259.85	237.68	245.03	245.89	250.91
Solvency (%)	Current ratio	111.00	101.39	95.86	86.28	70.36
	Quick ratio	100.32	91.94	84.94	71.34	60.24
	Interest coverage ratio	85.39	50.27	73.34	104.78	66.92
Operating ability (%)	Accounts receivable turnover (times)	1.69	1.82	1.85	2.56	2.36
	Average collection days	215.98	200.55	197.30	142.58	154.66
	Inventory turnover (times)	7.75	8.09	7.04	6.80	6.72
	Accounts payable turnover (times)	6.90	6.72	5.71	5.47	4.36
	Average number of days of sales	47.09	45.11	51.84	53.67	54.31
	Property, plant, and equipment turnover (times)	1.46	1.13	0.96	1.26	1.26
	Total asset turnover (times)	0.35	0.32	0.28	0.36	0.33
Profitability (%)	Return on assets	9.45	7.63	8.96	11.54	12.65
	Return on equity	13.20	10.78	12.51	16.45	18.98
	Pre-tax profit as a percentage of paid-in capital	69.97	56.96	63.54	89.60	109.74
	Net profit margin	26.88	23.7	31.30	31.95	37.42
	Earnings per share (NT\$)	6.00	4.78	5.59	7.91	10.03
Cash flow (%)	Cash flow ratio	39.01	34.64	20.41	28.79	(0.32)
	Cash flow adequacy ratio	66.84	72.44	72.27	65.64	60.14
	Cash flow reinvestment ratio	(2.09)	3.91	0.97	4.16	(8.52)
Degree of leverage	Operating leverage	1.04	1.05	1.27	1.26	1.29
	Financial leverage	1.02	1.03	1.04	1.02	1.05
Reasons for changes in financial ratios in the past two years: If the increase or decrease does not reach 20%, no analysis is required,						



1. The decrease in the interest coverage ratio was a result of the increase in interest expenses.
2. The decrease in payables turnover was a result of the increase in the balance of payables.
3. The increase in pre-tax net profit as a percentage of paid-in capital was a result of the increase in pre-tax net profit.
4. The increase in earnings per share was a result of the increase in the net profit after tax.
5. The decrease in cash flow ratio was a result of the decrease in cash inflow from operations.
6. The decrease in cash reinvestment ratio was a result of the decrease in cash flow from operating activities and increase in cash dividends distributed.

Note 1: International Financial Reporting Standards have been applied since January 1, 2013. Financial information of each year has been audited and certified by CPAs.

Note 2: The formulas for the analysis items are as follows:

1. Financial structure
 - (1) Debt to assets ratio = total liabilities/total assets.
 - (2) Long-term capital to property, plant, and equipment ratio = (total equity + non-current liabilities)/net property, plant, and equipment.
2. Solvency ability
 - (1) Current ratio = current assets/current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.
 - (3) Interest coverage ratio = net income before income tax and interest expenses/current interest expenses.
3. Operating ability
 - (1) Accounts receivable (including accounts receivable and notes receivable due to operation) turnover = net sales/average accounts receivable (including accounts receivable and notes receivable due to operation) balance.
 - (2) Average collection days = 365/accounts receivable turnover.
 - (3) Inventory turnover = cost of goods sold/average inventory.
 - (4) Payables (including accounts payable and notes payable resulting from operation) turnover = sales cost/balance of average accounts payable (including accounts payable and notes payable resulting from operation)
 - (5) Average daily sales = 365/inventory turnover.
 - (6) Real estate, plant, and equipment turnover = net sales/net average real estate, plant, and equipment.
 - (7) Total asset turnover = net sales/average total assets.
4. Profitability
 - (1) Return on assets = [after-tax profit and loss + interest expenses × (1 - tax rate)] / average total assets.
 - (2) Return on equity = after-tax profit/average total equity.
 - (3) Net profit margin = after-tax profit/net sales.
 - (4) Earnings per share = (income attributable to parent company shareholders - preferred share dividends)/weighted average outstanding shares.
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the last 5 years/(capital expenditure + increase in inventory + cash dividends) for the last 5 years.
 - (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividend)/(Gross property, plant, and equipment + Long-term investment + Other non-current assets + Working capital).
6. Leverage:
 - (1) Operating leverage = (net operating revenue - variable operating costs and expenses)/operating income.
 - (2) Financial leverage = operating profit/(operating profit - interest expense).

(III) Financial analysis of the most recent five years – R.O.C. Financial Accounting Standards (consolidated): Not applicable

(IV) Financial analysis of the most recent five years – R.O.C. Financial Accounting Standards (Parent Company-only): Not applicable



III. Audit Committee's Report on the Financial Statements of the Most Recent Fiscal Year

Hu Lane Associate Inc.
Audit Committee's Report

It is hereby approved

The Company's 2022 individual financial statements and consolidated financial statements have been audited by Shih Jun-Hung and Lin Wang-Sheng, CPAs of Deloitte Taiwan, while the business report and earnings appropriation have been audited by the Audit Committee, and after the review, it has been found that there are no discrepancies, and in accordance with Article 14-4 of the Securities and Exchange Law and Article 219 of the Company Law, the report is as above, and it is submitted for inspection.

Sincerely,

2023 General Shareholders' Meeting of Hu Lane Associate Inc.

Convener of the Audit Committee:

March 24, 2023



- IV. The most recent financial statements, including the auditor's audit report, two-year balanced balance sheet, comprehensive income statement, statement of changes in equity, statement of cash flows, and notes or attachments.
Please refer to Appendix 1 Consolidated Financial Statements on Page 191 of the Annual Report.
- V. The parent company-only financial statements of the most recent year that have been audited and certified by a CPA.
Please refer to Appendix II Parent Company-Only Financial Statement on Page 257 of the Annual Report.
- VI. If the Company and its affiliated companies experienced financial distress in the most recent year up to the publication date of the annual report, please specify the impact on the Company's financial position: None.

Seven. Review and Analysis of Financial Position, Financial Performance, and Risks

I. Financial position

(I) Comparison and Analysis of Financial Position

Unit: NTD thousands

Item \ Year	2021	2022	Increase (decrease) amount	Percentage of change (%)
Current assets	4,445,341	6,121,818	1,676,477	37.71
Funds and investments	526	214,700	214,174	40,717.49
Property, plant, and equipment	3,473,745	4,076,970	603,225	17.37
Other assets	280,902	558,718	277,816	98.90
Total assets	8,200,514	10,972,206	2,771,692	33.80
Current liabilities	2,975,257	4,885,811	1,910,554	64.21
Other liabilities	221,214	511,740	290,526	131.33
Total liabilities	3,196,471	5,397,551	2,201,080	68.86
Share capital	996,547	996,547	0	0.00
Additional paid-in capital	1,033,837	934,183	(99,654)	(9.64)
Retained earnings	3,158,365	3,763,668	605,303	19.17
Other equity	(203,755)	(141,166)	62,589	(30.72)
Non-controlling equity	19,049	21,423	2,374	12.46
Total equity	5,004,043	5,574,655	570,612	11.40

(II) Analysis was only allowed if the percentage of change exceeded 20% and the amount exceeded NT\$10 million.

Description:

1. Current assets: percentage change of 37.71%, an increase of approximately NT\$1,676,477 thousand, mainly including:
 - 1.1 Due to the acquisition of Shang Ho Industry Co., Ltd., and Pengjia Co., Ltd., as well as the growth of revenue, accounts receivable/notes receivable increased by about NT\$800,945 thousand.
 - 1.2 The acquisition of Shang Ho Industry Co., Ltd., and Pengjia Co., Ltd., as well as the increase in inventory of production capacity due to revenue growth, resulted in an increase in inventory by approximately NT\$525,235 thousand.
2. Funds and investments: percentage change: 40,717.49%, increased by NT\$214,174 thousand mainly due to:

- 2.1 Acquired Shang Ho Industry Co., Ltd., and acquired financial assets through profit or loss and other comprehensive income of NT\$23,980 thousand.
- 2.2 Invested in Leer & Hu Lane, investment under the equity method increased by NT\$12,529 thousand.
- 2.3 For the acquisition of bank time deposits with a maturity date of more than 3 months, financial assets measured at amortized cost increased by NT\$178,118 thousand.
3. Other assets: Percentage change: 98.90%, an increase of approximately NT\$277,816 thousand, mainly including:
 - 3.1 Other deferred expenses for the new Taipei plant amounted to approximately NT\$24,187 thousand. The Company continued to expand production capacity, and added NT\$25,172 thousand in prepayment for equipment in 2022.
 - 3.2 A long-term plant lease contract was signed in Mainland China, and the right-of-use assets were increased by NT\$163,387 thousand in 2022.
 - 3.3 Plant decoration and other non-current assets increased by NT\$32,570 thousand.
4. The 33.80% change in total assets was mainly due to the effect of current assets.
5. Current liabilities: ratio with a change of 64.21%, an increase of approximately NT\$1,910,554 thousand, mainly including:
 - 5.1 Short-term borrowing increased by approximately NT\$1,228,642 thousand, which was used for operations and purchasing of machinery and equipment in China.
 - 5.2 Due to the acquisition of Shangho Industrial Corporation and Pengjia Corporation, as well as the increase in capacity demand, the increase in the purchase of raw materials caused the accounts payable (including notes) to increase by approximately NT\$430,755 thousand.
 - 5.3 Other payables increased by approximately NTD 222,332 thousand mainly due to effects of equipment payables, business tax payable, and salaries and bonuses payable.
6. The change in total liabilities 68.86% was mainly due to the effect of current liabilities.

(III)Future plans: None.

II. Financial performance

(I) Comparison and analysis of operating results

Unit: NTD thousands

Item \ Year	2021	2022	Increase (decrease) amount	Percentage of change (%)
Operating revenue	4,948,862	6,526,749	1,577,887	31.88
Operating cost	3,213,022	4,561,586	1,348,564	41.97
Gross operating profit	1,735,840	1,965,163	229,323	13.21
Operating expenses	768,242	927,415	159,173	20.72
Net operating profit	967,598	1,037,748	70,150	7.25
Non-operating income and expenses	(11,783)	220,048	231,831	(1,967.50)
Net income before tax	955,815	1,257,796	301,981	31.59
Income tax expenses	160,107	255,521	95,414	59.59
Current net profit	795,708	1,002,275	206,567	25.96
Other comprehensive income (net amount after tax) in the current period	(8,555)	66,610	75,165	(878.61)
Total comprehensive income for the period	787,153	1,068,885	281,732	35.79

(II) If the percentage of change exceeds 20% and the amount exceeds NT\$10,000,000, the following analysis shall be made:

1. The increase in operating revenue, costs, and expenses is mainly due to the acquisition of Shangho Industrial and Peng-Jia, as well as the rebound of the 2022 automobile market, the increase in business of customers, and the expansion of the energy vehicle market, so the related business amounts have increased significantly, and the changes are all more than 20%.
2. The increase in non-operating income and expenses is mainly the result of the increase in other income from the disposal of land use rights and buildings and gains from the disposal of property and equipment in Mainland China.
3. The increase in net income before tax is mainly due to the increase in operating profit.
4. Income tax expenses increased mainly because of the increase in net profit before tax.
5. The increase in net profit was mainly due to the increase in net profit before tax.
6. The increase in other comprehensive income was mainly due to the exchange difference from the translation of the financial statement of the foreign operation.

(III) Future plans: None.

III. Cash flow

(I) Liquidity analysis for the past two years

Item \ Year	2021	2022	Increase/decrease ratio
Cash flow ratio	19.88%	16.20%	(18.51)%
Cash flow adequacy ratio	64.03%	58.76%	(8.23)%
Cash flow reinvestment ratio	2.81%	3.75%	33.45%

Analysis of increase/decrease ratio: (If the increase/decrease change is less than 20%, the analysis will be waived.) Explanation:

The decrease in cash flow ratio was a result of the overall increase in current liabilities. The increase in cash reinvestment ratio was a result of the increase in cash flow from operating activities in the current year.

(II) Financial Statements of Hu Lane and its subsidiaries

Unit: NTD thousands

Cash balance at beginning of the year (December 31, 2021)	Net cash flow from operating activities throughout the year (2022)	Net cash flow from investing activities throughout the year (2022)	Net cash flow from financing activities throughout the year (2022)	Effect of exchange rate fluctuations on cash and cash equivalents (2022)	Cash surplus (December 31, 2022)	Improvement plan for insufficient liquidity	
						Investment plan	Financing plan
678,299	791,713	(1,222,749)	684,598	34,397	966,258	None	None

1. Analysis of cash flow changes in the current year:

Cash inflow from operating activities amounted to NT\$791,713 thousand: mainly including net profit after tax and depreciation and amortization expenses.

NT\$1,222,749 thousand cash outflow from investing activities: mainly for the acquisition of subsidiaries and for capital expenditure. Cash inflows of NT\$684,598 thousand from financing activities are mainly due to short-term borrowing for working capital.

2. Improvement plan and liquidity analysis for insufficient cash liquidity:

There were no instances of insufficient cash liquidity.

3. Liquidity analysis for the coming year: Not applicable.

IV. Impacts of major capital expenditures in the most recent year on financial operations

(I) Use of major capital expenditures and sources of capital:

Unit: NTD thousands

Planned items	Actual or expected source of funds	Total capital required (2023)	Actual or intended use of funds	
			2022 (Actual)	2023 (projected)
Production, R&D, real estate, and plant equipment	Capital, Financing, and Fundraising	1,125,368	1,065,193	1,125,368

(II) Expected benefits:

In response to the overall operational needs, the Hu Lane Group has increased production capacity and equipment at various operating locations. It is estimated that the overall production capacity of the Group will be increased by about 13%.

V. Main Reasons for Profits or Losses of the Latest Reinvestment Policy, Improvement Plans, and Investment Plans for the Coming Year

Unit: NTD thousands

Investor	Investment gains/losses recognized in the current period	Policy	Main reason for profit or loss	Improvement plan	Investment plans for the coming year
EVERVALUE INVESTMENTS LIMITED	549,230	In order to cooperate with the vertical integration of upstream and downstream in the industry, industrial division of labor, and to meet customer needs, fully meet customer orders, and create mutual benefit between supply and demand.	Mainly due to the re-investment in FORTUNE MASTER DEVELOPMENT LIMITED, Hu Lane Electronics (Nanjing) and PT. HULANE TECH MANUFACTURING, whose operations reached the economic scale and the costs were properly controlled, which resulted in the recognition of investment gains by them.	-	Set up subsidiaries in Europe and invest in the construction of factories in Indonesia to diversify risks in the single market and geographical regions, and expand the Group's operating scale. In the initial stage of operation, the subsidiary in Europe focused on
TELFORD INVESTMENTS LIMITED	19,107	Strategic investment	Mainly due to the increase in foreign currency exchange gains .	-	the development and delivery of connectors and wire harnesses, local engineering services, and sample manufacturing as the channels to expand the Hu Lane brand. After the Company expands in size, the Company may evaluate business cooperation with European car manufacturers or suppliers to gradually expand the Hu Lane brand Market map and penetration rate of the Group in Europe.
HuLane Electronic (Vietnam) Co., Ltd.	14,448	In order to cooperate with the vertical integration of upstream and downstream in the industry, industrial division of labor, and to meet customer needs, fully meet customer orders, and create mutual benefit between supply and demand.	With stable operations, proper management, and control of operating expenses, we will continue to make steady profits.	-	

Note: Investment gains/losses amounting to NT\$10 million or more are recognized in the current year.

VI. Risk assessment

- (I) Impacts of changes in interest rates, exchange rates, inflation to the Company's profit and loss, and future countermeasures

1. Changes in interest rate

Unit: NTD thousands

Item	2022
Interest (1)	(33,771)
Net operating revenue(2)	6,526,749
Operating profit (3)	1,037,748
(1)/(2)	(0.52%)
(1)/(3)	(3.25%)

The interest income and expenditures of the Company and its subsidiaries in 2022 was NT\$33,771 thousand, accounting for 0.52% and 3.25% of the operating income and operating profit respectively. The interest rate risk of the Company comes from liabilities and financial management. Interest income and interest expenses are mainly affected by the interest rate fluctuations in Taiwan and China. Their impact is on the interest income from time deposits of the Company's short-term idle funds and the interest expenses for financing and discounting for reinvestment or major capital expenditures.

In response to the Company's future operational development and capacity expansion, the Company has the need for capital expenditures and hence financing needs. However, judging from the current interest rate environment, the Company is in the stage of the escalation of interest rates. Although the interest expenses will increase due to financing needs, it will not have a significant impact on the Company's profits. In response to the increase in interest expenses, in line with financial investment policies and under the premise of protecting principal and pursuing income, the Company used additional income to reduce interest expenses through effective fund management.

2. Changes in exchange rates

Unit: NTD thousands

Item \ Year	2022
Foreign exchange gains/losses (1)	74,539
Net operating revenue(2)	6,526,749
Operating profit (3)	1,037,748
(1)/(2)	1.14%
(1)/(3)	7.18%

In 2022, the Company and its subsidiaries had net foreign exchange gains and losses of NT\$74,539 thousand, and their ratios to operating revenue and operating profit were 1.14% and 7.18%, respectively. Approximately 90% of the Company's revenue came from RMB, USD, and other currencies. The exchange gain or loss includes the transactions denominated in the non-functional currency of each group company and the evaluation of the currency denominated in the non-functional currency on the balance sheet date. Therefore, significant changes in the exchange rate may have favorable or unfavorable impacts on the financial position of the Company. Based on the Company's operating results in 2022, a 1% appreciation of the New Taiwan Dollar against the US Dollar would reduce the Company's net profit before tax by about 0.4%. 1% appreciation of New Taiwan Dollar against the RMB would reduce the Company's net profit before tax by about 0.2%.

In order to effectively reduce the impact of exchange rate fluctuations on the overall profit, the Company and its subsidiaries have adopted the following countermeasures:

- A. Sales revenues and expenditures of the same currency group are denominated in the same currency as the purchase expenditures, in order to achieve the effect of natural hedging of foreign currency revenue and expenditures. While the difference positions are flexibly dispatched, and the sales are settled into NT dollars at a favorable time.
- B. The Bank works closely with professional institutions to provide professional consultation services, and the Finance Division collects exchange rate information and takes necessary foreign exchange positions at the appropriate time to avoid exchange rate risks.
- C. Pay attention to the international financial situation, grasp the latest exchange rate information, and use it as a reference to respond to exchange rate changes and reserve product quotation space.
- D. Assess the profit potential of transactions in foreign currencies and reduce exchange losses from weak currencies.

3. Inflation

Supply of main raw materials

The main raw materials of the Company and its subsidiaries are copper and plastic. Both are bulk raw materials and are greatly affected by international market conditions and related events. Therefore, inflation will have an impact on the Company's costs. However, the Company has not been significantly affected by inflation in 2022. In the future, the Company will pay close attention to market price

fluctuations, and if the cost of goods is increased due to inflation, the Company will adjust sales prices and keep track of price changes at the source in order to reduce the risk of cost changes affecting the Company's profit or loss.

- (II) Policies on engaging in high-risk and high-leverage investments, lending of funds, endorsements and guarantees, and derivative transactions, main reasons for profit or loss, and future countermeasures

The Company and its subsidiaries are well-established manufacturers of automobile and motorcycle connectors, not involved in high-risk, highly leveraged investment operations, and have strict specifications for capital loans and endorsement guarantees, and when all related enterprises carry out capital loans and endorsement guarantees, they are implemented in accordance with the specifications set by the company, and there is no adverse impact on the company.

In the operation of derivatives, in addition to strict internal control regulations, all operations are required to be hedging and controlled with operating limits. The audit unit also performs regular and intermittent inspections on the operation status, so the company's various operations are under effective control.

In the future, the Company will maintain the current practice of loaning of funds, endorsements, and guarantees, and operation of derivative instruments in a conservative manner, and continue to implement internal control and internal audits to create the safest investment and the best remuneration.

- (III) Future R&D plans and expected R&D expenses

1. R&D plan for the most recent year

Continued innovation and breakthroughs to become a global leading brand is the long-term direction and goal pursued by Hu Lane. With the development trend of future life situations and the maturity of personal mobile device networking technology, the potential diversification of vehicle downstream service models may also have a reverse impact on the functions installed in the model and the best-selling of the vehicle. Coupled with the crisis of the greenhouse effect and global warming, driven by the environmental trend of "green energy and carbon reduction", "new energy vehicles" have become a market trend, and major international car manufacturers have actively invested, in order to effectively improve R&D technology and customer service. Hu Lane will seize this opportunity to build a product content and quality system that is more in line with customer expectations, and its relevant plans are as follows:

- A. Continue to strengthen the operation of the component design and development team: with a complete development system, instruments and equipment, and professional capabilities, to

establish a core technology platform to achieve technological innovation and talent training.

- B. Establish the PM operation model of the automaker. R&D and marketing professionals collaborate with the automaker to improve the connector & automotive electronic product matching capabilities, and work closely with the automaker to become a reliable supplier of the automaker's key technology supply chain.
 - C. The large circuit harness development department and the electronic product development department were established to be responsible for the design and development of automotive electronic products, and have the ODM capability to collaborate with customers to develop designs.
 - D. Cross-industry cooperation with professional institutions, battery manufacturers, electric scooter manufacturers, and battery exchange system cabinet manufacturers to jointly develop electric scooter-battery system connectors, and strengthen R&D technical engineering capabilities to quickly deploy new energy and green products that are energy-saving and carbon-reducing in the future.
 - E. Products: Development of Junction Box dies, ECU connectors, new energy connectors, automotive electronics, and large circuit wiring harness products. Expand green product lines and become a first-tier supplier.
 - F. Based on the TAF ISO/IEC 17025 testing laboratory accreditation, we aim to develop the equipment configuration for the verification of the recycling of renewable energy materials and the verification of new products and new items, move towards a friendly environment for the verification of materials and new items of products, and improve the testing capabilities of the laboratory items.
2. Current progress of uncompleted R&D projects (as of March 31, 2023)
- A. The organizational system settings for high-frequency, high-voltage, PCB fuse boxes, ECU connectors, FPC products, miniaturized board connectors, electrical boxes, and electronic products will be completed in 2022, and the subsequent 2023 PM team will adopt PDCA methods to continue to invest in development and design capabilities.
 - B. Strengthen the project management platform, continue to maintain product information, and gradually improve the system database and the Company's official website.
 - C. Analyze the wiring harness composition, basic circuit and cost structure to strengthen product application capabilities, and gradually establish the ability to modify and design wire harnesses.
3. Additional R&D expenses to be invested

In order to meet the needs of customers and the company's sustainable development goals and philosophy, the investment in tooling assets is estimated to be about NT\$253,500 thousand and related R&D expenses are expected to be about NT\$381,297 thousand in 2023.

4. Expected time to complete mass production

The time from development to mass production is estimated to take six months. (Actually based on customer requirements, special developments are not included in this scope.)

5. The main factors affecting the success of R&D in the future

A. Accurate market planning strategies and R&D technology development blueprint.

B. The professional ability of design and development personnel, and the rapid development of product specifications and verification standards.

C. Increase the speed of R&D and development of new products to achieve the goal of shortening the new product development cycle time and the success rate of new product sample delivery.

D. Possess the ability to design products with market value and develop molds.

6. Intellectual Property Strategy

In the early days, the Company focused on the growth of "number of patents". In recent years, the Company's patent strategy has been gradually developed to focus on "patent quality". In the end, the "quality and quantity" of patents go hand-in-hand, and patents are used to create value and profits.

7. Intellectual Property Management System

Through the establishment of a patent management system and related regulations, the implementation and execution quality of intellectual property management operations are ensured. In order to improve R&D morale and enable R&D personnel to take the initiative to propose proposals, the company conducts regular classes and promotions to help R&D personnel better understand patented technologies, and discusses the patent application process and patent avoidance to strengthen the R&D personnel's concept of patents.

8. Possible intellectual property risks and countermeasures

When designing and developing products or technologies by ourselves, the Company will conduct patent evaluation before applying for it, in order to strengthen the Company's core R&D capabilities and intellectual property rights, and reduce the risk of intellectual property rights infringement by others.

(IV) The impact of important domestic and foreign policies and legal changes on the Company's treasury operations, and the responsive measures

The Company's day-to-day operations are handled in accordance with the relevant domestic and foreign laws and regulations, and we constantly pay attention to domestic and foreign policy developments and changes in regulations, and coordinate with lawyers and accountants for opinions to achieve compliance and reduce adverse impacts on the Company.

In 2022, due to the impact of the Russia-Ukraine war, the continuous interest rate hikes in the United States, and the strict risk control in China due to the epidemic, not only were the Chinese automobile manufacturers directly affected, but also the Chinese supply chain manufacturers that had just resumed work were affected. Despite the drastic fluctuations in policies and the environment, the Company continued to overcome adversity with a variety of product categories and technologies, and managed to stabilize its position. The operating revenue still grew compared to 2021. In addition, the Company continued to pay attention to the laws and policies in various regional markets, and continue to upgrade the production process, improve quality control, and strengthen upstream and downstream cooperative relations to provide a more flexible supply chain to provide products that meet customer needs, so that the company continues to make profits.

- (V) Impacts of technological changes (including information security risks) and industry changes on the Company's financial operations, and the responsive measures

In **2022**, the automobile manufacturing industry not only was challenged by the changes in the final consumption pattern (rental car, logistics, individual consumers), but also was faced with the large-scale replacement of gasoline-powered vehicles by the EVs due to the global environmental protection policy. In response to the rapidly changing market, apart from transforming to electric vehicles, upgrading the human-machine interaction experience between driver, passenger, and vehicle will be a very important development direction in the future.

At present, Hu Lane is involved in cooperation with professional institutions, battery manufacturers, electric scooter manufacturers, and battery swapping system cabinet manufacturers to continue to develop new energy and intelligent vehicle connectors, is investing in the design and development of connectors for automotive Ethernet and various components in cars, and will successively launch connectors for electric vehicles. In addition, the Company is cooperating with Taiwan's major EV manufacturers and related EV module manufacturers to develop connectors with different electrical specifications in response to the arrival of the green technology industry in the future.

The Company controls and maintains key operational functions such as the Company's operations in accordance with the "Information Security

Policy", and strictly implements Information security risk management. For details, please refer to the descriptions under "VI. Information Security Management" on page. 160-161 of this annual report.

(VI) Impacts of changes in corporate image on corporate crisis management and countermeasures

As of the publication date of the annual report, the Company has no relevant information.

(VII) Expected benefits, possible risks, and countermeasures of mergers and acquisitions

As of the publication date of the annual report, the Company has no relevant information.

(VIII) Expected benefits, possible risks, and countermeasures of plant expansion

The Company started the construction of its Taipei Operational Headquarters and the factory in Fude Section, Xizhi District, Taipei, in the first quarter of 2017. The construction was completed in March 2022 and commenced production. The benefits and risks of plant expansion are as follows:

Benefit from plant expansion:

1. The new plant can centralize production equipment and standardize, automate, and systematize the production process in order to effectively reduce production costs and improve product quality.
2. In order to balance the overall investment regional risk, through the new production capacity established by the new operation headquarters as the main body, reduce the risk of China's capacity dependence, and conduct an inventory of the space of each plant at home and abroad (especially the Vietnam factory) and customer areas to re-allocate and plan the overall production capacity.
3. Revitalize the use of land to integrate the various departments of the Taipei Factory and to effectively and systematically manage the global regions.
4. After the completion of the operation headquarters, there is sufficient space to develop high-margin products such as composite and multi-hole. With modern production equipment such as fully automated machines and robotic arms, the production wire harness assembly can be the first step for vertical integration and provide customers with complete TOTAL SOLUTION solutions.
5. Capital investment has been made domestically to increase employee retention and fulfill corporate social responsibilities. In addition, the new headquarters is designed to save energy and water, and the green factory area and solar energy power generation plan to contribute to environmental protection.

Possible risks and countermeasures:

1. Due to the expansion of scale, fixed costs have increased, such as production efficiency, and quality performance and development capabilities cannot be improved, so competitiveness will be reduced.
Countermeasures: It is necessary to strengthen training on product technology in order to ensure continuous growth.
2. The higher investment cost in the early stage, the increase in liabilities, and the uncertainty of interest rates may bring uncertainty to the Company's operating efficiency.
Countermeasures: Strengthen fund forecasting and pay attention to changes in interest rates.
3. The increase in the number of new employees recruited for the expansion of factories, employees' break-in period, and professional skill problems have resulted in an increase in the turnover rate.
Countermeasures: Create a career development map that links professional functions and institutionalizes the promotion and development conditions for employees at all levels. Implementing a people-oriented concept, creating a happy cultural circle, and enabling employees to have specific growth plans.

(IX) Risks associated with the concentration of purchases or sales and countermeasures

1. Risk of concentration of purchases

The main raw material of the self-made parts of the Company and its subsidiaries is copper, and the purchased commodities of traded parts are mainly plastic parts and terminals. They are supplied from a wide range of sources. Based on considerations of quality and price, the procurement ratio of each supplier varies from one supplier to another. However, good and stable supply and demand relations have been established with them, and the source and quantity of raw materials should be sufficient. Therefore, the main sources of supply of raw materials for the Company and its subsidiaries are still stable, and there are more than two professional suppliers for major raw materials. There is no shortage or out-of-stock situation, and there is no excessive concentration.

2. Risk of concentration of sales

The Company's and its subsidiaries' sales strategies and targets in the most recent year were adjusted in response to the industry's economy, demands, and regional development of the automobile market. The Company and its subsidiaries have maintained stable business relationships with our major customers for many years. Meanwhile, the Company is actively exploring new customers in emerging and developing countries. In terms of sales concentration, the Company and its subsidiaries had Taizhou Luqiao Haoda Electric Appliance Co., Ltd., (formerly Geely Haoda) as the Company's largest customer in the most recent year. The demand for electronic products in China has increased

significantly, so that its annual net sales have increased year by year, accounting for about 8% of Hu Lane's net sales. Hu Lane's sales customers are mostly well-known automobile brands in mainland China, and the sales customers are many and scattered, so the company and its subsidiaries should not have the risk of excessive concentration of sales.

- (X) The impacts and risks to the Company in the event of mass transfer of shares by directors, supervisors, or major shareholders with more than 10% ownership interest, and the responsive measures

As of the publication date of the annual report, the Company has no relevant information.

- (XI) Impacts and risks associated with the change in management on the Company and countermeasures

The operation of the Company and its subsidiaries is mostly planned by the executive unit and approved by the management, so a complete operation model has been established. In the event of a change in management, the impact on the sustainable operation of the Company and its subsidiaries will be limited.

As of the publication date of the annual report, the Company has no relevant information.

- (XII) Litigation and non-contentious cases

As of the publication date of the annual report, the Company has no relevant information.

- (XIII) Other important risks and countermeasures: None.

VII. Other important matters: None.



Eight. Special requirements

I. Information on affiliates

Please refer to Appendix III – Consolidated Business Report of Affiliated Enterprises on page 319 of the annual report..

II. Private placement of securities in the most recent year up until the publication date of this annual report

As of the publication date of the annual report, the Company has not conducted any private placement of marketable securities.

III. Holding or disposal of the Company's shares by subsidiaries in the most recent year, up until the publication date of this annual report

As of the publication date of this annual report, no subsidiary has held or disposed of the Company's shares.

IV. Other necessary supplementary information

None.

V. Occurrences of events defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act in the most recent year up until the publication date of this annual report that significantly affect shareholders' equity or security prices

None.

Hu Lane Associate Inc. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

HU LANE ASSOCIATE INC.

By

March 24, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hu Lane Associate Inc.

Opinion

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

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

Basis for Opinion

We conducted our audits of the consolidated financial statements, in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Occurrence of Revenue

For the year ended December 31, 2022, the consolidated operating revenue amounted to NT\$6,526,749 thousand. The operating revenue derived from some major customers amounted to NT\$2,261,346 thousand. Since some single customers contributed more to the Group's operating revenue and there was material change on the amount of operating revenue as compared with the same period last year, the occurrence of the operating revenue from the abovementioned customers was identified as a key audit matter.

Refer to Note 4 to the Group's consolidated financial statements for the accounting policy of revenue recognition.

Our audit procedures performed to verify the occurrence of revenue in respect of the above key audit matter included the following:

1. We obtained an understanding of the design and tested the operating effectiveness of the relevant internal controls.
2. We sampled the transaction documents and the bank collection records, and checked whether the recipients of the products were the same as the counterparties of the transactions.

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Wang-Sheng Lin and Guan-Hao Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2023

Notice to Readers

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

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

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

	2022		2021	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 966,258	9	\$ 678,299	8
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	17,269	-	526	-
Financial assets at amortized cost (Notes 4 and 9)	178,118	2	-	-
Notes receivable (Notes 4, 10, 26 and 28)	743,247	7	737,935	9
Trade receivables from unrelated parties (Notes 4 and 10)	2,155,832	20	1,399,929	17
Trade receivables from related parties (Note 27)	39,730	-	-	-
Other receivables	25,339	-	18,998	-
Current tax assets (Notes 4 and 22)	28,754	-	25,107	-
Inventories (Notes 4 and 11)	1,820,475	17	1,295,240	16
Other current assets	342,183	3	289,833	4
Total current assets	6,317,205	58	4,445,867	54
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 26)	6,784	-	-	-
Investments accounted for using the equity method (Notes 4 and 13)	12,529	-	-	-
Property, plant and equipment (Notes 4, 14 and 28)	4,076,970	37	3,473,745	42
Right-of-use assets (Notes 4 and 15)	257,580	2	94,193	1
Investment properties (Note 4)	2,490	-	2,494	-
Other intangible assets (Note 4)	42,838	1	19,778	-
Deferred tax assets (Notes 4 and 22)	42,736	-	34,653	1
Other non-current assets	213,074	2	129,784	2
Total non-current assets	4,655,001	42	3,754,647	46
TOTAL	\$ 10,972,206	100	\$ 8,200,514	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 16 and 28)	\$ 2,752,578	25	\$ 1,523,936	19
Notes payable	26,220	-	2,926	-
Trade payables to unrelated parties	1,171,023	11	763,562	9
Other payables to unrelated parties (Notes 17 and 26)	722,908	6	500,576	6
Current tax liabilities (Notes 4 and 22)	80,196	1	127,836	2
Finance lease payables - current (Notes 4 and 15)	20,237	-	14,865	-
Other current liabilities	112,649	1	41,556	-
Total current liabilities	4,885,811	44	2,975,257	36
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 22)	294,481	3	169,086	2
Finance lease payables - non-current (Notes 4 and 15)	181,776	2	10,745	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	28,676	-	33,797	1
Other non-current liabilities	6,807	-	7,586	-
Total non-current liabilities	511,740	5	221,214	3
Total liabilities	5,397,551	49	3,196,471	39
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 19)				
Share capital				
Ordinary shares	996,547	9	996,547	12
Capital surplus	934,183	9	1,033,837	13
Retained earnings				
Legal reserve	949,240	9	871,116	10
Special reserve	263,672	2	262,423	3
Unappropriated earnings	2,550,756	23	2,024,826	25
Total retained earnings	3,763,668	34	3,158,365	38
Other equity	(141,166)	(1)	(203,755)	(2)
Total equity attributable to owners of the Company	5,553,232	51	4,984,994	61
NON-CONTROLLING INTERESTS	21,423	-	19,049	-
Total equity	5,574,655	51	5,004,043	61
TOTAL	\$ 10,972,206	100	\$ 8,200,514	100

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

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 20 and 27)	\$ 6,526,749	100	\$ 4,948,862	100
OPERATING COSTS (Notes 11 and 21)	<u>4,561,586</u>	<u>70</u>	<u>3,213,022</u>	<u>65</u>
GROSS PROFIT	<u>1,965,163</u>	<u>30</u>	<u>1,735,840</u>	<u>35</u>
OPERATING EXPENSES (Notes 4, 10 and 21)				
Selling and marketing expenses	238,991	4	232,948	5
General and administrative expenses	399,823	6	330,505	7
Research and development expenses	287,762	4	212,423	4
Expected credit loss (reversal gain)	<u>839</u>	<u>-</u>	<u>(7,634)</u>	<u>-</u>
Total operating expenses	<u>927,415</u>	<u>14</u>	<u>768,242</u>	<u>16</u>
PROFIT FROM OPERATIONS	<u>1,037,748</u>	<u>16</u>	<u>967,598</u>	<u>19</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 21)	4,981	-	2,235	-
Other income (Note 21)	96,279	1	31,911	1
Other gains and losses (Note 21)	161,780	3	(32,541)	(1)
Finance costs (Note 4)	(38,752)	(1)	(13,388)	-
Share of profit or loss of associates and joint ventures (Note 13)	<u>(4,240)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>220,048</u>	<u>3</u>	<u>(11,783)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,257,796	19	955,815	19
INCOME TAX EXPENSE (Notes 4 and 22)	<u>255,521</u>	<u>4</u>	<u>160,107</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>1,002,275</u>	<u>15</u>	<u>795,708</u>	<u>16</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 18 and 22)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	5,026	-	(9,133)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(1,424)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>(1,005)</u>	<u>-</u>	<u>1,826</u>	<u>-</u>

(Continued)

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

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

	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss	<u>2,597</u>	<u>-</u>	<u>(7,307)</u>	<u>-</u>
Exchange differences on translating foreign operations	63,852	1	(1,248)	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	<u>161</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>64,013</u>	<u>1</u>	<u>(1,248)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>66,610</u>	<u>1</u>	<u>(8,555)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,068,885</u>	<u>16</u>	<u>\$ 787,153</u>	<u>16</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 999,901	15	\$ 788,545	16
Non-controlling interests	<u>2,374</u>	<u>-</u>	<u>7,163</u>	<u>-</u>
	<u>\$ 1,002,275</u>	<u>15</u>	<u>\$ 795,708</u>	<u>16</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 1,066,511	16	\$ 779,990	16
Non-controlling interests	<u>2,374</u>	<u>-</u>	<u>7,163</u>	<u>-</u>
	<u>\$ 1,068,885</u>	<u>16</u>	<u>\$ 787,153</u>	<u>16</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 10.03</u>		<u>\$ 7.91</u>	
Diluted	<u>\$ 10.00</u>		<u>\$ 7.89</u>	

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

(Concluded)

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company						Other Equity				
	Share Capital		Retained Earnings				Exchange	Unrealized		Non-controlling	Total Equity
	Ordinary	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated		Differences on	Valuation		Interests	
	Shares				Earnings		Translating	Gain/(Loss) on	Total		
							Foreign	Financial Assets			
							Operations	at Fair Value			
								Through Other			
								Comprehensive			
								Income			
BALANCE AT JANUARY 1, 2021	\$ 996,547	\$ 1,133,491	\$ 815,276	\$ 287,251	\$ 1,573,564	\$ (202,507)	\$ -	\$ 4,603,622	\$ 11,886	\$ 4,615,508	
Appropriation of 2020 earnings											
Legal reserve	-	-	55,840	-	(55,840)	-	-	-	-	-	-
Special reserve	-	-	-	(24,828)	24,828	-	-	-	-	-	-
Cash dividends	-	-	-	-	(298,964)	-	-	-	(298,964)	-	(298,964)
Cash dividends from capital surplus	-	(99,654)	-	-	-	-	-	-	(99,654)	-	(99,654)
Net profit for the year ended December 31, 2021	-	-	-	-	788,545	-	-	-	788,545	7,163	795,708
Other comprehensive loss for the year ended											
December 31, 2021, net of income tax	-	-	-	-	(7,307)	(1,248)	-	(8,555)	-	(8,555)	
Total comprehensive income for the year ended											
December 31, 2021	-	-	-	-	781,238	(1,248)	-	779,990	7,163	787,153	
BALANCE AT DECEMBER 31, 2021	996,547	1,033,837	871,116	262,423	2,024,826	(203,755)	-	4,984,994	19,049	5,004,043	
Appropriation of 2021 earnings											
Legal reserve	-	-	78,124	-	(78,124)	-	-	-	-	-	-
Special reserve	-	-	-	1,249	(1,249)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(398,619)	-	-	-	(398,619)	-	(398,619)
Cash dividends from capital surplus	-	(99,654)	-	-	-	-	-	-	(99,654)	-	(99,654)
Net profit for the year ended December 31, 2022	-	-	-	-	999,901	-	-	-	999,901	2,374	1,002,275
Other comprehensive income for the year ended											
December 31, 2022, net of income tax	-	-	-	-	4,021	64,013	(1,424)	66,610	-	66,610	
Total comprehensive income for the year ended											
December 31, 2022	-	-	-	-	1,003,922	64,013	(1,424)	1,066,511	2,374	1,068,885	
BALANCE AT DECEMBER 31, 2022	\$ 996,547	\$ 934,183	\$ 949,240	\$ 263,672	\$ 2,550,756	\$ (139,742)	\$ (1,424)	\$ 5,553,232	\$ 21,423	\$ 5,574,655	

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

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,257,796	\$ 955,815
Adjustments for:		
Depreciation expenses	346,815	269,797
Amortization expenses	36,991	34,343
Expected credit loss (reversal gain) recognized	839	(7,634)
Net loss (gain) on fair value change of financial assets and liabilities at fair value through profit or loss	1,676	(1,387)
Finance costs	38,752	13,388
Interest income	(4,981)	(2,235)
Dividend income	(225)	(26)
Share of loss of associates and joint ventures	4,240	-
(Gain) loss on disposal of property, plant and equipment	(83,554)	199
Gain on lease modifications	(272)	-
Write-downs of inventories	19,309	55,408
Gain from bargain purchase	(15,341)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	1,258
Notes receivable	(2,848)	(115,178)
Trade receivables	(620,580)	(97,700)
Trade receivables from related parties	(39,730)	-
Other receivables	(6,026)	(6,511)
Inventories	(466,283)	(547,134)
Other current assets	(34,573)	(174,129)
Other non-current assets	117,545	(4,549)
Notes payable	23,058	68
Trade payables from unrelated parties	278,004	243,185
Other payables	109,322	110,085
Other current liabilities	40,303	(12,338)
Provisions - non-current	(95)	(2,283)
Other non-current liabilities	(784)	744
Cash generated from operations	999,358	713,186
Interest received	4,981	2,235
Interest paid	(38,752)	(13,093)
Income tax received	17,868	15,953
Income tax paid	(191,742)	(126,867)
Net cash generated from operating activities	<u>791,713</u>	<u>591,414</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(2,540)	-
Purchase of financial assets at amortized cost	(178,118)	-

(Continued)

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

	2022	2021
Purchase of financial assets at fair value through profit or loss	(925)	-
Proceeds from disposal of financial assets at fair value through profit or loss	920	-
Investments accounted for using the equity method	(16,608)	-
Payments for acquisition of subsidiary	(118,099)	-
Payments for property, plant and equipment	(1,065,193)	(591,445)
Proceeds from disposal of property, plant and equipment	181,596	54,550
Increase in refundable deposits	-	(5,050)
Decrease in refundable deposits	2,083	-
Payments for intangible assets	(26,090)	(4,974)
Dividends received	225	26
Net cash used in investing activities	(1,222,749)	(546,893)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	1,208,642	299,751
Proceeds from guarantee deposits received	5	-
Refund of guarantee deposits received	-	(90)
Repayment of the principal portion of lease liabilities	(25,776)	(8,135)
Dividends paid to owners of the Company	(498,273)	(398,618)
Net cash generated from (used in) financing activities	684,598	(107,092)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	34,397	(32,089)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	287,959	(94,660)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	678,299	772,959
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 966,258</u>	<u>\$ 678,299</u>

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

(Concluded)

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Organization and Operations of the Parent Company

Hu Lane Associate Inc. (the “Company” or Hu Lane Associate) was incorporated in July 1977 as Hu Lane Enterprise Co., Ltd. and renamed as Hu Lane Industry Co., Ltd. on January 29, 2001, and later renamed again as Hu Lane Associate Inc. in 2003. Hu Lane Associate established the Hong Kong Branch in October 2001. Hu Lane Associate is mainly engaged in the manufacturing and sale of terminal devices, terminal crimping, industrial rubber and plastic products.

Hu Lane Associate’s shares have been listed on the Taipei Exchange since November 26, 2003. Hu Lane Associate’s stockholders approved the planned merger with Jie Yun Industry Co., Ltd. on May 28, 2004 with the effective merger date on August 31, 2004, and Hu Lane Associate was the surviving entity. Hu Lane Associate’s board of directors approved the planned merger with I-hung Steel Co., Ltd. on April 10, 2014 with the effective merger date on May 12, 2014, and Hu Lane Associate was the surviving entity.

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

Organization and Operations of the Subsidiaries

Evervalue Investments Limited (Evervalue), a company established on March 12, 2001, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in investment.

Telford Investments Limited (Telford), a company established on March 8, 2001, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in investment.

Hu Lane Electronics (Vietnam) Limited (HuLane Vietnam), a company established in November 2009, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in manufacturing terminals and molding.

Hulane Electronics (Nanjing) Limited (Hulane Nanjing), a company established in January 2004, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in manufacturing terminals and molding.

Fortune Master Development Limited (Fortune Master), a company established on March 5, 2010, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in trading and investment.

Dongguan Hulane Electronics Technology (Dongguan Hulane), a company established in June 2011, is a 100%-owned subsidiary of Fortune Master. It is mainly engaged in the manufacturing of terminals and molding.

Dongguan Hulane Puquang Trading Limited (Dongguan Puquang), a company established in May 2012, is a 100%-owned subsidiary of Fortune Master. It is mainly engaged in sales of vehicle components and plastic materials.

PT Hulane Tech Manufacturing's 80% equity was acquired by the Company in December 2017. The purpose of this acquisition is to develop area integration for the long-term expansion and operations of the Company. PT Hulane Tech Manufacturing applied for capital increase in August 2020 and Evervalue Investments Limited participated in the capital increase. After the capital increase, the Company and Evervalue Investments Limited held 32% and 48% shareholding of PT Hulane Tech Manufacturing, respectively.

Shang Ho Industry Co., Ltd. (Shang Ho Industry), a company established in June 2022, is a 100%-owned subsidiary of the Company. It is mainly engaged in the manufacturing of terminals and molding.

Eagle Good Limited (Eagle Good), a company established in June 2022, is a 100%-owned subsidiary of the Company. It is mainly engaged in reinvestment.

Jiaxing Shangho Electronic Technology Co., Ltd. (Jiaxing Shangho), a company established in May 2012, is a 100%-owned subsidiary of Eagle Good. It is mainly engaged in the manufacturing of harnesses.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 24, 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12, Table 7 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e., not retranslated).

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and the entities in the Group (including subsidiaries, associates, joint ventures and branches in other countries that use currencies different from the currency of the Company) are translated into the presentation currency - the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation (attributable to the owners of the Company) are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

i. Property, plant and equipment

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

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

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

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

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified as financial assets at fair value through profit or loss, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are mandatorily classified or designated as at fair value through profit or loss. Financial assets mandatorily classified as at fair value through profit or loss include investments in equity instruments which are not designated as at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables.

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

2) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

n. Revenue recognition

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

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the contracts are negotiated as a package with a single commercial objective.

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of terminals and molds. Sales of terminals and molds are recognized as revenue when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Any amounts previously recognized as contract assets are reclassified to trade receivables when the remaining obligations are performed.

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

- o. Leasing

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

- 1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

- 2) The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the year

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

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 3,140	\$ 2,381
Checking accounts and demand deposits	824,409	538,902
Cash equivalents		
Time deposits with original maturities within three months	<u>138,709</u>	<u>137,016</u>
	<u>\$ 966,258</u>	<u>\$ 678,299</u>

The market rate intervals of demand deposits and time deposits at the end of year were as follows:

	December 31	
	2022	2021
Demand deposits	0.01%-1.38%	0.01%-1.72%
Time deposits	1.90%-4.25%	0.16%-0.29%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Foreign exchange forward contracts	\$ 73	\$ -
Non-derivative financial assets		
Domestic listed shares	370	526
Mutual funds	<u>16,826</u>	<u>-</u>
	<u>\$ 17,269</u>	<u>\$ 526</u>

At the end of the reporting period, outstanding foreign exchange swap contracts not under hedge accounting were as follows:

December 31, 2022

	Currency	Maturity Date	Notional Amount (In Thousands)
Foreign exchange swap contracts	NTD/USD	June 8, 2022 - March 8, 2023 (Note)	NTD30,442/USD1,000

Note: Extension from December 8, 2022 to March 8, 2023.

The Group entered into the foreign exchange swap to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

The Group's copper option contract signed with Citibank (Taiwan) Commercial Bank (hereinafter referred to as Citibank) was recognized as derivative financial instrument transactions for which hedge accounting was not applied. At the end of the reporting period, outstanding copper option contracts were as follows:

December 31, 2021

	Exercise Price	Contract Date	Total Quantity
Commodity Option	More than US\$10,150/tonne, less than US\$9,155/tonne	September 1, 2021 - December 31, 2021	200 tonne

The above derivative transactions, the gain on financial assets at fair value through profit or loss amounted to \$73 thousand and \$1,258 thousand for the years ended December 31, 2022 and 2021, respectively.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
<u>Non-current</u>		
Investments in equity instruments		
Domestic listed shares	\$ 6,784	\$ -

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (Note)	\$ 178,118	\$ -

Note: The range of interest rate for time deposits with original maturities of more than 3 months was approximately 3.50% per annum as of December 31, 2022.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2022	2021
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 743,247</u>	<u>\$ 737,935</u>
<u>Trade receivables from unrelated parties</u>		
Trade receivables	\$ 2,189,668	\$ 1,432,352
Less: Allowance for impairment loss	<u>(33,836)</u>	<u>(32,423)</u>
	<u>\$ 2,155,832</u>	<u>\$ 1,399,929</u>

Refer to Note 26 for details of the factoring agreements for trade receivables.

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with reputable entities, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the executive vice president, internal audit department and accounting department annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position at the reporting date. As the Group's historical credit loss experience show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished according to the Group's different customer base.

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

December 31, 2022

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Expected credit loss rate	0.04%-5.21%	0.18%-5.46%	4.83%-19.27%	7.91%-50.00%	100%	
Gross carrying amount	\$ 1,610,098	\$ 534,084	\$ 21,289	\$ 3,056	\$ 21,141	\$ 2,189,668
Loss allowance (Lifetime ECLs)	<u>(5,337)</u>	<u>(3,972)</u>	<u>(1,950)</u>	<u>(1,436)</u>	<u>(21,141)</u>	<u>(33,836)</u>
Amortized cost	<u>\$ 1,604,761</u>	<u>\$ 530,112</u>	<u>\$ 19,339</u>	<u>\$ 1,620</u>	<u>\$ -</u>	<u>\$ 2,155,832</u>

December 31, 2021

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Expected credit loss rate	0.03%-5.21%	0.21%-5.46%	6.1%-15.85%	7.91%-56.09%	100%	
Gross carrying amount	\$ 1,044,911	\$ 347,258	\$ 15,148	\$ 2,579	\$ 22,456	\$ 1,432,352
Loss allowance (Lifetime ECLs)	<u>(4,501)</u>	<u>(2,938)</u>	<u>(1,153)</u>	<u>(1,375)</u>	<u>(22,456)</u>	<u>(32,423)</u>
Amortized cost	<u>\$ 1,040,410</u>	<u>\$ 344,320</u>	<u>\$ 13,995</u>	<u>\$ 1,204</u>	<u>\$ -</u>	<u>\$ 1,399,929</u>

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

	2022	2021
Balance at January 1	\$ 32,423	\$ 40,256
Add: Net remeasurement of loss allowance	2,476	-
Less: Net remeasurement of loss allowance	839	(7,634)
Foreign exchange gains and losses	<u>(1,902)</u>	<u>(199)</u>
Balance at December 31	<u>\$ 33,836</u>	<u>\$ 32,423</u>

11. INVENTORIES

	<u>December 31</u>	
	2022	2021
Finished goods	\$ 403,858	\$ 424,558
Work in progress	220,547	179,171
Raw materials and supplies	340,755	287,311
Merchandise	<u>855,315</u>	<u>404,200</u>
	<u>\$ 1,820,475</u>	<u>\$ 1,295,240</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$4,561,586 thousand and \$3,213,022 thousand, respectively. The cost of goods sold included inventory write-downs amounted to \$19,309 thousand and \$55,408 thousand, respectively.

12. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)	
			December 31	2021
			2022	
Hu Lane Associate	Telford	Investment	100	100
	Evervalue	Investment	100	100
	Hu Lane Vietnam	Manufacture of plastic connectors and molds	100	100
	PT Hulane Tech Manufacturing (Note 1)	Manufacture of plastic connectors and molds	32	32
	Shang Ho Industry (Note 2)	Manufacture of plastic connectors and molds	100	-
	Eagle Good (Note 2)	Investment	100	-
Evervalue	Hulane Nanjing	Manufacture of plastic connectors and molds	100	100
	Fortune Master	Trading and investment	100	100
	PT Hulane Tech Manufacturing (Note 1)	Manufacture of plastic connectors and molds	48	48
Fortune Master	Dongguan Hulane	Manufacture of plastic connectors and molds	100	100
	Dongguan Puguang	Sales of vehicle components and plastic materials	100	100
Eagle Good	Jiaxing Shangho	Manufacture of plastic connectors and molds	100	-

Note 1: PT. Hulane Tech Manufacturing resolved to increase cash capital by the board of directors in July 2022. The Group's board of directors resolved to participate in the capital increase in November 2022.

Note 2: The subsidiary's 100% equity was acquired by the Company in June 2022.

b. Subsidiaries excluded from the consolidated financial statements: None.

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2022	2021
Associate that is not individually material		
Yangzhou Lear Hulane Automotive Parts Trading Co., Ltd.	\$ 12,529	\$ -

Note: In January 2022, The Group established Yangzhou Lear Hulane Automotive Parts Trading CO., Ltd. with Lear (China) Holding Limited with a capital of US\$600 thousand of which the Company holds 40%, and acquired a significant impact on the Company.

The calculation is based on the unaudited financial statements of Yangzhou Lear Hulane Automotive Parts Trading Co., Ltd. However, the management considers that the unaudited financial statements of the above investees do not have material impacts.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Other Equipment	Prepayments for Equipment and Property under Construction	Total
Cost									
Balance at January 1, 2021	\$ 1,008,022	\$ 574,159	\$ 1,923,728	\$ 19,694	\$ 66,362	\$ 1,200	\$ 16,771	\$ 975,954	\$ 4,585,890
Additions	-	2,859	12,688	200	449	-	5,242	664,732	686,170
Disposals	-	(325)	(58,281)	(2,959)	(4,533)	(1,200)	(125)	(45,761)	(113,184)
Effect of foreign currency exchange differences	-	6,769	(4,024)	89	(15)	-	854	(911)	2,762
Reclassifications	54,595	622,035	302,601	4,629	2,846	-	3,974	(1,070,531)	(79,851)
Balance at December 31, 2021	<u>1,062,617</u>	<u>1,205,497</u>	<u>2,176,712</u>	<u>21,653</u>	<u>65,109</u>	<u>-</u>	<u>26,716</u>	<u>523,483</u>	<u>5,081,787</u>
Accumulated depreciation									
Balance at January 1, 2021	-	154,691	1,178,351	13,555	52,625	1,200	5,243	-	1,405,665
Depreciation expense	-	27,731	217,629	1,520	4,593	-	3,742	-	255,215
Disposals	-	(249)	(50,591)	(1,779)	(4,492)	(1,200)	(124)	-	(58,435)
Effect of foreign currency exchange differences	-	916	4,011	104	(32)	-	598	-	5,597
Balance at December 31, 2021	<u>-</u>	<u>183,089</u>	<u>1,349,400</u>	<u>13,400</u>	<u>52,694</u>	<u>-</u>	<u>9,459</u>	<u>-</u>	<u>1,608,042</u>
Carrying amounts at December 31, 2021	<u>\$ 1,062,617</u>	<u>\$ 1,022,408</u>	<u>\$ 827,312</u>	<u>\$ 8,253</u>	<u>\$ 12,415</u>	<u>\$ -</u>	<u>\$ 17,257</u>	<u>\$ 523,483</u>	<u>\$ 3,473,745</u>
Cost									
Balance at January 1, 2022	\$ 1,062,617	\$ 1,205,497	\$ 2,176,712	\$ 21,653	\$ 65,109	\$ -	\$ 26,716	\$ 523,483	\$ 5,081,787
Additions	-	58,716	502,095	3,899	15,767	-	8,402	577,684	1,166,563
Disposals	-	(43,113)	(119,389)	(4,167)	(4,503)	-	(3,807)	(26,228)	(201,207)
Acquisitions through business combinations	-	129	62,552	2,187	7,505	-	15,620	-	87,993
Effect of foreign currency exchange differences	-	16,047	34,777	274	801	-	1,668	3,715	57,282
Reclassifications	-	203,420	351,572	-	5,473	-	1,513	(753,411)	(191,433)
Balance at December 31, 2022	<u>1,062,617</u>	<u>1,440,696</u>	<u>3,008,319</u>	<u>23,846</u>	<u>90,152</u>	<u>-</u>	<u>50,112</u>	<u>325,243</u>	<u>6,000,985</u>
Accumulated depreciation									
Balance at January 1, 2022	-	183,089	1,349,400	13,400	52,694	-	9,459	-	1,608,042
Depreciation expense	-	36,291	272,748	1,965	5,037	-	4,743	-	320,784
Disposals	-	(11,341)	(80,839)	(3,287)	(4,071)	-	(3,627)	-	(103,165)
Acquisitions through business combinations	-	93	48,754	2,092	7,128	-	15,553	-	73,620
Effect of foreign currency exchange differences	-	3,736	19,285	250	467	-	996	-	24,734
Balance at December 31, 2022	<u>-</u>	<u>211,868</u>	<u>1,609,348</u>	<u>14,420</u>	<u>61,255</u>	<u>-</u>	<u>27,124</u>	<u>-</u>	<u>1,924,015</u>
Carrying amounts at December 31, 2022	<u>\$ 1,062,617</u>	<u>\$ 1,228,828</u>	<u>\$ 1,398,971</u>	<u>\$ 9,426</u>	<u>\$ 28,897</u>	<u>\$ -</u>	<u>\$ 22,988</u>	<u>\$ 325,243</u>	<u>\$ 4,076,970</u>

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

Building	1-50 years
Machinery equipment	1-14 years
Transportation equipment	3-11 years
Furniture and fixtures and other equipment	1-10 years
Leasehold improvements	2 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 28.

Dongguan Hulane entered into a land use right acquisition agreement with Dongguan City Urban Management and Law Enforcement, the agreement acquires land and demolish buildings of Dongguan Hulane within the red line of land acquisition for the first phase of Songshan Lake Science Park to Guangming Science City (Dongguan section). For the year ended December 31, 2022, the Company recognized compensation for employee of \$6,800 thousand (RMB1,577 thousand) and compensation for land use rights of \$47,523 thousand (RMB11,019 thousand) under other income; compensation for buildings of \$82,364 thousand (RMB19,097 thousand) under gain on disposal of property and equipment.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Land	\$ 56,159	\$ 68,719
Buildings	189,643	19,516
Office equipment	3,464	678
Transportation equipment	<u>8,314</u>	<u>5,280</u>
	<u>\$ 257,580</u>	<u>\$ 94,193</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 196,200</u>	<u>\$ 25,410</u>
Deductions to right-of-use assets	<u>\$ 7,681</u>	<u>\$ 1,552</u>
Depreciation charge for right-of-use assets		
Land	\$ 1,927	\$ 2,040
Buildings	20,512	11,463
Office equipment	798	427
Transportation equipment	<u>2,790</u>	<u>648</u>
	<u>\$ 26,027</u>	<u>\$ 14,578</u>

Except for the above additions, deductions and depreciation expense recognized, the Group's right-of-use assets were not significantly impaired in 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 20,237</u>	<u>\$ 14,865</u>
Non-current	<u>\$ 181,776</u>	<u>\$ 10,745</u>

Ranges of discount rates for lease liabilities were as follows:

	December 31	
	2022	2021
Buildings	0.6719%-6.7500%	0.6719%-6.7500%
Office equipment	0.6627%-1.6500%	0.6816%-0.8874%
Transportation equipment	0.6667%-2.3800%	0.6607%-2.3800%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ 10,079	\$ 9,478
Total cash outflow for leases	\$ (37,455)	\$ (18,355)

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

All lease commitments 900 with lease terms commencing after the balance sheet dates are as follows:

	December 31	
	2022	2021
Lease commitments	\$ 26,917	\$ 11,081

16. BORROWINGS

	December 31	
	2022	2021
<u>Secured borrowings (Note 28)</u>		
Bank loans	\$ 900,000	\$ 200,000
Notes receivable as collateral	309,707	268,311
<u>Unsecured borrowings</u>		
Line of credit borrowings	1,542,871	1,055,625
	<u>\$ 2,752,578</u>	<u>\$ 1,523,936</u>

- The range of interest rate on borrowings was 1.25%-5.90% and 0.64%-2.10% per annum as of December 31, 2022 and 2021, respectively.
- Endorsements and guarantees for Dongguan Puguang and PT. Hulane Tech Manufacturing are provided by the Company.

17. OTHER PAYABLES

	December 31	
	2022	2021
Accrued salaries and bonuses	\$ 165,632	\$ 121,354
Compensation of employees and remuneration of directors and supervisors	50,113	46,005
Payables for equipment	248,773	147,403
Payables for interest	1,216	295
Others	257,174	185,519
	<u>\$ 722,908</u>	<u>\$ 500,576</u>

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension schemes of the Group's branch in Hong Kong and its subsidiaries in China and Vietnam and Indonesia were defined contributions, under which the related contributions were made according to local regulations; holding companies had no employees and had no pension schemes. The other entities of the Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The expense of 2022 and 2021 defined contribution plans is set out below:

	December 31	
	2022	2021
Defined contribution plans	\$ <u>62,875</u>	\$ <u>45,028</u>

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 124,955	\$ 129,727
Fair value of plan assets	<u>(96,279)</u>	<u>(95,930)</u>
Net defined benefit liabilities	\$ <u>28,676</u>	\$ <u>33,797</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ 123,390</u>	<u>\$ (96,443)</u>	<u>\$ 26,947</u>
Service cost			
Current service cost	976	-	976
Net interest expense (income)	<u>987</u>	<u>(817)</u>	<u>170</u>
Recognized in profit or loss	<u>1,963</u>	<u>(817)</u>	<u>1,146</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(882)	(882)
Actuarial loss - experience adjustments	<u>10,015</u>	<u>-</u>	<u>10,015</u>
Recognized in other comprehensive income	<u>10,015</u>	<u>(882)</u>	<u>9,133</u>
Contributions from the employer	<u>-</u>	<u>(3,429)</u>	<u>(3,429)</u>
Benefits paid	<u>(5,641)</u>	<u>5,641</u>	<u>-</u>
Balance at December 31, 2021	<u>129,727</u>	<u>(95,930)</u>	<u>33,797</u>
Service cost			
Current service cost	911	-	911
Net interest expense (income)	<u>843</u>	<u>(627)</u>	<u>216</u>
Recognized in profit or loss	<u>1,754</u>	<u>(627)</u>	<u>1,127</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,624)	(7,624)
Actuarial loss -changes in financial assumptions	(3,485)	-	(3,485)
Actuarial loss - experience adjustments	<u>6,083</u>	<u>-</u>	<u>6,083</u>
Recognized in other comprehensive income	<u>2,598</u>	<u>(7,624)</u>	<u>(5,026)</u>
Contributions from the employer	<u>-</u>	<u>(1,222)</u>	<u>(1,222)</u>
Benefits paid	<u>(9,124)</u>	<u>9,124</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 124,955</u>	<u>\$ (96,279)</u>	<u>\$ 28,676</u>

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

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

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

	December 31	
	2022	2021
Discount rate	1.25%	0.65%
Expected rate of salary increase	2.00%	2.00%
Mortality rate	Taiwan actuarial life table	Taiwan actuarial life table
Turnover rate	Note	Note

Note: Based on historical experience of the turnover rate for the past few years and consideration of future developments.

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	\$ (1,413)	\$ (1,749)
0.25% decrease	\$ 1,452	\$ 1,806
Expected rate of salary increase/decrease		
1% increase	\$ 5,960	\$ 7,440
1% decrease	\$ (5,436)	\$ (6,700)

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

	December 31	
	2022	2021
Expected contributions to the plan for the next year	\$ 1,222	\$ 1,146
Average duration of the defined benefit obligation	8.8 years	9.7 years

19. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	120,000	120,000
Shares authorized	\$ 1,200,000	\$ 1,200,000
Number of shares issued and fully paid (in thousands)	99,654	99,654
Shares issued	\$ 996,547	\$ 996,547

b. Capital surplus

	December 31	
	2022	2021
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Issuance of ordinary shares	\$ 880,359	\$ 980,013
Consolidation excess	53,723	53,723
<u>May only be used to offset a deficit</u>		
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>101</u>	<u>101</u>
	<u>\$ 934,183</u>	<u>\$ 1,033,837</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares), consolidation excess and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, please refer to Note 21 f: Compensation of employees and remuneration of directors.

In consideration of the operating environment and business growth, the Company distributed dividends both by cash and by stock to meet the capital needs for the Company's present and future expansion plans and to satisfy stockholders' cash flow requirements. In principle, cash dividends should not be lower than 10% of total dividends distributed.

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

The appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meetings on June 17, 2022 and July 29, 2021, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Legal reserve	\$ 78,124	\$ 55,840		
Special reserve	1,249	(24,828)		
Cash dividends	398,619	298,964	\$ 4.0	\$ 3.0

The Company's shareholders both resolved in the shareholders' meeting on June 17, 2022 and July 29, 2021 to issue cash dividends of \$99,654 thousand, from the capital surplus.

e. Other equity items

Unrealized valuation loss on financial assets at FVTOCI

	2022	2021
Balance at January 1	\$ -	\$ -
Recognized for the year		
Unrealized loss - equity instruments	<u>(1,424)</u>	<u>-</u>
Balance at December 31	<u>\$ (1,424)</u>	<u>\$ -</u>

Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (203,755)	\$ (202,507)
Exchange differences on translation of the financial statements of foreign operations	63,852	(1,248)
Share from associates accounted for using the equity method	<u>161</u>	<u>-</u>
Balance at December 31	<u>\$ (139,742)</u>	<u>\$ (203,755)</u>

20. REVENUE

	2022	2021
Revenue from contracts with customers		
Revenue from the sale of goods	<u>\$ 6,526,749</u>	<u>\$ 4,948,862</u>

21. NET PROFIT AND OTHER COMPREHENSIVE INCOME

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	\$ <u>4,981</u>	\$ <u>2,235</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	\$ 4,382	\$ 4,343
Dividend income	225	26
Settlement compensation	6,800	-
Land use rights certificates	47,523	-
Others	<u>37,349</u>	<u>27,542</u>
	<u>\$ 96,279</u>	<u>\$ 31,911</u>

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
(Loss) gain on financial assets at FVTPL	\$ (1,676)	\$ 1,387
Net foreign exchange losses	74,539	(20,103)
Gain from bargain purchases (Note 24)	15,341	-
Gain (loss) on disposal of property, plant and equipment	83,554	(883)
Other losses	<u>(9,978)</u>	<u>(12,942)</u>
	<u>\$ 161,780</u>	<u>\$ (32,541)</u>

d. Depreciation and amortization expenses

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 320,784	\$ 255,215
Investment properties	4	4
Intangible assets and others	36,991	34,343
Right-of-use assets	<u>26,027</u>	<u>14,578</u>
	<u>\$ 383,806</u>	<u>\$ 304,140</u>
An analysis of depreciation by function		
Operating costs	\$ 292,489	\$ 229,642
Operating expenses	<u>54,326</u>	<u>40,155</u>
	<u>\$ 346,815</u>	<u>\$ 269,797</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
An analysis of amortization by function		
Operating costs	\$ 14,841	\$ 10,500
Operating expenses	<u>22,150</u>	<u>23,843</u>
	<u>\$ 36,991</u>	<u>\$ 34,343</u>
		(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	<u>\$ 1,235,982</u>	<u>\$ 910,144</u>
Post-employment benefits (Note 18)		
Defined contribution plans	62,875	45,028
Defined benefit plans	<u>1,127</u>	<u>1,146</u>
	<u>64,002</u>	<u>46,174</u>
Other employee benefits	<u>81,082</u>	<u>75,328</u>
Total employee benefits expense	<u>\$ 1,381,066</u>	<u>\$ 1,031,646</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 872,922	\$ 654,137
Operating expenses	<u>508,144</u>	<u>377,473</u>
	<u>\$ 1,381,066</u>	<u>\$ 1,031,646</u>

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at the rates of 1%-10% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Company's board of directors on March 24, 2023 and March 25, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Compensation of employees	3.52%	4.07%
Remuneration of directors (and supervisors)	0.86%	0.83%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	\$ 40,222	\$ 38,207
Remuneration of directors	9,891	7,798

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

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

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

22. INCOME TAX

- a. Major components of tax expense recognized in profit or loss:

	For the Year Ended December 31	
	2022	2021
<u>Current tax</u>		
In respect of the current year	\$ 134,222	\$ 166,675
Income tax on unappropriated earnings	15,162	11,421
Adjustments for prior years	<u>(18,524)</u>	<u>(21,684)</u>
	130,860	156,412
<u>Deferred tax</u>		
In respect of the current year	<u>124,661</u>	<u>3,695</u>
Income tax expense recognized in profit or loss	<u>\$ 255,521</u>	<u>\$ 160,107</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before income tax	<u>\$ 1,257,796</u>	<u>\$ 955,815</u>
Income tax expense calculated at the statutory rate (20%)	\$ 251,559	\$ 191,163
Nondeductible expenses in determining taxable income	373	551
Unrecognized deductible temporary differences	(4,192)	(12,145)
Income tax on unappropriated earnings	15,162	11,421
Repatriations of subsidiaries investment income	27,411	-
Effect of different tax rate of entities in the Group operating in other jurisdictions	(7,637)	(9,199)
Adjustments for prior years' tax	<u>(27,155)</u>	<u>(21,684)</u>
Income tax expense recognized in profit or loss	<u>\$ 255,521</u>	<u>\$ 160,107</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	\$ <u>(1,005)</u>	\$ <u>1,826</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	\$ <u>28,754</u>	\$ <u>25,107</u>
Current tax liabilities		
Income tax payable	\$ <u>80,196</u>	\$ <u>127,836</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	acquired in a business combination	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit obligation	\$ 6,759	\$ (19)	\$ (1,005)	\$ -	\$ 5,735
Allowance for inventory losses	4,927	(600)	-	5,253	9,580
Others	<u>22,967</u>	<u>697</u>	<u>-</u>	<u>3,757</u>	<u>27,421</u>
	<u>\$ 34,653</u>	<u>\$ 78</u>	<u>\$ (1,005)</u>	<u>\$ 9,010</u>	<u>\$ 42,736</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Others	\$ 150,799	\$ -	\$ -	\$ -	\$ 150,799
Land value increment tax	<u>18,287</u>	<u>125,395</u>	<u>-</u>	<u>-</u>	<u>143,682</u>
	<u>\$ 169,086</u>	<u>\$ 125,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,481</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 5,390	\$ (457)	\$ 1,826	\$ 6,759
Allowance for inventory losses	2,818	2,109	-	4,927
Others	<u>17,215</u>	<u>5,752</u>	<u>-</u>	<u>22,967</u>
	<u>\$ 25,423</u>	<u>\$ 7,404</u>	<u>\$ 1,826</u>	<u>\$ 34,653</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 150,799	\$ -	\$ -	\$ 150,799
Others	<u>7,188</u>	<u>11,099</u>	<u>-</u>	<u>18,287</u>
	<u>\$ 157,987</u>	<u>\$ 11,099</u>	<u>\$ -</u>	<u>\$ 169,086</u>

e. Income tax assessments

The Company's tax returns through 2020 have been assessed by the tax authorities. The Company includes Hong Kong branch's income in the calculation of its taxable income during tax declaration each year, and applied for tax refund after attestation by a local organization in Hong Kong recognized by the ROC. As of December 31, 2022, the Company applied for refund of tax through 2019, which was approved by the tax authorities through 2018. As of December 31, 2022 and 2021, tax refund receivables amounted to \$28,754 thousand and \$25,107 thousand, respectively.

23. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share	<u>\$ 10.03</u>	<u>\$ 7.91</u>
Diluted earnings per share	<u>\$ 10.00</u>	<u>\$ 7.89</u>

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2022	2021
Earnings used in the computation of basic earnings per share	<u>\$ 999,901</u>	<u>\$ 788,545</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 999,901</u>	<u>\$ 788,545</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	99,654	99,654
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>350</u>	<u>281</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,004</u>	<u>99,935</u>

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

24. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Shang Ho Industry	Manufacture of plastic connectors and molds	June 1, 2022	100	<u>\$ 63,500</u>
Eagle Good	Investment	June 1, 2022	100	<u>\$ 91,392</u>

In June 2022, Shang Ho Industry and Eagle Good were acquired in order to continue the expansion of the Group's activities in automotive products.

b. Consideration transferred

	Shang Ho Industry	Eagle Good
Cash	<u>\$ 63,500</u>	<u>\$ 91,392</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	Shang Ho Industry	Eagle Good
Current assets		
Cash and cash equivalents	\$ 28,433	\$ 8,360
Financial assets at fair value through profit or loss - current	17,794	-
Trade and other receivables	29,588	107,451
Inventories	18,802	62,416
Prepayments and other current assets	1,408	26,332
Non-current assets		
Financial assets at fair value through other comprehensive income - non-current	5,668	-
Property, plant and equipment	384	13,989
Right-of-use assets	6,301	4,727
Other intangible assets	3,313	-
Deferred tax assets	9,010	-
Other non-current assets	1,178	28,226
Current liabilities		
Short-term borrowings	(20,000)	-
Trade payables and other payables	(22,052)	(119,281)
Other current liabilities	(250)	(30,540)
Non-current liabilities		
Lease liabilities	<u>(6,330)</u>	<u>(4,694)</u>
	<u>\$ 73,247</u>	<u>\$ 96,986</u>

The Gain recognized in bargain purchase transaction from the acquisition of Shang Ho Industry and Eagle Good by the Group was \$9,747 thousand and \$5,594 thousand, respectively. The gain recognized in bargain purchase transaction is the difference between the amount of consideration transferred and the fair value of identifiable net assets acquired, and is recognized in profit or loss in the current year. The amount was only provisionally determined at the balance sheet date. The measurement period is at most one year from the date of acquisition.

d. Net cash outflow on the acquisition of subsidiaries

	Shang Ho Industry	Eagle Good
Consideration paid in cash	\$ 63,500	\$ 91,392
Less: Cash and cash equivalent balances acquired	<u>(28,433)</u>	<u>(8,360)</u>
	<u>\$ 35,067</u>	<u>\$ 83,032</u>

e. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, were as follows:

	Shang Ho Industry	Eagle Good
Revenue	<u>\$ 51,830</u>	<u>\$ 388,650</u>
(Loss) profit	<u>\$ (5,950)</u>	<u>\$ 4,284</u>

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in the reporting period.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

Management believes the carrying amounts of financial assets and financial liabilities not carried at fair values approximate their fair values.

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

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 370	\$ -	\$ -	\$ 370
Mutual funds	16,826	-	-	16,826
Foreign exchange forward contracts	<u>-</u>	<u>73</u>	<u>-</u>	<u>73</u>
	<u>\$ 17,196</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 17,269</u>
Financial assets at FVTOCI				
Domestic listed shares	<u>\$ 6,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,784</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	<u>\$ 526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 526</u>

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

2) Valuation techniques and inputs applied for Level 2 fair value measurement

<u>Financial Instrument</u>	<u>Valuation Technique and Inputs</u>
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 17,269	\$ 526
Financial assets at amortized cost (1)	4,120,875	2,848,417
Financial assets at FVTOCI equity instruments	6,784	-

Financial liabilities

Financial liabilities at amortized cost (2)	4,673,110	2,791,376
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1) The balances include financial assets measured at amortized cost, which comprised cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables and part of other non-current assets.

2) The balances include financial liabilities measured at amortized cost, which comprised short-term loans, notes payable, trade payables, other payables and part of other non-current liabilities.

d. Financial risk management objectives and policies

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

The corporate treasury function reports quarterly to the Company's board of directors.

1) Market risk

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

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 31.

Sensitivity analysis

The Group was mainly exposed to the USD and RMB.

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

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Profit or loss	\$ 24,385	\$ 10,591	\$ 13,864	\$ 6,176

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 316,827	\$ 137,016
Financial liabilities	2,752,578	1,523,936
Cash flow interest rate risk		
Financial assets	824,409	538,902

Sensitivity analysis

The sensitivity analyses were determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The Group's floating-rate financial assets were demand deposits, which fluctuated moderately, and accordingly the Group was exposed to low interest rate risk. On the other hand, no floating-rate liabilities were held at the end of the reporting period, and no related sensitivity analysis was performed.

2) Credit risk

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

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by related departments such as executive vice president, internal auditors, and financial accounting.

The Group transacts with a large number of diverse customers from different industries and geographical locations; the Group performs ongoing credit evaluation on the financial condition of trade receivables and controlled the credit risk exposure.

The Group's concentration of credit risk accounted for 7% and 10% of total trade receivables as of December 31, 2022 and 2021, respectively, which was attributable to the Group's specific customer.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group had available unutilized short-term bank loan facilities set out in (b) below.

a) Liquidity and interest risk rate tables

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 830,727	\$ 1,046,200	\$ 43,244	\$ -	\$ 361
Lease liabilities	2,340	4,026	16,982	201,992	-
Fixed interest rate liabilities	<u>1,102,544</u>	<u>1,014,464</u>	<u>643,777</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,935,611</u>	<u>\$ 2,064,690</u>	<u>\$ 704,003</u>	<u>\$ 201,992</u>	<u>\$ 361</u>

December 31, 2021

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 453,890	\$ 805,559	\$ 7,635	\$ -	\$ 356
Lease liabilities	3,037	2,087	10,373	12,824	-
Fixed interest rate liabilities	<u>250,725</u>	<u>101,177</u>	<u>1,202,672</u>	<u>-</u>	<u>-</u>
	<u>\$ 707,652</u>	<u>\$ 908,823</u>	<u>\$ 1,220,680</u>	<u>\$ 12,824</u>	<u>\$ 356</u>

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank overdraft facilities, reviewed annually		
Amount used	\$ 1,542,871	\$ 1,055,625
Amount unused	<u>515,841</u>	<u>837,655</u>
	<u>\$ 2,058,712</u>	<u>\$ 1,893,280</u>
Secured bank overdraft facilities		
Amount used	\$ 1,209,707	\$ 468,311
Amount unused	<u>-</u>	<u>-</u>
	<u>\$ 1,209,707</u>	<u>\$ 468,311</u>

e. Financial asset transfer information

During 2022 and 2021, the Group's discounted notes receivable with an aggregate carrying amount of \$1,214,824 thousand and \$515,629 thousand were sold to a bank for cash proceeds of \$1,197,607 thousand and \$512,072 thousand, respectively. According to the contract, if the notes receivable are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance, as the Group has not transferred the significant risks and rewards relating to these notes receivable.

As of December 31, 2022 and 2021, the carrying amount of the notes receivable that have been transferred but have not been derecognized was \$311,007 thousand and \$268,311 thousand, respectively, and the carrying amount of the related liabilities (refer to Note 16) was \$309,707 thousand and \$268,311 thousand, respectively.

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships with the Group

<u>Related Party</u>	<u>Relationship with the Group</u>
Lear (China) Holding Limited	Associate

b. Operating revenue

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Sales	Lear (China) Holding Limited	\$ <u>55,226</u>	\$ <u>-</u>

c. Receivables from related parties

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31</u>	
		<u>2022</u>	<u>2021</u>
Trade receivables	Lear (China) Holding Limited	\$ <u>39,730</u>	\$ <u>-</u>

d. Remuneration of key management personnel

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Salaries and short-term employee benefits	\$ 85,218	\$ 72,197
Post-employment benefits	<u>1,853</u>	<u>1,297</u>
	<u>\$ 87,071</u>	<u>\$ 73,494</u>

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2022	2021
Land	\$ 961,465	\$ 132,770
Buildings	667,996	5,246
Notes receivable	<u>309,707</u>	<u>268,311</u>
	<u>\$ 1,939,168</u>	<u>\$ 406,327</u>

Land and buildings were recorded as property, plant and equipment.

29. SIGNIFICANT EVENTS

On March 24, 2023, the board of directors resolved to raise and issue the first domestic unsecured convertible bonds with a maximum of 15,000 units, each with a face value of \$100 thousand, for a total value of \$1,500,000 thousand, with a coupon rate of 0% and a maturity of five years. The bond is publicly underwritten by bidding auction, the base bid is issued at no less than the face value and the actual total issue amount is determined by the results of the bidding auction.

30. OTHER SIGNIFICANT EVENTS: NONE

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31					
	2022			2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 20,192	30.710	\$ 620,096	\$ 13,454	27.6800	\$ 372,394
EUR	1,235	32.720	40,409	2,594	31.3200	81,243
RMB	62,953	4.408	277,497	28,487	4.3440	123,746
<u>Financial liabilities</u>						
Monetary items						
USD	4,311	30.710	132,391	5,801	27.6800	160,570
EUR	138	32.720	4,515	21	31.3200	654
RMB	51	4.408	225	52	4.3440	225

The Group is mainly exposed to the USD, EUR and RMB. The following information was aggregated by the functional currencies of the entities in the Group, and the exchange rates between the respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2022		2021	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ 75,088	1 (NTD:NTD)	\$ (22,539)
RMB	4.4191 (RMB:NTD)	15,303	4.3440 (RMB:NTD)	(2,061)
VND	0.0013 (VND:NTD)	(3,529)	0.0012 (VND:NTD)	3,300
IDR	0.0020 (IDR:NTD)	(9,722)	0.0020 (IDR:NTD)	579
HKD	3.7821 (HKD:NTD)	<u>(2,601)</u>	3.5490 (HKD:NTD)	<u>618</u>
		<u>\$ 74,539</u>		<u>\$ (20,103)</u>

32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
- 9) Trading in derivative instruments: (Note 7)
- 10) Intercompany relationships and significant intercompany transactions. (Table 6)
- 11) Information on investees. (Table 7)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Note 27, Tables 1, 2 and 9)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.

Disposal of property, plant and equipment

Related Parties	Net Disposal Proceeds		Unrealized Profit and Loss	
	2022	2021	2022	2021
Hulane Nanjing	\$ 9,477	\$ 13,542	\$ 677	\$ 861
Dongguan Hulane	<u>-</u>	<u>2,497</u>	<u>-</u>	<u>571</u>
	<u>\$ 9,477</u>	<u>\$ 16,039</u>	<u>\$ 677</u>	<u>\$ 1,432</u>

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 10)

33. SEGMENT INFORMATION

The Group makes operating decisions based on the information of the Group as a whole; thus, the Group is treated as a single operating segment, and there is no need to disclose the financial information of operating segments.

a. Revenue from major products and services

The major products of the Group are connectors.

b. Geographical information

The Group operates in two principal geographical areas - China and Asia.

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
China	\$ 5,116,907	\$ 3,735,572	\$ 2,097,591	\$ 1,449,238
Asia	<u>1,409,842</u>	<u>1,213,290</u>	<u>2,514,674</u>	<u>2,270,756</u>
	<u>\$ 6,526,749</u>	<u>\$ 4,948,862</u>	<u>\$ 4,612,265</u>	<u>\$ 3,719,994</u>

Non-current assets exclude deferred tax assets.

c. Information about major customers

No single customer contributed 10% or more to the Group's revenue for 2022 and 2021.

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
1	Evervalue Investments Limited	PT. Hulane Tech. Manufacturing	Other receivables from related parties	Yes	\$ 30,710 (US\$ 1,000)	\$ 30,710 (US\$ 1,000)	\$ 30,710 (US\$ 1,000)	2.0%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 367,653 (Note 2)	\$ 367,653 (Note 2)
		Hu Lane Associate Inc.	Other receivables from related parties	Yes	131,426 (US\$ 4,000) (Note 4)	8,586 (US\$ -)	8,586 (US\$ -)	1.0%	Short-term financing	-	Operations	-	None	-	367,653 (Note 2)	367,653 (Note 2)
2	Telford Investments Limited	Hu Lane Associate Inc.	Other receivables from related parties	Yes	122,840 (US\$ 4,000)	- (US\$ -)	- (US\$ -)	0.8%	Short-term financing	-	Operations	-	None	-	174,727 (Note 3)	174,727 (Note 3)

Note 1: a. Issuer is numbered 0.

 b. The investee companies are numbered starting with 1.

Note 2: According to the operating procedures of Evervalue Investments Limited's financing provided to others, the limitations on borrowers and total amount of financing are as follows:

 a. The total amount of Evervalue Investments Limited's financing to others does not exceed 40% of net value of Evervalue Investments Limited.

 b. For those companies that have business transactions with Evervalue Investments Limited, the total amount of financing provided does not exceed 20% of net value of Evervalue Investments Limited, and the financing amount of individual borrower does not exceed the amount of transactions with Evervalue Investments Limited in the previous 12 months.

 c. For those companies that are necessary for short-term financing, the total amount of financing provided does not exceed 40% of net value of Evervalue Investments Limited, including the subsidiaries of which more than 90% of its shares is held by Evervalue Investments Limited. The rest is limited by 10% of current net value of Evervalue Investments Limited.

 d. For foreign companies of which 100% of its shares is directly or indirectly held by Hu Lane Associate Inc., the total amount of financing provided should not exceed 40% of the net value of Evervalue Investments Limited, and the financing amount of individual borrowers should not exceed 40% of the net value of Evervalue Investments Limited.

Note 3: According to the operating procedures of Telford Investments Limited's financing provided to others, the limitations on borrowers and total amount of financing are as follows:

 a. The total amount of Telford Investments Limited's financing to others does not exceed 40% of net value of Evervalue Investments Limited.

 b. For those companies that have business transactions with Telford Investments Limited, the total amount of financing provided does not exceed 20% of net value of Telford Investments Limited, and the financing amount of individual borrower does not exceed the amount of transactions with Telford Investments Limited in the previous 12 months.

 c. For those companies that are necessary for short-term financing, the total amount of financing provided does not exceed 40% of net value of Telford Investments Limited, including the subsidiaries of which more than 90% of its shares is held by Telford Investments Limited. The rest is limited by 10% of current net value of Telford Investments Limited.

 d. For foreign companies of which 100% of its shares is directly or indirectly held by Hu Lane Associate Inc., the total amount of financing provided does not exceed 100% of net value of Telford Investments Limited, and the financing amount of individual borrower does not exceed 100% of net value of Telford Investments Limited.

TABLE 2

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to Each Counterparty	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	Hu Lane Associate Inc. (Note 1)	Evervalue Investments Limited	Subsidiary of which more than 50% of its shares is held by the investor	\$ 1,110,646	\$ 92,130	\$ 92,130 (US\$ 3,000)	\$ -	\$ -	1.66	\$ 2,221,293	Y	N	N
		Dongguan Hulane Puguang Trading Co., Ltd.	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	555,323	285,790	255,080 (US\$ 4,000) (CNY 30,000)	246,848	-	4.59	2,221,293	Y	N	Y
		Hulane Electronics (Vietnam) Limited	Subsidiary of which more than 50% of its shares is held by the investor	1,110,646	138,195	99,193 (US\$ 3,230)	-	-	1.79	2,221,293	Y	N	N
		PT. Hulane Tech Manufacturing	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	555,323	76,775	32,860 (US\$ 1,070)	30,710	-	0.59	2,221,293	Y	N	N
		Hulane Electronics (Nanjing) Limited	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	555,323	110,200	110,200 (CNY 25,000)	44,080	-	1.98	2,221,293	Y	N	Y

Note 1: The amount of endorsements or guarantee of Hu Lane Associate Inc. does not exceed 20% of current net value on the financial statements to a single company, excluding the subsidiaries of which more than 90% of its shares is held by Hu Lane Associate Inc. The rest is limited by 10% of current net value of Hu Lane Associate Inc.

Note 2: The cumulative amount of Hu Lane Associate Inc.'s endorsements does not exceed 40% of current net value on the financial statements.

TABLE 3

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Hu Lane Associate Inc. Shang Ho Industry	<u>Domestic listed shares</u>							
	Chia Chang Co., Limited	-	Financial assets at fair value through profit or loss - current	10,451	\$ 370	-	\$ 370	
	Taiwan Semiconductor Manufacturing Co., Limited	-	Financial assets at fair value through profit or loss - non-current	15,000	6,728	-	6,728	
	Eva Airways Co.,	-	Financial assets at fair value through profit or loss - non-current	2,000	56	-	56	
Shang Ho Industry	<u>Mutual funds</u>							
	Allianz Global Investors US Short Duration High Income Bond Fund	-	Financial assets at fair value through profit or loss - current	850,494	7,340	-	7,340	
	M&G (Lux) Investment Funds 1-M&G (Lux) Income Allocation Fund USD A	-	Financial assets at fair value through profit or loss - current	1,431	3,668	-	3,668	
	Franklin Templeton Investment Funds-Franklin Income Fund Class A (Mdis) USD	-	Financial assets at fair value through profit or loss - current	12,388	3,797	-	3,797	
	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	-	Financial assets at fair value through profit or loss - current	125,000	2,021	-	2,021	

TABLE 4

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Hu Lane Associate Inc.	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	Sale	\$ (626,713)	(23)	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	\$ 629,502	49	
Dongguan Hulane Electronics Technology	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	Sale	(2,241,625)	(85)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	1,119,010	81	
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	Sale	(1,595,129)	(84)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	415,892	67	
Dongguan Hulane Electronics Technology	Hu Lane Associate Inc.	Parent company	Sale	(284,886)	(11)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	68,442	5	
Hulane Electronics (Nanjing) Limited	Hu Lane Associate Inc.	Parent company	Sale	(218,327)	(12)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	78,426	13	
Hu Lane Associate Inc.	Dongguan Hulane Electronics Technology	Subsidiary	Sale	(631,312)	(24)	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	205,292	16	
Hulane Electronics (Vietnam) Limited	Hu Lane Associate Inc.	Parent company	Sale	(158,995)	(33)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	82,204	51	
Dongguan Hulane Electronics Technology	Hulane Electronics (Nanjing) Limited	Related party in substance	Sale	(118,341)	(4)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	49,661	4	
Dongguan Hulane Puguang Trading Co., Ltd.	Dongguan Hulane Electronics Technology	Related party in substance	Purchase	2,241,625	49	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practice	(1,119,010)	(51)	
	Hulane Electronics (Nanjing) Limited	Related party in substance	Purchase	1,595,129	35	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(415,892)	(19)	
Hu Lane Associate Inc.	Dongguan Hulane Electronics Technology	Subsidiary	Purchase	284,886	17	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(68,442)	(14)	
	Hulane Electronics (Nanjing) Limited	Subsidiary	Purchase	218,327	13	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(78,426)	(16)	
Dongguan Hulane Electronics Technology	Hu Lane Associate Inc.	Parent company	Purchase	631,312	36	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(205,292)	(30)	
Dongguan Hulane Puguang Trading Co., Ltd.	Hu Lane Associate Inc.	Parent company	Purchase	626,713	14	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(629,502)	(29)	
Hu Lane Associate Inc.	Hulane Electronics (Vietnam) Limited	Subsidiary	Purchase	158,955	9	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(82,204)	(17)	
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Electronics Technology	Related party in substance	Purchase	118,341	9	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(49,661)	(11)	

TABLE 5

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	\$ 415,892	2.63	\$ -	-	\$ 240,526	\$ -
Dongguan Hulane Electronics Technology	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	1,119,010	2.19	-	-	261,235	-
Hu Lane Associate Inc.	Dongguan Hulane Electronics Technology	Subsidiary	205,292	1.61	-	-	50,528	-
	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	629,502	1.99	-	-	-	-
Dongguan Hulane Electronics Technology	Hulane Electronics (Nanjing) Limited	Related party in substance	118,341	4.77	-	-	192,799	-

TABLE 6

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
0	Hu Lane Associate Inc.	Hulane Electronic (Nanjing) Co., Ltd.	1	Purchase	\$ 218,327	Based on general terms	3
		Hulane Electronic (Nanjing) Co., Ltd.	1	Trade payables to related parties	78,426	Regular settlement or debit-credit offset	-
		Hulane Electronic (Nanjing) Co., Ltd.	1	Other receivables	58,227	Regular settlement or debit-credit offset	-
		Hulane Electronic (Nanjing) Co., Ltd.	1	Other payables	10,359	Regular settlement or debit-credit offset	-
		Hulane Electronic (Nanjing) Co., Ltd.	1	Other revenue	49,763	Based on general terms	1
		Dongguan Hulane Puguang Trading Co., Ltd.	1	Sales	626,712	Based on general terms	10
		Dongguan Hulane Puguang Trading Co., Ltd.	1	Purchase	53,530	Based on general terms	1
		Dongguan Hulane Puguang Trading Co., Ltd.	1	Trade receivables from related parties	629,502	Regular settlement or debit-credit offset	-
		Dongguan Hulane Puguang Trading Co., Ltd.	1	Trade payables to related parties	53,749	Regular settlement or debit-credit offset	-
		Dongguan Hulane Puguang Trading Co., Ltd.	1	Other receivables	12,359	Regular settlement or debit-credit offset	-
		PT. Hulane Tech Manufacturing	1	Trade receivables from related parties	33,238	Regular settlement or debit-credit offset	-
		PT. Hulane Tech Manufacturing	1	Sales	40,926	Based on general terms	1
		Hulane Electronic (Vietnam) Co., Ltd.	1	Trade receivables from related parties	96,238	Regular settlement or debit-credit offset	-
		Hulane Electronic (Vietnam) Co., Ltd.	1	Trade payables to related parties	82,204	Regular settlement or debit-credit offset	-
		Hulane Electronic (Vietnam) Co., Ltd.	1	Sales	85,259	Based on general terms	1
		Hulane Electronic (Vietnam) Co., Ltd.	1	Purchase	158,955	Based on general terms	2
		Hulane Electronic (Vietnam) Co., Ltd.	1	Other receivables	180,231	Regular settlement or debit-credit offset	-
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Trade receivables from related parties	205,292	Regular settlement or debit-credit offset	-
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Other receivables	69,889	Regular settlement or debit-credit offset	-
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Trade payables to related parties	68,444	Regular settlement or debit-credit offset	-
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Sales	631,312	Based on general terms	10
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Purchase	284,886	Based on general terms	4
		Dongguan Hulane Electronic Technology Co., Ltd.	1	Other revenue	65,070	Based on general terms	1
1	Evervalue Investments Limited	PT. Hulane Tech Manufacturing	3	Other receivables	31,184	Regular settlement or debit-credit offset	-
2	Hulane Electronic (Nanjing) Co., Ltd.	Dongguan Hulane Puguang Trading Co., Ltd.	3	Sales	1,595,129	Based on general terms	24
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Trade receivables from related parties	415,892	Regular settlement or debit-credit offset	-
		PT. Hulane Tech Manufacturing	3	Sales	12,249	Based on general terms	1
		Jiaying Shangho Electronic Technology Co., Ltd.	3	Prepayment	45,927	Regular settlement or debit-credit offset	-
		Jiaying Shangho Electronic Technology Co., Ltd.	3	Other receivables	15,207	Regular settlement or debit-credit offset	-
3	Dongguan Hulane Electronic Technology Co., Ltd.	Dongguan Hulane Puguang Trading Co., Ltd.	3	Trade receivables from related parties	1,119,010	Regular settlement or debit-credit offset	-
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Sales	2,241,625	Based on general terms	34
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Purchase	88,822	Based on general terms	1
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Trade payables to related parties	91,158	Based on general terms	-
		Hulane Electronic (Nanjing) Co., Ltd.	3	Sales	118,341	Based on general terms	2
		Hulane Electronic (Nanjing) Co., Ltd.	3	Trade receivables from related parties	49,661	Regular settlement or debit-credit offset	1

(Continued)

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% to Total Sales or Assets
4	Hulane Electronic (Vietnam) Co., Ltd.	Fortune Master Development Limited	3	Sales	\$ 65,562	Based on general terms	1
		Dongguan Hulane Electronic Technology Co., Ltd.	3	Sales	73,269	Regular settlement or debit-credit offset	1
		Dongguan Hulane Electronic Technology Co., Ltd.	3	Trade receivables from related parties	33,615	Regular settlement or debit-credit offset	-
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Trade receivables from related parties	24,865	Regular settlement or debit-credit offset	-
		Dongguan Hulane Puguang Trading Co., Ltd.	3	Sales	16,700	Regular settlement or debit-credit offset	-
5	Dongguan Hulane Puguang Trading Co., Ltd.	Jiaxing Shangho Electronic Technology Co., Ltd.	3	Prepayment	44,088	Regular settlement or debit-credit offset	-

Note 1: The No column is denoted as follows:

- a. The parent company is numbered 0.
- b. The subsidiary companies are numbered starting from 1.

Note 2: The relationship column is denoted as follows:

- a. Parent company to subsidiary.
- b. Subsidiary to parent company.
- c. Subsidiary to subsidiary.

Note 3: The ratio of transaction amount to consolidated total revenue or total assets is calculated as the ending balance to consolidated total assets for asset and liability accounts and as the cumulative amount to consolidated total revenue for profit and loss accounts.

Note 4: A transaction of NT\$10 million or more.

(Concluded)

TABLE 7

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
Hu Lane Associate Inc.	Evervalue Investments Limited	Offshore Chambers, P.O. Box 217, Apia, Samoa	Investment	\$ 467,557	\$ 467,557	15,520	100.00	\$ 3,567,422	\$ 549,230	\$ 549,230	Note Note
	Telford Investments Limited	"	Investment	38,490	38,490	1,034	100.00	174,727	19,107	19,107	
	Eagle Good Limited	"	Investment	225,132	-	10,680	100.00	236,227	(45,597)	4,284	
	Hulane Electronics (Vietnam) Limited	Vietnam	Manufacturing	182,033	182,033	6,300	100.00	213,317	14,448	14,448	
	Shang Ho Industry Co., Ltd.	Taiwan	Manufacturing	63,500	-	8,660	100.00	65,873	(12,985)	(5,950)	
	PT Hulane Tech Manufacturing	Indonesia	Manufacturing	15,472	15,472	800	32.00	25,777	11,873	3,799	
Evervalue Investments Limited	Fortune Master Development Limited	Hong Kong	Investment	277,993	277,993	9,400	100.00	1,806,001	535,633	535,633	
	PT Hulane Tech Manufacturing	Indonesia	Manufacturing	36,286	36,286	1,200	48.00	59,176	11,873	5,699	

Note: The acquisition was made through a merger on June 1, 2022, the investment income (loss) only recognized from June to December.

TABLE 8

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Hulane Electronics (Nanjing) Limited	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 8,500	Note 1	\$ 275,946	\$ -	\$ -	\$ 275,946	\$ 6,459	100.00	\$ 6,459	\$ 1,372,839	\$ -
Dongguan Hulane Electronics Technology	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 8,000	Note 1	236,287	-	-	236,287	367,511	100.00	367,511	1,372,887	-
Dongguan Hulane Puguang Trading Co., Ltd.	Sales of terminals, bales of wire, connectors and molds.	US\$ 1,400	Note 1	41,706	-	-	41,706	171,288	100.00	171,288	391,436	-
Lear (China) Holding Limited	Sales of terminals, bales of wire, connectors and molds.	US\$ 1,500	Note 2	-	16,608	-	16,608	(10,600)	40.00	(4,240)	12,529	-
Jiaxing Shangho Electronic Technology Co., Ltd.	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 10,500	Note 3	-	133,740	-	133,740	(29,113)	100.00	4,332	236,208	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
US\$26,090 thousand (NT\$704,287 thousand)	US\$26,090 thousand	5,574,655 thousand × 60% = 3,344,793 thousand

Note 1: Investment through companies incorporated in a third region.

Note 2: Direct investment by the Company.

Note 3: The acquisition through merger of Eagle Good Limited.

TABLE 9**HU LANE ASSOCIATE INC. AND SUBSIDIARIES**

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Amount	Price	Payment Terms	Comparison with Normal Transaction	Ending Balance	%	Unrealized (Gain) Loss
Hulane Electronics (Nanjing) Limited	Sales Purchase	\$ 1,835,070 130,888	Not significantly different from general customers Not significantly different from general customers	90-270 days 90 days	Not significantly different from general customers Credit conditions adjusted based on China's trading practices	\$ 503,391 (60,343)	81 (14)	Note 2 -
Dongguan Hulane Puguang Trading Co., Ltd.	Sales Purchase	159,547 4,483,785	Not significantly different from general customers Not significantly different from general customers	90-180 days 180-365 days	Not significantly different from general customers Credit conditions adjusted based on China's trading practices	159,751 (2,199,773)	7 (100)	Note 2 -
Dongguan Hulane Electronics Technology	Sales Purchase	2,644,852 805,620	Not significantly different from general customers Not significantly different from general customers	90-270 days 90-365 days	Not significantly different from general customers Credit conditions adjusted based on China's trading practices	1,237,115 (340,120)	90 (50)	Note 2 -
Jiaxing Shang Ho Electronics Technology Co., Ltd.	Sales	9,181	Not significantly different from general customers	270 days	Not significantly different from general customers	9,376	3	-
	Purchase	8,760	Not significantly different from general customers	270 days	Credit conditions adjusted based on China's trading practices	(20,689)	(9)	-
Lear (China) Holding Limited	Purchase	55,226	Not significantly different from general customers	270 days	Credit conditions adjusted based on China's trading practices	(39,730)	(88)	-

Note 1: All unrealized gains and losses with investee companies in mainland China were eliminated in the consolidated financial statements.

Note 2: Hulane Electronics (Nanjing) Limited had an unrealized balance of \$21,192 thousand through December 31, 2022; the unrealized balance of Dongguan Hulane Puguang Trading Co., Ltd. is \$93,432 thousand; the unrealized balance of Dongguan Hulane Electronics Technology is \$92,082 thousand.

TABLE 10**HU LANE ASSOCIATE INC.****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sheng-Ching Hu	5,775,315	5.79

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

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

Hu Lane Associate Inc.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hu Lane Associate Inc.

Opinion

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

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

Basis for Opinion

We conducted our audits of the financial statements, in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Occurrence of Revenue

For the year ended December 31, 2022, the operating revenue amounted to \$2,671,927 thousand. Some single customers contributed more to the Company's revenue amounted to NT\$2,261,346 thousand. The operating revenue derived from some major customers amounted to \$281,593 thousand. Since some single customers contributed more to the Company's operating revenue and there was material change on the amount of operating revenue as compared with the same period last year, the occurrence of the operating revenue from the abovementioned customers was identified as a key audit matter.

Refer to Note 4 to the Company's financial statements for the accounting policy of revenue recognition.

Our audit procedures performed to verify the occurrence of revenue in respect of the above key audit matter included the following:

1. We obtained an understanding of the design and tested the operating effectiveness of the relevant internal controls.
2. We sampled the transaction documents and the bank collection records, and checked whether the recipients of the products were the same as the counterparties of the transactions.

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

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

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

Those charged with governance (including the supervisors) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Jiun-hung Shih and Wang-Sheng Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 24, 2023

Notice to Readers

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

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

HU LANE ASSOCIATE INC.

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 128,222	1	\$ 315,728	4
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 23)	443	-	526	-
Notes receivable (Notes 4, 8 and 25)	44,510	1	50,908	1
Trade receivables from unrelated parties (Notes 4 and 8)	267,416	3	241,886	3
Trade receivables from related parties (Note 24)	965,702	11	677,148	9
Other receivables from unrelated parties	16,641	-	12,502	-
Other receivables from related parties (Note 24)	328,919	4	203,926	3
Current tax assets (Notes 4 and 19)	22,242	-	22,666	-
Inventories (Notes 4 and 9)	242,735	3	297,464	4
Other current assets	56,318	1	36,404	1
Total current assets	2,073,148	24	1,859,158	25
NON-CURRENT ASSETS				
Investments accounted for using equity method (Notes 4 and 10)	4,295,872	49	3,336,529	46
Property, plant and equipment (Notes 4, 11 and 25)	2,213,228	26	2,027,333	28
Right-of-use assets (Notes 4 and 12)	12,773	-	8,251	-
Investment properties (Note 4)	2,490	-	2,494	-
Intangible assets (Note 4)	6,329	-	3,684	-
Deferred tax assets (Notes 4 and 19)	33,726	-	34,653	-
Other non-current assets	51,838	1	57,823	1
Total non-current assets	6,616,256	76	5,470,767	75
TOTAL	\$ 8,689,404	100	\$ 7,329,925	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 13 and 25)	\$ 2,111,000	24	\$ 1,200,000	16
Notes payable	26,111	1	2,926	-
Trade payables to unrelated parties	185,205	2	182,939	3
Trade payables to related parties (Note 24)	280,410	3	225,322	3
Other payables to unrelated parties (Note 14)	244,053	3	196,705	3
Other payables to related parties (Note 24)	9,103	-	222,843	3
Current tax liabilities (Notes 4 and 19)	68,660	1	99,887	1
Finance lease payables - current (Notes 4 and 12)	4,852	-	2,764	-
Other current liabilities	16,956	-	21,362	-
Total current liabilities	2,946,350	34	2,154,748	29
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 19)	153,012	2	150,799	2
Finance lease payables - non-current (Notes 4 and 12)	8,114	-	5,567	-
Net defined benefit liabilities - non-current (Notes 4 and 15)	28,676	-	33,797	1
Other non-current liabilities	20	-	20	-
Total non-current liabilities	189,822	2	190,183	3
Total liabilities	3,136,172	36	2,344,931	32
EQUITY (Notes 4 and 16)				
Share capital				
Ordinary shares	996,547	12	996,547	14
Capital surplus	934,183	11	1,033,837	14
Retained earnings				
Legal reserve	949,240	11	871,116	12
Special reserve	263,672	3	262,423	3
Unappropriated earnings	2,550,756	29	2,024,826	28
Total retained earnings	3,763,668	43	3,158,365	43
Other equity	(141,166)	(2)	(203,755)	(3)
Total equity	5,553,232	64	4,984,994	68
TOTAL	\$ 8,689,404	100	\$ 7,329,925	100

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

HU LANE ASSOCIATE INC.

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 17 and 24)	\$ 2,671,927	100	\$ 2,468,244	100
OPERATING COSTS (Notes 9, 18 and 24)	<u>1,969,797</u>	<u>74</u>	<u>1,739,357</u>	<u>71</u>
GROSS PROFIT	702,130	26	728,887	29
(UNREALIZED) REALIZED GAIN WITH SUBSIDIARIES (Notes 4 and 24)	<u>(3,627)</u>	<u>-</u>	<u>(33,540)</u>	<u>(1)</u>
REALIZED GROSS PROFIT	<u>698,503</u>	<u>26</u>	<u>695,347</u>	<u>28</u>
OPERATING EXPENSES (Notes 4, 8, 18 and 24)				
Selling and marketing expenses	98,147	4	82,913	3
General and administrative expenses	186,170	7	172,189	7
Research and development expenses	81,962	3	65,292	3
Expected credit loss (reversal of gain)	<u>902</u>	<u>-</u>	<u>(1,515)</u>	<u>-</u>
Total operating expenses	<u>367,181</u>	<u>14</u>	<u>318,879</u>	<u>13</u>
PROFIT FROM OPERATIONS	<u>331,322</u>	<u>12</u>	<u>376,468</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 18)	338	-	386	-
Other income (Notes 18 and 24)	140,542	5	108,509	4
Other gains and losses (Note 18)	57,308	2	(14,514)	(1)
Finance costs (Note 4)	(16,590)	-	(8,604)	-
Share of profit of subsidiaries and associates (Note 4)	<u>580,678</u>	<u>22</u>	<u>430,704</u>	<u>18</u>
Total non-operating income and expenses	<u>762,276</u>	<u>29</u>	<u>516,481</u>	<u>21</u>
PROFIT BEFORE INCOME TAX	1,093,598	41	892,949	36
INCOME TAX EXPENSE (Notes 4 and 19)	<u>93,697</u>	<u>4</u>	<u>104,404</u>	<u>4</u>
NET PROFIT FOR THE YEAR	<u>999,901</u>	<u>37</u>	<u>788,545</u>	<u>32</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 15 and 19)				
Items that will not be reclassified subsequently to profit or loss				

(Continued)

HU LANE ASSOCIATE INC.

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

	2022		2021	
	Amount	%	Amount	%
Remeasurement of defined benefit plans	5,026	-	(9,133)	-
Share of other comprehensive gain (loss) of subsidiaries and associates	(1,424)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(1,005)	-	1,826	-
Total items that will not be reclassified subsequently to profit or loss	2,597	-	(7,307)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	1,708	-	1,694	-
Other comprehensive income (loss) for the year, net of income tax	62,305	3	(2,942)	-
Total items that may be reclassified subsequently to profit or loss	64,013	3	(1,248)	-
Other comprehensive income (loss) for the year, net of income tax	66,610	3	(8,555)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 1,066,511	40	\$ 779,990	32
EARNINGS PER SHARE (Note 20)				
Basic	\$ 10.03		\$ 7.91	
Diluted	\$ 10.00		\$ 7.89	

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

(Concluded)

HU LANE ASSOCIATE INC.

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

	Share Capital		Retained Earnings			Other Equity		Total Equity
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	\$ 996,547	\$ 1,133,491	\$ 815,276	\$ 287,251	\$ 1,573,564	\$ (202,507)	\$ -	\$ 4,603,622
Appropriation of 2020 earnings								
Legal reserve	-	-	55,840	-	(55,840)	-	-	-
Special reserve	-	-	-	(24,828)	24,828	-	-	-
Cash dividends	-	-	-	-	(298,964)	-	-	(298,964)
Cash dividends from capital surplus	-	(99,654)	-	-	-	-	-	(99,654)
Net profit for the year ended December 31, 2021	-	-	-	-	788,545	-	-	788,545
Other comprehensive loss for the year ended December 31, 2021, net of income tax	-	-	-	-	(7,307)	(1,248)	-	(8,555)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	781,238	(1,248)	-	779,990
BALANCE AT DECEMBER 31, 2021	996,547	1,033,837	871,116	262,423	2,024,826	(203,755)	-	4,984,994
Appropriation of 2021 earnings								
Legal reserve	-	-	78,124	-	(78,124)	-	-	-
Special reserve	-	-	-	1,249	(1,249)	-	-	-
Cash dividends	-	-	-	-	(398,619)	-	-	(398,619)
Cash dividends from capital surplus	-	(99,654)	-	-	-	-	-	(99,654)
Net profit for the year ended December 31, 2022	-	-	-	-	999,901	-	-	999,901
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	4,021	64,013	(1,424)	66,610
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	1,003,922	64,013	(1,424)	1,066,511
BALANCE AT DECEMBER 31, 2022	<u>\$ 996,547</u>	<u>\$ 934,183</u>	<u>\$ 949,240</u>	<u>\$ 263,672</u>	<u>\$ 2,550,756</u>	<u>\$ (139,742)</u>	<u>\$ (1,424)</u>	<u>\$ 5,553,232</u>

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

HU LANE ASSOCIATE INC.

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,093,598	\$ 892,949
Adjustments for:		
Depreciation expenses	82,164	56,300
Amortization expenses	11,794	6,629
Expected credit (gain) loss recognized	902	(1,515)
Net gain (loss) on fair value change of financial assets and liabilities at fair value through profit or loss	83	(1,387)
Finance costs	16,590	8,604
Interest income	(338)	(386)
Dividend income	(31)	(26)
Share of loss of subsidiaries/and associates	(580,678)	(430,704)
Gain on disposal of property, plant and equipment	(512)	(6,036)
Reversal of gain on lease modifications	(6)	-
Write-downs of inventories	(3,014)	10,547
Unrealized loss (gain) on transactions with subsidiaries	3,627	33,540
Gain from bargain purchase	(15,341)	-
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	1,258
Notes receivable	6,398	6,217
Trade receivables from unrelated parties	(26,463)	(30,861)
Trade receivables from related parties	(288,554)	(5,767)
Other receivables from unrelated parties	(4,139)	(5,956)
Other receivables from related parties	(124,993)	(55,352)
Inventories	57,755	(132,764)
Other current assets	(19,914)	(29,635)
Other non-current assets	8,364	(38,719)
Notes payable	23,185	68
Trade payables from unrelated parties	2,266	60,801
Trade payables from related parties	55,088	126,113
Other payables from unrelated parties	29,878	18,693
Other payables from related parties	(213,740)	222,034
Other current liabilities	(9,894)	(486)
Net defined benefit liability	(95)	(2,283)
Cash generated from operations	103,980	701,876
Interest received	338	386
Interest paid	(15,206)	(8,340)
Income tax paid	(98,682)	(73,650)
Net cash (used in) generated from operating activities	(9,570)	620,272
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments accounted for using the equity method	(16,608)	-
Payments for acquisition of subsidiary	(154,892)	-

(Continued)

HU LANE ASSOCIATE INC.

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

	2022	2021
Payments for property, plant and equipment	(285,763)	(211,684)
Proceeds from disposal of property, plant and equipment	33,397	24,692
Increase in refundable deposits	(674)	(1,374)
Payments for intangible assets	(5,430)	(4,954)
Dividends received	<u>31</u>	<u>26</u>
Net cash used in investing activities	<u>(429,939)</u>	<u>(193,294)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term borrowings	911,000	10,000
Repayment of the principal portion of lease liabilities	(3,937)	(1,763)
Dividends paid to owners of the Company	(498,273)	(398,618)
Payment of ownership interests in subsidiaries	<u>(133,740)</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>275,050</u>	<u>(390,381)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(23,047)</u>	<u>(18,862)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(187,506)	17,735
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>315,728</u>	<u>297,993</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 128,222</u>	<u>\$ 315,728</u>

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

(Concluded)

HU LANE ASSOCIATE INC.

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

1. GENERAL INFORMATION

Hu Lane Associate Inc. (the “Company”) was incorporated in July 1977 as Hu Lane Enterprise Co., Ltd. and renamed as Hu Lane Industry Co., Ltd. on January 29, 2001, and later renamed again as Hu Lane Associate Inc. in 2003. The Company established the Hong Kong Branch in October 2001. The Company is mainly engaged in the manufacturing and sale of terminal devices, terminal crimping, industrial rubber and plastic products.

The Company’s shares have been listed on the Taipei Exchange since November 26, 2003. The Company’s stockholders approved the planned merger with Jie Yun Industry Co., Ltd. on May 28, 2004 with the effective merger date on August 31, 2004, and the Company was the surviving entity. The Company’s board of directors approved the planned merger with I-hung Steel Co., Ltd. on April 10, 2014 with the effective merger date on May 12, 2014, and the Company was the surviving entity.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 24, 2023.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in these parent company only financial statements.

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

e. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction (i.e., not retranslated).

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

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation (attributable to the owners of the Company) are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is included in equity transactions and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Inventories

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

g. Investment in subsidiaries

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

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

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

Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in standalone financial statements only to the extent of interests in the subsidiary that are not related to the Company.

h. Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Company uses the equity method to account for its investments in associates. Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the financial statements only to the extent that interests in the associate are not related to the Company.

i. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

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

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

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

m. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified as financial assets at fair value through profit or loss and financial assets at amortized cost.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are mandatorily classified or designated as at fair value through profit or loss. Financial assets mandatorily classified as at fair value through profit or loss include investments in equity instruments which are not designated as at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 23.

ii. Financial assets at amortized cost

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

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

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

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

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

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

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables.

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

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

- i. Internal or external information show that the debtor is unlikely to pay its creditors.
- ii. When a financial asset is more than 90 days past due unless the Company has reasonable and corroborative information to support a more lagged default criterion.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

n. Revenue recognition

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

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the goods or services promised in the contracts are a single performance obligation.

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of terminals and molds. Sales of terminals and molds are recognized as revenue when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

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

o. Leasing

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

1) The Company as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

2) The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

The sum of the tax currently payable and deferred tax.

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	\$ 1,229	\$ 836
Checking accounts and demand deposits	<u>126,993</u>	<u>314,892</u>
	<u>\$ 128,222</u>	<u>\$ 315,728</u>

The market rate intervals of demand deposits at the end of year were as follows:

	December 31	
	2022	2021
Demand deposits	0.01%-1.05%	0.01%-0.30%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Foreign exchange forward contracts	\$ 73	\$ -
Non-derivative financial assets		
Domestic listed shares	<u>370</u>	<u>526</u>
	<u>\$ 443</u>	<u>\$ 526</u>

At the end of the reporting period, outstanding foreign exchange swap contracts not under hedge accounting were as follows:

December 31, 2022

	Currency	Maturity Date	Notional Amount (In Thousands)
Foreign exchange swap contracts	NT\$/US\$	June 8, 2022-March 8, 2023 (Note)	NT\$30,442/US\$1,000

Note: Extension from December 8, 2022 to March 8, 2023.

The Company entered into the foreign exchange swap to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

The Company's copper option contract signed with Citibank (Taiwan) Commercial Bank (hereinafter referred to as Citibank) was recognized as derivative financial instrument transactions for which hedge accounting was not applied. At the end of the reporting period, outstanding copper option contracts were as follows:

December 31, 2021

	<u>Exercise price</u>	<u>Contract date</u>	<u>Total quantity</u>
Commodity Option	More than US\$10,150/tonne, less than US\$9,155/tonne	September 1, 2021- December 31, 2021	200 tonne

The above derivative transactions, the gain on financial assets at fair value through profit or loss amounted to \$73 thousand and \$1,258 thousand for the years ended December 31, 2022 and 2021, respectively.

8. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Notes receivable</u>		
Notes receivable - operating	<u>\$ 44,510</u>	<u>\$ 50,908</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 277,467	\$ 251,004
Less: Allowance for impairment loss	<u>(10,051)</u>	<u>(9,118)</u>
	<u>\$ 267,416</u>	<u>\$ 241,886</u>

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables.

The Company adopted a policy of only dealing with reputable entities, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the executive vice president, internal audit department and accounting department annually.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to the past default records of the debtor and an analysis of the debtor's current financial position at the reporting date. As the Company's historical credit loss experience show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished according to the Company's different customer base.

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

December 31, 2022

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Expected credit loss rate	0.04%- 0.05%	0.18%- 0.34%	4.83%- 19.27%	39.46%- 51.13%	100%	
Gross carrying amount	\$ 212,819	\$ 51,417	\$ 3,796	\$ 552	\$ 8,883	\$ 277,467
Loss allowance (Lifetime ECLs)	<u>(105)</u>	<u>(147)</u>	<u>(634)</u>	<u>(282)</u>	<u>(8,883)</u>	<u>(10,051)</u>
Amortized cost	<u>\$ 212,714</u>	<u>\$ 51,270</u>	<u>\$ 3,162</u>	<u>\$ 270</u>	<u>\$ -</u>	<u>\$ 267,416</u>

December 31, 2021

	Not Past Due	1 to 90 Days	91 to 180 Days	181 to 270 Days	Over 271 Days	Total
Expected credit loss rate	0.1%- 0.12%	0.21%- 0.49%	6.1%- 15.85%	38.76%- 56.09%	100%	
Gross carrying amount	\$ 205,897	\$ 33,749	\$ 2,605	\$ 4	\$ 8,749	\$ 251,004
Loss allowance (Lifetime ECLs)	<u>(112)</u>	<u>(90)</u>	<u>(164)</u>	<u>(3)</u>	<u>(8,749)</u>	<u>(9,118)</u>
Amortized cost	<u>\$ 205,785</u>	<u>\$ 33,659</u>	<u>\$ 2,441</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 241,886</u>

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

	2022	2021
Balance at January 1	\$ 9,118	\$ 10,650
Add: Net remeasurement of loss allowance	902	(1,515)
Foreign exchange gains and losses	<u>31</u>	<u>(17)</u>
Balance at December 31	<u>\$ 10,051</u>	<u>\$ 9,118</u>

9. INVENTORIES

	<u>December 31</u>	
	2022	2021
Finished goods	\$ 154,049	\$ 185,577
Work in progress	38,902	53,868
Raw materials and supplies	43,617	51,496
Merchandise	<u>6,167</u>	<u>6,523</u>
	<u>\$ 242,735</u>	<u>\$ 297,464</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was \$1,969,797 thousand and \$1,739,357 thousand, respectively. The cost of goods sold included inventory write-downs or gain from price recovery of inventory, which amounted to \$(3,014) thousand and \$10,547 thousand in 2022 and 2021, respectively.

10. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2022	2021
Investments in Subsidiaries	\$ 4,283,343	\$ 3,336,529
Investments in Associates	<u>12,529</u>	<u>-</u>
	<u>\$ 4,295,872</u>	<u>\$ 3,336,529</u>

a. Investments in subsidiaries

	December 31	
	2022	2021
<u>Non publicly quoted entity</u>		
Evervalue Investments Limited	\$ 3,567,422	\$ 2,972,800
Telford Investments Limited	174,727	155,620
Hu Lane Electronic (Vietnam) Co., Limited	213,317	188,646
PT. Hulane Tech Manufacturing	25,777	19,463
Shang Ho Industry Co., Limited	65,873	-
Joywell Corporation Limited	<u>236,227</u>	<u>-</u>
	<u>\$ 4,283,343</u>	<u>\$ 3,336,529</u>

	Proportion of Ownership and Voting Rights	
	December 31	
Subsidiaries	2022	2021
Evervalue Investments Limited	100%	100%
Telford Investments Limited	100%	100%
Hu Lane Electronic (Vietnam) Co., Limited	100%	100%
PT. Hulane Tech Manufacturing (Note 1)	32%	32%
Shang Ho Industry Co., Limited (Note 2)	100%	-
Joywell Corporation Limited (Note 2)	100%	-

Note 1: PT. HULANE TECH MANUFACTURING resolved to increase cash capital by the board of directors in July 2022. The Company's board of directors resolved to participate in the capital increase in November 2022.

Note 2: The subsidiary's 100% equity was acquired by the Company in June 2022.

b. Investments in associates

	December 31, 2022
Associate that is not individually material	
Lear (China) Holding Limited	<u>\$ 12,529</u>

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

The Company's share of:

Loss from continuing operations	\$ (4,240)
Other comprehensive income	<u>161</u>

Total comprehensive loss for the year	<u>\$ (4,079)</u>
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Note: In January 2022, The Group established Yangzhou Lear Hulane Automotive Parts Trading CO., Ltd. with Lear (China) Holding Limited with a capital of US\$600 thousand of which the Company holds 40%, and acquired a significant impact on the Company.

The calculation is based on the unaudited financial statements of Yangzhou Lear Hulane Automotive Parts Trading CO., Ltd. However, the management considers that the unaudited financial statements of the above investees do not have material impacts.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvements	Other Equipment	Prepayments for Equipment and Property under Construction	Total
Cost									
Balance at January 1, 2021	\$ 1,008,022	\$ 54,066	\$ 217,307	\$ 5,246	\$ 14,276	\$ 1,200	\$ 2,854	\$ 751,768	\$ 2,054,739
Additions	-	-	-	200	-	-	-	236,201	236,401
Disposals	-	(80)	(31,639)	(2,092)	(3,697)	(1,200)	(170)	(17,897)	(56,775)
Effect of foreign currency exchange differences	-	-	-	-	(16)	-	-	-	(16)
Reclassifications	-	621,939	43,171	2,862	490	-	-	(679,394)	(10,932)
Balance at December 31, 2021	<u>1,008,022</u>	<u>675,925</u>	<u>228,839</u>	<u>6,216</u>	<u>11,053</u>	<u>-</u>	<u>2,684</u>	<u>290,678</u>	<u>2,223,417</u>
Accumulated depreciation									
Balance at January 1, 2021	-	33,909	127,869	2,326	8,466	1,200	2,187	-	175,957
Depreciation expense	-	7,552	44,316	662	1,540	-	490	-	54,560
Disposals	-	(80)	(28,357)	(913)	(3,697)	(1,200)	(170)	-	(34,417)
Effect of foreign currency exchange differences	-	-	-	-	(16)	-	-	-	(16)
Balance at December 31, 2021	<u>-</u>	<u>41,381</u>	<u>143,828</u>	<u>2,075</u>	<u>6,293</u>	<u>-</u>	<u>2,507</u>	<u>-</u>	<u>196,084</u>
Carrying amounts at December 31, 2021	<u>\$ 1,008,022</u>	<u>\$ 634,544</u>	<u>\$ 85,011</u>	<u>\$ 4,141</u>	<u>\$ 4,760</u>	<u>\$ -</u>	<u>\$ 177</u>	<u>\$ 290,678</u>	<u>\$ 2,027,333</u>
Cost									
Balance at January 1, 2022	\$ 1,008,022	\$ 675,925	\$ 228,839	\$ 6,216	\$ 11,053	\$ -	\$ 2,684	\$ 290,678	\$ 2,223,417
Additions	-	55,148	128,134	1,329	7,187	-	3,075	107,144	302,017
Disposals	-	-	(1,063)	(2,002)	-	-	-	(26,228)	(29,293)
Effect of foreign currency exchange differences	-	-	-	-	38	-	-	-	38
Reclassifications	-	203,420	53,415	-	5,359	-	1,494	(274,402)	(10,714)
Balance at December 31, 2022	<u>1,008,022</u>	<u>934,493</u>	<u>409,325</u>	<u>5,543</u>	<u>23,637</u>	<u>-</u>	<u>7,253</u>	<u>97,192</u>	<u>2,485,465</u>
Accumulated depreciation									
Balance at January 1, 2022	-	41,381	143,828	2,075	6,293	-	2,507	-	196,084
Depreciation expense	-	16,162	58,094	950	2,068	-	886	-	78,160
Disposals	-	-	(845)	(1,200)	-	-	-	-	(2,045)
Effect of foreign currency exchange differences	-	-	-	-	38	-	-	-	38
Balance at December 31, 2022	<u>-</u>	<u>57,543</u>	<u>201,077</u>	<u>1,825</u>	<u>8,399</u>	<u>-</u>	<u>3,393</u>	<u>-</u>	<u>272,237</u>
Carrying amounts at December 31, 2022	<u>\$ 1,008,022</u>	<u>\$ 876,950</u>	<u>\$ 208,248</u>	<u>\$ 3,718</u>	<u>\$ 15,238</u>	<u>\$ -</u>	<u>\$ 3,860</u>	<u>\$ 97,192</u>	<u>\$ 2,213,228</u>

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

Building	3-50 years
Machinery equipment	1-8 years
Transportation equipment	5 years
Furniture and fixtures and other equipment	1-10 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 27.

12. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Buildings	\$ 1,833	\$ 2,294
Office equipment	3,245	677
Transportation equipment	<u>7,695</u>	<u>5,280</u>
	<u>\$ 12,773</u>	<u>\$ 8,251</u>
	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 8,882</u>	<u>\$ 7,665</u>
Decrease to right-of-use assets	<u>\$ 570</u>	<u>\$ -</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 671	\$ 662
Office equipment	756	426
Transportation equipment	<u>2,573</u>	<u>648</u>
	<u>\$ 4,000</u>	<u>\$ 1,736</u>

Except for the above additions, deductions and depreciation expense recognized, the Company's right-of-use assets were not significantly impaired in 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
<u>Carrying amounts</u>		
Current	<u>\$ 4,852</u>	<u>\$ 2,764</u>
Non-current	<u>\$ 8,114</u>	<u>\$ 5,567</u>

Ranges of discount rates for lease liabilities were as follows:

	December 31	
	2022	2021
Buildings	0.6719%-5.0000%	0.6719%-5.0000%
Office equipment	0.6627%	0.6816%-0.8874%
Transportation equipment	0.6667%-2.3800%	0.6667%-2.3800%

c. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	\$ <u>1,071</u>	\$ <u>4,373</u>
Total cash outflow for leases	\$ <u>(5,176)</u>	\$ <u>(6,214)</u>

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

13. BORROWINGS

	December 31	
	2022	2021
<u>Secured borrowings (Note 25)</u>		
Bank loans	\$ 900,000	\$ 200,000
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>1,211,000</u>	<u>1,000,000</u>
	<u>\$ 2,111,000</u>	<u>\$ 1,200,000</u>

The range of interest rate on short-term borrowings was 1.38%-1.66% and 0.64%-0.75% per annum as of December 31, 2022 and 2021, respectively.

14. OTHER PAYABLES

	December 31	
	2022	2021
Accrued salaries and bonuses	\$ 102,764	\$ 80,669
Compensation of employees and remuneration of directors and supervisors	50,113	46,005
Payables for equipment	56,476	40,222
Payables for interest	1,216	264
Others	<u>33,484</u>	<u>29,545</u>
	<u>\$ 244,053</u>	<u>\$ 196,705</u>

15. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. In addition, The branch in Hong Kong was defined contributions, under which the related contributions were made according to local regulations and monthly MPF payments to the MPFA

The expense of 2022 and 2021 defined contribution plans is set out below:

	December 31	
	2022	2021
Defined contribution plans	<u>\$ 14,542</u>	<u>\$ 12,539</u>

b. Defined benefit plans

The defined benefit plan adopted by the Company with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2022	2021
Present value of defined benefit obligation	\$ 124,955	\$ 129,727
Fair value of plan assets	<u>(96,279)</u>	<u>(95,930)</u>
Net defined benefit liabilities	<u>\$ 28,676</u>	<u>\$ 33,797</u>

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	<u>\$ 123,390</u>	<u>\$ (96,443)</u>	<u>\$ 26,947</u>
Service cost			
Current service cost	976	-	976
Net interest expense (income)	<u>987</u>	<u>(817)</u>	<u>170</u>
Recognized in profit or loss	<u>1,963</u>	<u>(817)</u>	<u>1,146</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(882)	(882)
Actuarial loss - experience adjustments	<u>10,015</u>	<u>-</u>	<u>10,015</u>
Recognized in other comprehensive income	<u>10,015</u>	<u>(882)</u>	<u>9,133</u>
Contributions from the employer	<u>-</u>	<u>(3,429)</u>	<u>(3,429)</u>
Benefits paid	<u>(5,641)</u>	<u>5,641</u>	<u>-</u>
Balance at December 31, 2021	<u>\$ 129,727</u>	<u>\$ (95,930)</u>	<u>\$ 33,797</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2022	<u>\$ 129,727</u>	<u>\$ (95,930)</u>	<u>\$ 33,797</u>
Service cost			
Current service cost	911	-	911
Net interest expense (income)	<u>843</u>	<u>(627)</u>	<u>216</u>
Recognized in profit or loss	<u>1,754</u>	<u>(627)</u>	<u>1,127</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,624)	(7,624)
Actuarial loss -changes in financial assumptions	(3,485)	-	(3,485)
Actuarial loss - experience adjustments	<u>6,083</u>	<u>-</u>	<u>6,083</u>
Recognized in other comprehensive income	<u>2,598</u>	<u>(7,624)</u>	<u>(5,026)</u>
Contributions from the employer	<u>-</u>	<u>(1,222)</u>	<u>(1,222)</u>
Benefits paid	<u>(9,124)</u>	<u>9,124</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 124,955</u>	<u>\$ (96,279)</u>	<u>\$ 28,676</u> (Concluded)

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

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

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

	December 31	
	2022	2021
Discount rate	1.25%	0.65%
Expected rate of salary increase	2.00%	2.00%
Mortality rate	Taiwan actuarial life table	
Turnover rate	Note	Note

Note: Based on historical experience of the turnover rate for the past few years and consideration of future developments.

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

	December 31	
	2022	2021
Discount rate		
0.25% increase	\$ (1,413)	\$ (1,749)
0.25% decrease	\$ 1,452	\$ 1,806
Expected rate of salary increase/decrease		
1% increase	\$ 5,960	\$ 7,440
1% decrease	\$ (5,436)	\$ (6,700)

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

	December 31	
	2022	2021
Expected contributions to the plan for the next year	\$ 1,222	\$ 1,146
Average duration of the defined benefit obligation	8.8 years	9.7 years

16. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	120,000	120,000
Shares authorized	\$ 1,200,000	\$ 1,200,000
Number of shares issued and fully paid (in thousands)	99,654	99,654
Shares issued	\$ 996,547	\$ 996,547

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 880,359	\$ 980,013
Consolidation excess	53,723	53,723
<u>May only be used to offset deficit</u>		
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	101	101
	<u>\$ 934,183</u>	<u>\$ 1,033,837</u>

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares), consolidation excess and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, please refer to Note 18 f: Compensation of employees and remuneration of directors and supervisors.

In consideration of the operating environment and business growth, the Company distributed dividends both by cash and by stock to meet the capital needs for the Company's present and future expansion plans and to satisfy stockholders' cash flow requirements. In principle, cash dividends should not be lower than 10% of total dividends distributed.

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

The appropriations of earnings for 2021 and 2020 had been approved in the shareholders' meetings on June 17, 2022 and July 29, 2021, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2021	2020	2021	2020
Legal reserve	\$ 78,124	\$ 55,840		
Special reserve	1,249	(24,828)		
Cash dividends	398,619	298,964	\$ 4.0	\$ 3.0

The Company's shareholders also resolved in the shareholders' meeting on June 17, 2022 and July 29, 2021 to issue cash dividends of \$99,654 thousand, respectively, from the capital surplus.

d. Other equity items

Unrealized valuation loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ -	\$ -
Recognized for the year		
Share of profit or loss of subsidiaries accounted for using equity method	<u>(1,424)</u>	<u>-</u>
Balance at December 31	<u>\$ (1,424)</u>	<u>\$ -</u>

Exchange differences on translation of the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ (203,755)	\$ (202,507)
Exchange differences on translation of the financial statements of foreign operations	1,708	1,694
Share of other comprehensive income (loss) of subsidiaries and associates	<u>62,305</u>	<u>(2,942)</u>
Balance at December 31	<u>\$ (139,742)</u>	<u>\$ (203,755)</u>

17. NET REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from products sales	<u>\$ 2,671,927</u>	<u>\$ 2,468,244</u>

18. NET PROFIT AND OTHER COMPREHENSIVE INCOME

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits and loans to related parties	\$ <u>338</u>	\$ <u>386</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Rent income	\$ 223	\$ 223
Premium income	120,535	91,874
Dividend income	51	26
Others	<u>19,753</u>	<u>16,386</u>
	<u>\$ 140,542</u>	<u>\$ 108,509</u>

The unrealized gain on disposal of equipment to a subsidiary in prior years was reclassified to realized gain of \$5,339 thousand and \$5,921 thousand in 2022 and 2021, respectively, and was recognized as other income - other.

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Loss (gain) on financial instruments at FVTPL	\$ (83)	\$ 1,387
Net foreign exchange gains (losses)	42,074	(15,680)
Gain from bargain purchases (Note 21)	15,341	-
Loss on disposal of property, plant and equipment	661	116
Other losses	<u>(685)</u>	<u>(337)</u>
	<u>\$ (57,308)</u>	<u>\$ (14,514)</u>

d. Depreciation and amortization expenses

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	\$ 78,160	\$ 54,560
Investment properties	4	4
Intangible assets and others	11,794	6,629
Right-of-use assets	<u>4,000</u>	<u>1,736</u>
	<u>\$ 93,958</u>	<u>\$ 62,929</u>
An analysis of depreciation by function		
Operating costs	\$ 68,380	\$ 43,630
Operating expenses	<u>13,784</u>	<u>12,670</u>
	<u>\$ 82,164</u>	<u>\$ 56,300</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
An analysis of amortization by function		
Operating costs	\$ 5,373	\$ 514
Operating expenses	<u>6,421</u>	<u>6,115</u>
	<u>\$ 11,794</u>	<u>\$ 6,629</u>
		(Concluded)

e. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	\$ 483,495	\$ 364,709
Post-employment benefits (Note 15)		
Defined contribution plans	14,542	12,539
Defined benefit plans	<u>1,127</u>	<u>1,146</u>
	<u>15,669</u>	<u>13,685</u>
Remuneration of directors	<u>19,595</u>	<u>15,899</u>
Other employee benefits	<u>26,735</u>	<u>67,068</u>
Total employee benefits expense	<u>\$ 545,494</u>	<u>\$ 461,361</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 276,252	\$ 230,936
Operating expenses	<u>269,242</u>	<u>230,425</u>
	<u>\$ 545,494</u>	<u>\$ 461,361</u>

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrues compensation of employees and remuneration of directors at the rates of 1%-10% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which have been approved by the Company's board of directors on March 24, 2023 and March 25, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Compensation of employees	3.52%	4.07%
Remuneration of directors	0.86%	0.83%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Compensation of employees	\$ 40,222	\$ 38,207
Remuneration of directors	9,891	7,798

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

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

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

19. INCOME TAX

- a. Major components of tax expense recognized in profit or loss:

	For the Year Ended December 31	
	2022	2021
<u>Current tax</u>		
In respect of the current year	\$ 107,825	\$ 106,724
Income tax on unappropriated earnings	15,162	11,421
Adjustments for prior years	<u>(27,155)</u>	<u>851</u>
	95,832	118,996
<u>Deferred tax</u>		
In respect of the current year	<u>(2,135)</u>	<u>(14,592)</u>
Income tax expense recognized in profit or loss	<u>\$ 93,697</u>	<u>\$ 104,404</u>

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

	For the Year Ended December 31	
	2022	2021
Profit before income tax	<u>\$ 1,093,598</u>	<u>\$ 892,949</u>
Income tax expense calculated at the statutory rate	\$ 218,720	\$ 178,590
Tax exempt income	(116,125)	(86,172)
Unrecognized deductible temporary differences	3,095	(286)
Income tax on unappropriated earnings	15,162	11,421
Adjustments for prior years' tax	<u>(27,155)</u>	<u>851</u>
Income tax expense recognized in profit or loss	<u>\$ 93,697</u>	<u>\$ 104,404</u>

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of the current year:		
Actuarial gains and losses on defined benefit plan	<u>\$ (1,005)</u>	<u>\$ 1,826</u>

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax assets		
Tax refund receivable	<u>\$ 22,242</u>	<u>\$ 22,666</u>
Current tax liabilities		
Income tax payable	<u>\$ 68,660</u>	<u>\$ 99,887</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 6,759	\$ (19)	\$ (1,005)	\$ 5,735
Allowance for inventory losses	4,927	(600)	-	4,327
Others	<u>22,967</u>	<u>697</u>	<u>-</u>	<u>23,664</u>
	<u>\$ 34,653</u>	<u>\$ 78</u>	<u>\$ (1,005)</u>	<u>\$ 33,726</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 150,799	\$ -	\$ -	\$ 150,799
Unrealized exchange losses	<u>-</u>	<u>2,213</u>	<u>-</u>	<u>2,213</u>
	<u>\$ 150,799</u>	<u>\$ 2,213</u>	<u>\$ -</u>	<u>\$ 153,012</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 5,390	\$ (457)	\$ 1,826	\$ 6,759
Allowance for inventory losses	2,818	2,109	-	4,927
Others	<u>17,215</u>	<u>5,752</u>	<u>-</u>	<u>22,967</u>
	<u>\$ 25,423</u>	<u>\$ 7,404</u>	<u>\$ 1,826</u>	<u>\$ 34,653</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 150,799	\$ -	\$ -	\$ 150,799
Unrealized exchange losses	<u>7,188</u>	<u>(7,188)</u>	<u>-</u>	<u>-</u>
	<u>\$ 157,987</u>	<u>\$ (7,188)</u>	<u>\$ -</u>	<u>\$ 150,799</u>

e. Income tax assessments

The Company's tax returns through 2020 have been assessed by the tax authorities. The Company includes Hong Kong branch's income in the calculation of its taxable income during tax declaration each year, and applied for tax refund after attestation by a local organization in Hong Kong recognized by the ROC. As of December 31, 2022, the Company applied for refund of tax through 2019, which was approved by the tax authorities through 2018. As of December 31, 2022 and 2021, tax refund receivables amounted to \$22,242 thousand and \$22,666 thousand, respectively.

20. EARNINGS PER SHARE

	<u>For the Year Ended December 31</u>	
	2022	2021
Basic earnings per share	<u>\$ 10.03</u>	<u>\$ 7.91</u>
Diluted earnings per share	<u>\$ 10.00</u>	<u>\$ 7.89</u>

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

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2022	2021
Earnings used in the computation of basic earnings per share	<u>\$ 999,901</u>	<u>\$ 788,545</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 999,901</u>	<u>\$ 788,545</u>

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	99,654	99,654
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>350</u>	<u>281</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>100,004</u>	<u>99,935</u>

Since the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

21. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Shang Ho Industry Co., Limited	Manufacture of plastic connectors and molds	June 1, 2022	100	<u>\$ 63,500</u>
Joywell Corporation Limited	Investment	June 1, 2022	100	<u>\$ 91,392</u>

In June 2022, Shang Ho Industry and Eagle Good were acquired in order to continue the expansion of the Company's activities in automotive products

b. Consideration transferred

	Shang Ho Industry Co., Limited	Joywell Corporation Limited
Cash	<u>\$ 63,500</u>	<u>\$ 91,392</u>

c. Assets acquired and liabilities assumed at the date of acquisition

	Shang Ho Industry Co., Limited	Joywell Corporation Limited
Current assets		
Cash and cash equivalents	\$ 28,433	\$ 8,360
Financial assets at fair value through profit or loss - current	17,794	-
Trade and other receivables	29,588	107,451
Inventories	18,802	62,416
Prepayments and other current assets	1,408	26,332
Non-current assets		
Financial assets at fair value through other comprehensive income - non-current	5,668	-
Property, plant and equipment	384	13,989
Right-of-use assets	6,301	4,727
Other intangible assets	3,313	-
Deferred tax assets	9,010	-
Other non-current assets	1,178	28,226
Current liabilities		
Short-term borrowings	(20,000)	-
Trade payables and other payables	(22,052)	(119,281)
Other current liabilities	(250)	(30,540)
Non-current liabilities		
Lease liabilities	<u>(6,330)</u>	<u>(4,694)</u>
	<u>\$ 73,247</u>	<u>\$ 96,986</u>

The Gain recognized in bargain purchase transaction from the acquisition of Shang Ho Industry and Eagle Good by the Company was \$9,747 thousand and \$5,594 thousand, respectively. The gain recognized in bargain purchase transaction is the difference between the amount of consideration transferred and the fair value of identifiable net assets acquired, and is recognized in profit or loss in the current year. The amount was only provisionally determined at the balance sheet date. The measurement period is at most one year from the date of acquisition.

d. Net cash outflow on the acquisition of subsidiaries

	Shang Ho Industry Co., Limited	Joywell Corporation Limited
Consideration paid in cash	\$ 63,500	\$ 91,392
Less: Cash and cash equivalent balances acquired	<u>(28,433)</u>	<u>(8,360)</u>
	<u>\$ 35,067</u>	<u>\$ 83,032</u>

e. Impact of acquisitions on the results of the Company

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, were as follows:

	Shang Ho Industry Co., Limited	Joywell Corporation Limited
Revenue	\$ 51,830	\$ 388,650
Loss (profit)	\$ (5,950)	\$ 4,284

22. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged in the reporting period.

The capital structure of the Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, reserves, retained earnings and other equity).

The Company is not subject to any externally imposed capital requirements.

23. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

Management believes the carrying amounts of financial assets and financial liabilities not carried at fair values approximate their fair values.

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

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	\$ 370	\$ -	\$ -	\$ 370
Forward exchanges contracts	-	73	-	73
	<u>\$ 370</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 443</u>

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic listed shares	<u>\$ 526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 526</u>

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

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Derivatives - foreign exchange forward contracts	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the year and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	December 31	
	2022	2021
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Mandatorily classified as at FVTPL	\$ 443	\$ 526
Financial assets at amortized cost (1)	1,758,303	1,508,317
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	2,855,902	2,030,755

- 1) The balances include financial assets measured at amortized cost, which comprised cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties and part of other non-current assets.
- 2) The balances include financial liabilities measured at amortized cost, which comprised short-term loans, notes payable, trade payables (included related parties), other payables (included related parties) and other non-current liabilities.

d. Financial risk management objectives and policies

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

The corporate treasury function reports quarterly to the Company's board of directors.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 27.

Sensitivity analysis

The Company was mainly exposed to the USD and RMB.

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

	USD Impact		RMB Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Profit or loss	\$ 21,390	\$ 5,072	\$ 38,699	\$ 32,180

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates.

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

	December 31	
	2022	2021
Fair value interest rate risk		
Financial liabilities	\$ 2,111,000	\$ 1,200,000
Cash flow interest rate risk		
Financial assets	126,993	314,892

Sensitivity analysis

The sensitivity analyses were determined based on the Company's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The Company's floating-rate financial assets were demand deposits, which fluctuated moderately, and accordingly the Company was exposed to low interest rate risk. On the other hand, no floating-rate liabilities were held at the end of the reporting period, and no related sensitivity analysis was performed.

2) Credit risk

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

The Company adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by related departments such as executive vice president, internal auditors, and financial accounting.

The Company performs ongoing credit evaluation on the financial condition of trade receivables.

Except for Dongguan Hulane Puguang Trading and Dongguan Hulane Electronics Technology, the Company does not have significant credit risk exposure to any single counterparty or any group of counterparties. When the counterparties are associates, the Company defines them as similar counterparties. As of December 31, 2022 and 2021, the trade receivables of Dongguan Hulane Puguang Trading amounted to \$629,502 thousand and 0 thousand, respectively; the trade receivables of Dongguan Hulane Electronics Technology amounted to \$205,292 thousand and 581,019 thousand, respectively. In 2022 and 2021, the Company's credit risk in Dongguan Hulane Puguang Trading amounted to 36% and 0% of total monetary assets, respectively; the Company's credit risk in Dongguan Hulane Electronics Technology amounted to 12% and 45% of total monetary assets, respectively; the Company's credit risk in other counterparties does not exceed 2% of total monetary assets.

The Company's credit risk is mainly in Dongguan Hulane Puguang Trading and Dongguan Hulane Electronics Technology. As of December 31, 2022 and 2021, the percentages of total receivables from related parties were 51% and 0% for Dongguan Hulane Puguang Trading and 17% and 63% for Dongguan Hulane Electronics Technology, respectively.

3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Company had available unutilized financing facilities set out in (b) below.

a) Liquidity and interest risk rate tables

The following tables detail the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2022

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 98,828	\$ 348,535	\$ 297,539	\$ -	\$ -
Lease liabilities	440	865	3,578	8,253	-
Fixed interest rate liabilities	<u>1,101,535</u>	<u>1,012,446</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,200,803</u>	<u>\$ 1,361,846</u>	<u>\$ 301,117</u>	<u>\$ 8,253</u>	<u>\$ -</u>

December 31, 2021

	On Demand or Less Than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>					
Non-interest bearing liabilities	\$ 98,082	\$ 281,927	\$ 450,746	\$ -	\$ -
Lease liabilities	281	530	1,858	5,866	-
Fixed interest rate liabilities	<u>250,601</u>	<u>100,929</u>	<u>850,717</u>	<u>-</u>	<u>-</u>
	<u>\$ 348,964</u>	<u>\$ 383,386</u>	<u>\$ 1,303,321</u>	<u>\$ 5,866</u>	<u>\$ -</u>

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank overdraft facilities, reviewed annually		
Amount used	\$ 1,211,000	\$ 1,000,000
Amount unused	<u>315,390</u>	<u>500,000</u>
	<u>\$ 1,526,390</u>	<u>\$ 1,500,000</u>
Secured bank overdraft facilities		
Amount used	\$ 900,000	\$ 200,000
Amount unused	<u>-</u>	<u>-</u>
	<u>\$ 900,000</u>	<u>\$ 200,000</u>

24. TRANSACTIONS WITH RELATED PARTIES

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

a. Related parties and their relationships with the Company

Related Party	Relationship with the Company
Hu Lane Electronic (Nanjing) Co., Limited	Subsidiary
Hu Lane Electronic (Vietnam) Co., Limited	Subsidiary
Evervalue Investments Limited	Subsidiary
Telford Investments Limited	Subsidiary
Joywell Corporation Limited	Subsidiary
Dongguan Hu Lane Puguang Trading Co., Limited	Subsidiary
Dongguan Hu Lane Electronic Technology Co., Limited	Subsidiary
Jiaxing Shangho Electrics Technology Co., Ltd	Subsidiary
Fortune Master Development Limited	Association

b. Operating revenue

	For the Year Ended December 31	
Related Party	2022	2021
Dongguan Hu Lane Puguang Trading Co., Limited	\$ 626,713	\$ -
Dongguan Hu Lane Electronic Technology Co., Limited	631,312	1,032,649
PT.HULANE TECH MANUFACTURING	40,926	52,398
Hu Lane Electronic (Vietnam) Co., Limited	85,259	100,706
Hu Lane Electronic (Nanjing) Co., Limited	2,358	2
Shang Ho Industry Co., Limited	<u>2,280</u>	<u>-</u>
	<u>\$ 1,388,848</u>	<u>\$ 1,185,755</u>

The Company mainly sales connectors and terminals for related parties. The transaction prices are based on cost and are negotiated by both parties with reference to market conditions. Except for Dongguan Hulane Puguang Trading and Dongguan Hu Lane Puguang Trading, which have credit terms of 365 days per month, the average credit terms for the rest are 90 days, which are similar to 60 days per month for non-related parties.

The (unrealized) realized gross profit from sales was \$(3,627) thousand and \$(33,540) thousand in 2022 and 2021, respectively. The unrealized gross profit will be reclassified to realized gross profit from sales when the inventories are transferred to unrelated parties.

c. Purchases

Related Party	For the Year Ended December 31	
	2022	2021
Dongguan Hu Lane Puguang Trading Co., Limited	\$ 51,711	\$ 70,892
Dongguan Hu Lane Electronic Technology Co., Limited	286,594	381,795
Hu Lane Electronic (Nanjing) Co., Limited	219,162	239,758
Hu Lane Electronic (Vietnam) Co., Limited	160,556	35,769
PT.HULANE TECH MANUFACTURING	4,477	-
Shang Ho Industry Co., Limited	<u>378</u>	<u>-</u>
	<u>\$ 722,878</u>	<u>\$ 728,214</u>

The Company mainly purchases connectors and terminals from related parties. The transaction prices are based on cost and are negotiated by both parties with reference to market conditions. The payment terms between the Company and the related parties are 90 days per month, which are similar to 60 days per month for non-related parties.

d. Trade receivables from related parties

Related Party	For the Year Ended December 31	
	2022	2021
Dongguan Hu Lane Puguang Trading Co., Limited	\$ 629,502	\$ -
Dongguan Hu Lane Electronic Technology Co., Limited	205,292	581,019
PT.HULANE TECH MANUFACTURING	33,238	29,234
Hu Lane Electronic (Vietnam) Co., Limited	96,238	66,893
Hu Lane Electronic (Nanjing) Co., Limited	59	2
Shang Ho Industry Co., Limited	<u>1,373</u>	<u>-</u>
	<u>\$ 965,702</u>	<u>\$ 677,148</u>

e. Other receivables

Related Party	For the Year Ended December 31	
	2022	2021
Dongguan Hu Lane Puguang Trading Co., Limited	\$ 12,359	\$ 291
Hu Lane Electronic (Nanjing) Co., Limited	58,227	53,694
PT.HULANE TECH MANUFACTURING	7,949	6,144
Fortune Master Development Limited	-	596
Hu Lane Electronic (Vietnam) Co., Limited	180,231	82,445
Dongguan Hu Lane Electronic Technology Co., Limited	69,889	60,756
Jiaxing Shangho Electrics Technology Co., Ltd	<u>264</u>	<u>-</u>
	<u>\$ 328,919</u>	<u>\$ 203,926</u>

Other receivables represent payments paid by the Company on behalf of related parties and other payments.

f. Trade payables to related parties

Related Party	For the Year Ended December 31	
	2022	2021
Shang Ho Industry Co., Limited	\$ 191	\$ -
Hu Lane Electronic (Nanjing) Co., Limited	78,666	63,656
Dongguan Hu Lane Electronic Technology Co., Limited	68,442	112,308
Hu Lane Electronic (Vietnam) Co., Limited	81,429	9,530
PT.HULANE TECH MANUFACTURING	27	-
Dongguan Hu Lane Puguang Trading Co., Limited	<u>51,655</u>	<u>39,828</u>
	<u>\$ 280,410</u>	<u>\$ 225,322</u>

g. Other payables

Related Party	For the Year Ended December 31	
	2022	2021
Hu Lane Electronic (Nanjing) Co., Limited	\$ 405	\$ 377
Dongguan Hu Lane Puguang Trading Co., Limited	83	78
Dongguan Hu Lane Electronic Technology Co., Limited	29	81
Hu Lane Electronic (Vietnam) Co., Limited	-	33
Evervalue Investments Limited	8,586	111,137
Telford Investments Limited	<u>-</u>	<u>111,137</u>
	<u>\$ 9,103</u>	<u>\$ 222,843</u>

Other payables represent payments received by the Company on behalf of related parties, other payments and borrowings to related parties.

h. Disposal of property, plant and equipment

Related Party Category/Name	Price of disposal		Unrealized gain (loss) on disposal	
	For the Year Ended December 31		For the Year Ended December 31	
	2022	2021	2022	2021
Hu Lane Electronic (Nanjing) Co., Limited	\$ 9,477	\$ 13,542	\$ 677	\$ 861
Hu Lane Electronic (Vietnam) Co., Limited	21,315	5,917	4,703	746
PT.HULANE TECH MANUFACTURING	1,128	1,441	108	41
Dongguan Hu Lane Electronic Technology Co., Limited	<u>-</u>	<u>2,497</u>	<u>-</u>	<u>571</u>
	<u>\$ 31,920</u>	<u>\$ 23,397</u>	<u>\$ 5,488</u>	<u>\$ 2,219</u>

i. Borrowing from related parties

Related Party	For the Year Ended December 31	
	2022	2021
Evervalue Investments Limited	\$ 8,586	\$ 111,137
Telford Investments Limited	<u>-</u>	<u>111,137</u>
	<u>\$ 8,586</u>	<u>\$ 222,274</u>

Interest expense

Related Party	For the Year Ended December 31	
	2022	2021
Evervalue Investments Limited	\$ 484	\$ 420
Telford Investments Limited	<u>-</u>	<u>420</u>
	<u>\$ 484</u>	<u>\$ 840</u>

The Company obtained loans from related parties at rates comparable to market interest rates.

j. Endorsements and guarantees

Related Party	For the Year Ended December 31	
	2022	2021
Dongguan Hu Lane Puguang Trading Co., Limited	\$ 255,080	\$ 268,720
Hu Lane Electronic (Vietnam) Co., Limited	99,193	124,560
Evervalue Investments Limited	92,130	83,040
PT.HULANE TECH MANUFACTURING	32,860	69,200
Hu Lane Electronic (Nanjing) Co., Limited	<u>110,200</u>	<u>-</u>
	<u>\$ 589,463</u>	<u>\$ 545,520</u>

k. Other transactions with related parties

The Company received the income of patent rights of \$49,764 thousand and \$38,883 thousand; \$65,070 thousand and \$49,038 thousand; \$3,241 thousand and \$3,953 thousand and \$2,460 thousand and \$0 thousand by Hu Lane Electronic (Nanjing), Dongguan Hulane, Hu Lane Electronic (Vietnam) and PT.HULANE TECH MANUFACTURING in 2022 and 2021, respectively, and recognized in other income.

l. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel in 2022 and 2021, were as follows:

	For the Year Ended December 31	
	2022	2021
Salaries and short-term employee benefits	\$ 85,218	\$ 68,842
Post-employment benefits	<u>1,853</u>	<u>1,297</u>
	<u>\$ 87,071</u>	<u>\$ 70,139</u>

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

25. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2022	2021
Land	\$ 961,465	\$ 132,770
Buildings	<u>667,996</u>	<u>5,246</u>
	<u>\$ 1,629,461</u>	<u>\$ 138,016</u>

Land and buildings were recorded as property, plant and equipment.

26. SIGNIFICANT EVENTS

On March 24, 2023, the board of directors resolved to raise and issue the first domestic unsecured convertible bonds with a maximum of 15,000 units, each with a face value of \$100 thousand, for a total value of \$1,500,000 thousand, with a coupon rate of 0% and a maturity of five years. The bond is publicly underwritten by bidding auction, the base bid is issued at no less than the face value and the actual total issue amount is determined by the results of the bidding auction.

27. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31					
	2022			2021		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>						
Monetary items						
USD	\$ 18,034	30.71	\$ 553,824	\$ 14,287	27.68	\$ 395,475
EUR	1,235	32.72	40,409	2,594	31.32	81,243
RMB	215,873	4.408	951,568	171,759	4.344	746,119
<u>Financial liabilities</u>						
Monetary items						
USD	4,104	30.71	126,034	10,623	27.68	294,040
EUR	138	32.72	4,515	21	31.32	654
RMB	40,289	4.408	177,594	23,598	4.344	102,510

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

Foreign Currency	For the Year Ended December 31			
	2022		2021	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
NTD	1 (NTD:NTD)	\$ 44,125	1 (NTD:NTD)	\$ (14,886)
HKD	3,938 (HKD:NTD)	<u>(2,051)</u>	3.549 (HKD:NTD)	<u>(794)</u>
		<u>\$ (42,074)</u>		<u>\$ (15,680)</u>

28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)

- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
 - 9) Trading in derivative instruments: (Note 7)
 - 10) Information on investees. (Table 6)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Note 24, Tables 1, 2 and 8)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- c. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 9)

TABLE 1

HU LANE ASSOCIATE INC.

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period	Ending Balance	Actual Amount Borrowed	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit
													Item	Value		
1	Evervalue Investments Limited	PT. Hulane Tech. Manufacturing	Other receivables from related parties	Yes	\$ 30,710 (US\$ 1,000)	\$ 30,710 (US\$ 1,000)	\$ 30,710 (US\$ 1,000)	2.0%	Short-term financing	\$ -	Operations	\$ -	None	\$ -	\$ 367,653 (Note 2)	\$ 367,653 (Note 2)
		Hu Lane Associate Inc.	Other receivables from related parties	Yes	131,426 (US\$ 4,000)	8,586 (US\$ -)	8,586 (US\$ -)	1.0%	Short-term financing	-	Operations	-	None	-	367,653 (Note 2)	367,653 (Note 2)
2	Telford Investments Limited	Hu Lane Associate Inc.	Other receivables from related parties	Yes	122,840 (US\$ 4,000)	- (US\$ -)	- (US\$ -)	0.8%	Short-term financing	-	Operations	-	None	-	174,727 (Note 3)	174,727 (Note 3)

Note 1: a. Issuer is numbered 0.

 b. The investee companies are numbered starting with 1.

Note 2: According to the operating procedures of Evervalue Investments Limited's financing provided to others, the limitations on borrowers and total amount of financing are as follows:

 a. The total amount of Evervalue Investments Limited's financing to others does not exceed 40% of net value of Evervalue Investments Limited.

 b. For those companies that have business transactions with Evervalue Investments Limited, the total amount of financing provided does not exceed 20% of net value of Evervalue Investments Limited, and the financing amount of individual borrower does not exceed the amount of transactions with Evervalue Investments Limited in the previous 12 months.

 c. For those companies that are necessary for short-term financing, the total amount of financing provided does not exceed 40% of net value of Evervalue Investments Limited, including the subsidiaries of which more than 90% of its shares is held by Evervalue Investments Limited. The rest is limited by 10% of current net value of Evervalue Investments Limited.

 d. For foreign companies of which 100% of its shares is directly or indirectly held by Hu Lane Associate Inc., the total amount of financing provided should not exceed 40% of the net value of Evervalue Investments Limited, and the financing amount of individual borrowers should not exceed 40% of the net value of Evervalue Investments Limited.

Note 3: According to the operating procedures of Telford Investments Limited's financing provided to others, the limitations on borrowers and total amount of financing are as follows:

 a. The total amount of Telford Investments Limited's financing to others does not exceed 40% of net value of Evervalue Investments Limited.

 b. For those companies that have business transactions with Telford Investments Limited, the total amount of financing provided does not exceed 20% of net value of Telford Investments Limited, and the financing amount of individual borrower does not exceed the amount of transactions with Telford Investments Limited in the previous 12 months.

 c. For those companies that are necessary for short-term financing, the total amount of financing provided does not exceed 40% of net value of Telford Investments Limited, including the subsidiaries of which more than 90% of its shares is held by Telford Investments Limited. The rest is limited by 10% of current net value of Telford Investments Limited.

 d. For foreign companies of which 100% of its shares is directly or indirectly held by Hu Lane Associate Inc., the total amount of financing provided does not exceed 100% of net value of Telford Investments Limited, and the financing amount of individual borrower does not exceed 100% of net value of Telford Investments Limited.

TABLE 2

HU LANE ASSOCIATE INC.

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Amount Provided to Each Counterparty	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China
		Name	Nature of Relationship										
0	Hu Lane Associate Inc. (Note 1)	Evervalue Investments Limited	Subsidiary of which more than 50% of its shares is held by the investor	\$ 1,110,646	\$ 92,130	\$ 92,130 (US\$ 3,000)	\$ -	\$ -	1.66	\$ 2,221,293	Y	N	N
		Dongguan Hulane Puguang Trading Co., Ltd.	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	555,323	285,790	255,080 (US\$ 4,000) (RMB 30,000)	246,848	-	4.59	2,221,293	Y	N	Y
		Hulane Electronics (Vietnam) Limited	Subsidiary of which more than 50% of its shares is held by the investor	1,110,646	138,195	99,193 (US\$ 3,230)	-	-	1.79	2,221,293	Y	N	N
		PT. Hulane Tech Manufacturing	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	555,323	76,775	32,860 (US\$ 1,070)	30,710	-	0.59	2,221,293	Y	N	N
		Hu lane Electronic (Nanjing) Co., Ltd.	Investee company of which more than 50% of its ordinary shares is held by the parent company and its subsidiaries	555,323	110,200	110,200 (RMB 25,000)	44,080	-	1.98	2,221,293	Y	N	Y

Note 1: The amount of endorsements or guarantee of Hu Lane Associate Inc. does not exceed 20% of current net value on the financial statements to a single company, excluding the subsidiaries of which more than 90% of its shares is held by Hu Lane Associate Inc. The rest is limited by 10% of current net value of Hu Lane Associate Inc.

Note 2: The cumulative amount of Hu Lane Associate Inc.'s endorsements does not exceed 40% of current net value on the financial statements.

TABLE 3

HU LANE ASSOCIATE INC.

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Hu Lane Associate Inc.	<u>Domestic listed shares</u> Chia Chang Co., Limited	-	Financial assets at fair value through profit or loss - current	10,451	\$ 370	-	\$ 370	
Shang Ho Industry Co., Ltd.	Taiwan Semiconductor Manufacturing Co., Limited	-	Financial assets at fair value through other comprehensive income - non-current	15,000	6,728	-	6,728	
	Eva Airways Co.	-	"	2,000	56	-	56	
Shang Ho Industry	<u>Mutual funds</u> Allianz Global Investors US Short Duration High Income Bond Fund	-	Financial assets at fair value through profit or loss - current	850,494	7,340	-	7,340	
	M&G (Lux) Investment Funds 1-M&G (Lux) Income Allocation Fund USD A	-	"	1,431	3,668	-	3,668	
	Franklin Templeton Investment Funds-Franklin Income Fund Class A (Mdis) USD	-	"	12,388	3,797	-	3,797	
	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	-	"	125,000	2,021	-	2,021	

TABLE 4

HU LANE ASSOCIATE INC.

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

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Hu Lane Associate Inc.	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	Sale	\$ (626,713)	(23)	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	\$ 629,502	49	
Dongguan Hulane Electronics Technology	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	Sale	(2,241,625)	(85)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	1,119,010	81	
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	Sale	(1,595,129)	(84)	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	415,892	67	
Dongguan Hulane Electronics Technology	Hu Lane Associate Inc.	Parent company	Sale	(284,886)	(11)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	68,442	5	
Hulane Electronics (Nanjing) Limited	Hu Lane Associate Inc.	Parent company	Sale	(218,327)	(12)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	78,426	13	
Hu Lane Associate Inc.	Dongguan Hulane Electronics Technology	Subsidiary	Sale	(631,312)	(24)	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	205,292	16	
Hu Lane Electronics (Vietam) Limited	Hu Lane Associate Inc.	Parent company	Sale	(158,995)	(33)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	82,204	51	
Dongguan Hulane Electronics Technology	Hulane Electronics (Nanjing) Limited	Related party in substance	Sale	(118,341)	(4)	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	49,661	4	
Dongguan Hulane Puguang Trading Co., Ltd.	Dongguan Hulane Electronics Technology	Related party in substance	Purchase	2,241,625	49	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practice	(1,119,010)	(51)	
	Hulane Electronics (Nanjing) Limited	Related party in substance	Purchase	1,595,129	35	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(415,892)	(19)	
Hu Lane Associate Inc.	Dongguan Hulane Electronics Technology	Subsidiary	Purchase	284,886	17	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practice	(68,442)	(14)	
	Hulane Electronics (Nanjing) Limited	Subsidiary	Purchase	218,327	13	90 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(78,426)	(16)	
Dongguan Hulane Electronics Technology	Hu Lane Associate Inc.	Parent company	Purchase	631,312	36	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(205,292)	(30)	
Dongguan Hulane Puguang Trading Co., Ltd.	Hu Lane Associate Inc.	Parent company	Purchase	626,713	14	365 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(629,502)	(29)	
Hu Lane Associate Inc.	Hu Lane Electronics (Vietam) Limited	Subsidiary	Purchase	158,955	9	90 days	Not significantly different from general customers	Credit conditions adjusted based on Vietnam's trading practices	(82,204)	(17)	
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Electronics Technology	Related party in substance	Purchase	118,341	9	270 days	Not significantly different from general customers	Credit conditions adjusted based on China's trading practices	(49,661)	(11)	

TABLE 5

HU LANE ASSOCIATE INC.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Hulane Electronics (Nanjing) Limited	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	\$ 415,892	2.63	\$ -	-	\$ 240,526	\$ -
Dongguan Hulane Electronics Technology	Dongguan Hulane Puguang Trading Co., Ltd.	Related party in substance	1,119,010	2.19	-	-	261,235	-
Hu Lane Associate Inc.	Dongguan Hulane Electronics Technology	Subsidiary	205,292	1.61	-	-	50,528	-
	Dongguan Hulane Puguang Trading Co., Ltd.	Subsidiary	629,502	1.99	-	-	-	-
Dongguan Hulane Electronics Technology	Hulane Electronics (Nanjing) Limited	Related party in substance	118,341	4.77	-	-	192,799	-

TABLE 6

HU LANE ASSOCIATE INC.

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2022			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2022	December 31, 2021	Number of Shares	%	Carrying Amount			
Hu Lane Associate Inc.	Evervalue Investments Limited	Offshore Chambers, P.O. Box 217, Apia, Samoa	Investment	\$ 467,557	\$ 467,557	15,220	100.00	\$ 3,567,422	\$ 549,230	\$ 549,230	Note
"	Telford Investments Limited	"	Investment	38,490	38,490	1,034	100.00	174,727	19,107	19,107	
"	Joywell Corporation Limited	"	Investment	225,132	-	10,680	100.00	236,227	(45,597)	4,284	
"	Hulane Electronics (Vietnam) Limited	Vietnam	Manufacturing	182,033	182,033	6,300	100.00	213,317	14,448	14,448	
"	Shang Ho Industry Limited	Taiwan	Manufacturing	63,500	-	8,660	100.00	65,873	(12,985)	(5,950)	
"	PT Hulane Tech Manufacturing	Indonesia	Manufacturing	15,472	15,472	800	32.00	25,777	11,873	3,799	Note
Evervalue Investments Limited	Fortune Master Development Limited	Hong Kong	Investment	277,993	277,993	9,400	100.00	1,806,001	535,633	535,633	
"	PT Hulane Tech Manufacturing	Indonesia	Manufacturing	36,286	36,286	1,200	48.00	59,176	11,873	5,699	

Note: The acquisition was made through a merger on June 1, 2022, the investment income (loss) only recognized from June to December.

TABLE 7

HU LANE ASSOCIATE INC.

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Hulane Electronics (Nanjing) Limited	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 8,500	Note 1	\$ 275,946	\$ -	\$ -	\$ 275,946	\$ 6,459	100.00	\$ 6,459	\$ 1,372,839	\$ -
Dongguan Hulane Electronics Technology	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 8,000	Note 1	236,287	-	-	236,287	367,511	100.00	367,511	1,372,887	-
Dongguan Hulane Puguang Trading Co., Ltd.	Sales of terminals, bales of wire, connectors and molds.	US\$ 1,400	Note 1	41,706	-	-	41,706	171,288	100.00	171,288	391,436	-
Tay Lian Electronics Limited	Sales of terminals, bales of wire, connectors and molds.	US\$ 1,500	Note 2	-	16,608	-	16,608	(10,600)	40.00	(4,240)	12,529	-
Jiaxing Shangho Electrics Technology Co., Ltd	Manufacture and sales of terminals, bales of wire, connectors and molds.	US\$ 10,500	Note 3	-	133,740	-	133,740	(29,113)	100.00	4,332	236,208	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA
US\$26,090 thousand (NT\$704,287 thousand)	US\$26,090 thousand	NT\$5,574,655 thousand × 60% = NT\$3,344,793 thousand

Note 1: Investment through companies incorporated in a third region.

Note 2: Direct investment by the Company.

Note 3: The acquisition through merger of Eagle Good Limited.

TABLE 8**HU LANE ASSOCIATE INC.**

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Investee Company	Transaction Type	Amount	Price	Payment Terms	Comparison with Normal Transaction	Ending Balance	%	Unrealized (Gain) Loss
Hulane Electronics (Nanjing) Limited	Sales Purchase	\$ 1,835,070 130,888	Not significantly different from general customers Not significantly different from general customers	90-270 days 90 days	Not significantly different from general customers Credit conditions adjusted based on China's trading practices	\$ 503,391 (60,343)	81 (14)	Note 2 -
Dongguan Hulane Puguang Trading Co., Ltd.	Sales Purchase	159,547 4,483,785	Not significantly different from general customers Not significantly different from general customers	90-180 days 180-365 days	Not significantly different from general customers Credit conditions adjusted based on China's trading practices	159,751 (2,199,773)	7 (100)	Note 2 -
Dongguan Hulane Electronics Technology	Sales Purchase	2,644,852 805,620	Not significantly different from general customers Not significantly different from general customers	90-270 days 90-365 days	Not significantly different from general customers Credit conditions adjusted based on China's trading practices	1,237,155 (340,120)	90 (50)	Note 2 -
Jiaxing Shangho Electrics Technology Co., Ltd.	Sales Purchase	9,181 8,760	Not significantly different from general customers Not significantly different from general customers	270 days 270 days	Not significantly different from general customers Credit conditions adjusted based on China's trading practices	9,376 (20,689)	3 (9)	- -
Tay Lian Electronics Limited	Purchase	55,226	Not significantly different from general customers	270 days	Credit conditions adjusted based on China's trading practices	(39,730)	(88)	-

Note 1: All unrealized gains and losses with investee companies in mainland China were eliminated in the consolidated financial statements.

Note 2: Hulane Electronics (Nanjing) Limited had an unrealized balance of \$21,192 thousand through December 31, 2022; the unrealized balance of Dongguan Hulane Puguang Trading Co., Ltd. is \$92,432 thousand; the unrealized balance of Dongguan Hulane Electronics Technology is \$92,082 thousand.

TABLE 9**HU LANE ASSOCIATE INC.****INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Sheng-Ching Hu	5,775,315	5.79

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

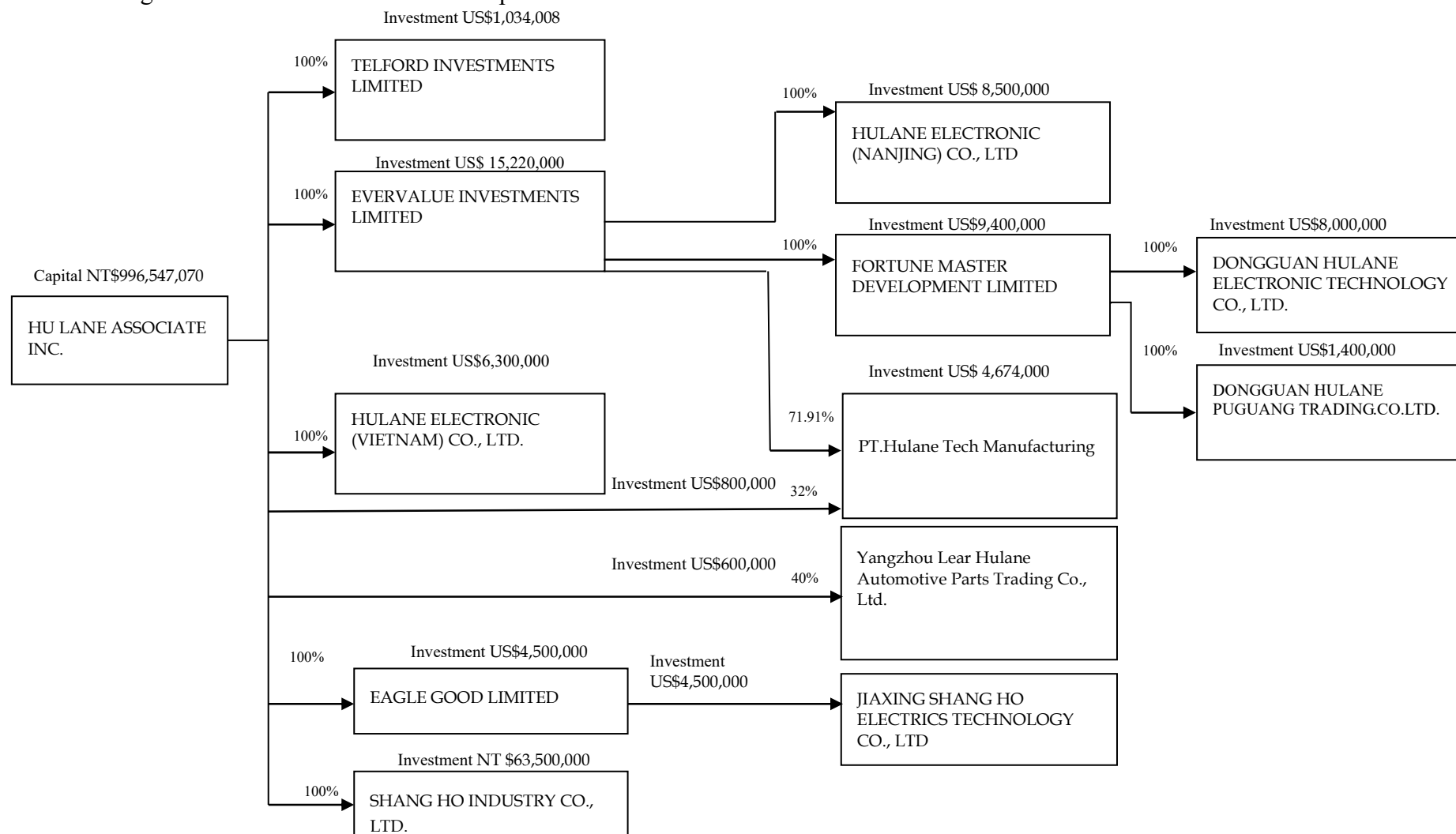
Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual truster who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings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

Hu Lane Associate Inc.

2022 Consolidated Business Report of Affiliates

One. Overview of Associated Enterprises

I. Organization Chart of Affiliated Enterprises



- II. Name, date of incorporation, address, paid-in capital, and main business items of each affiliate: Table 1.
- III. If the relationship of control and subordination is presumed to exist according to Article 369-3 of the Company Act, the following information shall be disclosed: None.
- IV. Industries covered by the overall business scope of the affiliated enterprise:
Manufacturing, processing, and trading of electronic parts (terminals) and hardware and mechanical accessories, manufacturing of industrial rubber and plastic products, manufacturing, processing, and trading of molds, general investment business, production and trading of various terminals, plastic connectors, wire harnesses, connectors and molds, production and operation of various electronic connection cables, production and sales of various plastic connectors, research and development of precision molds, auto parts, electrical equipment and parts, plastics and their products, and wholesale, import and export of heating and ventilation equipment.
- V. The names of the directors, supervisors, and presidents of each affiliated enterprise and their shareholdings or contributions to the said enterprise: Table 2.
- VI. The operational overview of affiliated enterprises shall state the financial status and business results of each affiliated enterprise: Table 3.

[Table 1]

Profile of affiliates
December 31, 2022

Unit: NTD/USD/HKD

Company name	Date of establishment	Address	Paid-up capital (Note 1)		Main business or production items
Hu Lane Associate Inc.	1977.07.09	No. 1, Lane 342, Fude 1st 1st Road, Xizhi Dist., New Taipei City	NT\$	996,547,070	Manufacturing, processing, and trading of electronic parts (terminals) and hardware and mechanical accessories, manufacturing of industrial rubber and plastic products, manufacturing, processing, and trading of molds
EVERVALUE INVESTMENTS LIMITED	2001.03.12	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$	15,220,000	General investment business
TELFORD INVESTMENTS LIMITED	2001.03.08	Offshore Chambers, P.O. Box 217, Apia, Samoa	US\$	1,034,008	General investment business
HULANE ELECTRONIC (VIETNAM) CO., LTD.	2008.05.21	Lot XN 28&32, Dai An Industrial Zone, Hai Duong Province, Vietnam	US\$	6,300,000	Production and sales of various terminals, plastic connectors, wire harnesses, connectors and molds
Hu Lane Electronics (Nanjing) Co., Ltd.	2004.01.17	No. 28, Laifeng Road, Lukou Town, Jiangning District, Nanjing City, People's Republic of China	US\$	8,500,000	Production and sales of various terminals, plastic connectors, wire harnesses, connectors and molds
FORTUNE MASTER DEVELOPMENT LIMITED	2010.03.05	Room 1004, National Health Service Center, 151 Gloucester Road, Wanchai, Hong Kong	HK\$	72,816,926	General investment and trading
Dongguan Hu Lane Electronic Technology Co., Ltd.	2011.05.23	No. 5, Gong'ao 1st Road, Xiangshan Industrial Park, Xiiniupei Village, Dalang Town,	US\$	8,000,000	Production and sale of molds, stencils, wire harnesses, terminal connectors, and plastic products,

Company name	Date of establishment	Address	Paid-up capital (Note 1)		Main business or production items
		Dongguan City, Guangdong Province, China			establishment of R&D institutions to research and develop precision molds
Dongguan Hu Lane Puguang Trading Co., Ltd.	2012.05.04	No. 7 Gong'ao 1st Road, Xiangshan Industrial Park, Xiiniupei Village, Dalang Town, Dongguan City, Guangdong Province, China	US\$	1,400,000	Wholesale, import and export of auto parts, electrical equipment and parts, plastics and products thereof, and heating and ventilation equipment
PT. HULANE TECH MANUFACTURING	2017.06.22	Jl.Jababeka 2E Block C16-J Cikarang Industrial Estate Phase1 Cikarang-Bekasi 17530 Jawa Barat Indonesia	IDR\$	31,240,000,000	Semi-conductor, electronic components, cables and other electronics including plastic injection parts, connectors, copper metal terminals, socket terminals, wires
Yangzhou Lear Hulane Automotive Parts Trading Co., Ltd.	2021.12.14	No. 518, Situ Temple Road, Yangzhou City	US\$	1,500,000	Retail sale of auto parts, wholesale of auto parts, research and development of auto parts, technical service, technology development, technical consultation, technical exchange, technology transfer, and technology promotion, import and export of goods, technology import and export, supply chain management services
EAGLE GOOD LIMITED	2006.05.12	Vistra Corporate Services Centre ,Ground Floor NPF Building,Beach Road,Apia,Samoa	US\$	10,680,000	General investment business

Company name	Date of establishment	Address	Paid-up capital (Note 1)		Main business or production items
JIAXING SHANG HO ELECTRICS TECHNOLOGY CO., LTD	2012.12.04	No. 68, Taojing Road, Xiuzhou District, Jiaxing City, Zhejiang Province, China	US\$	10,500,000	Research and development of auto parts, manufacturing of auto parts and accessories, wholesale of auto parts, research and development of motorcycles and spare parts, manufacturing of motorcycle spare parts, wholesale of motorcycles and spare parts, technical service, technology development, technical consultation, technical exchange, technology Technology transfer and promotion, electronic component manufacturing, electronic component wholesale, technology import/export
SHANG HO INDUSTRY CO., LTD.	1979.05.07	No. 28, Lane 393, Fude 1st 1st Road, Xizhi Dist., New Taipei City	NT\$	86,600,000	Manufacturing, processing, trading, and import/export of automobile integrated switches, processing, manufacturing, and trading of electric wires, manufacturing, processing, and trading of plastic molded products and punched products for automobile parts

Note 1: December 31, 2022 USD: NTD = 30.7100: 1
December 31, 2022 HKD: NTD = 3.9380: 1
December 31, 2022 IDR: NTD = 0.0020: 1

[Table 2]

Information of directors, supervisors, and presidents of affiliated companies
December 31, 2022

Unit: share

Company name	Job title	Name or Representative	Number of shares held	
			Number of shares (Note 1)	Shareholding ratio
Hu Lane Associate Inc. (Note 2)	Director	Chang Tzu-Hsiung	4,001,173	4.02%
	Director (and President)	Hu Sheng-Ching	5,775,315	5.79%
	Director	Chang Ping-Chun	1,936,163	1.94%
	Director	Hu Shao-Ju	2,439,251	2.45%
	Director	Liu Chun-Hsiang	4,106,005	4.12%
	Director	Chan Yi-Min	33,894	0.03%
	Independent Director	Chang Shyueh-Chih	0	0.00%
	Independent Director	Lin Jaan-Lieh	10,125	0.01%
	Independent Director	Lin Yuan-Li	0	0.00%
EVERVALUE INVESTMENTS LIMITED	Director	Chang Tzu-Hsiung	15,220,000	100.00%
TELFORD INVESTMENTS LIMITED	Director	Chang Tzu-Hsiung	1,034,008	100.00%
HULANE ELECTRONIC (VIETNAM) CO., LTD.	Chairman	Chang Tzu-Hsiung	6,300,000	100.00%
Hu Lane Electronics (Nanjing) Co., Ltd.	Executive Director	Chang Tzu-Hsiung	8,500,000	100.00%
FORTUNE MASTER DEVELOPMENT LIMITED	Director	EVERVALUE INVESTMENTS LIMITED	9,400,000	100.00%
	Director	Hu Sheng-Ching		
	Director	Chang Tzu-Chieh		
Dongguan Hu Lane Puguang Trading Co., Ltd.	Executive Director	Chang Tzu-Hsiung	1,400,000	100.00%
	Supervisor	Chang Tzu-Chieh		

Company name	Job title	Name or Representative	Number of shares held	
			Number of shares (Note 1)	Shareholding ratio
Dongguan Hu Lane Electronic Technology Co., Ltd.	Chairman (and President)	Hu Sheng-Ching	8,000,000	100.00%
	Director	Chang Tzu-Hsiung		
	Director	Fang Kai-Ping		
	Supervisor	Chang Tzu-Chieh		
PT. HULANE TECH MANUFACTURING	Director	EVERVALUE INVESTMENTS LIMITED	2,000,000	80.00%
	Chairman	Chang Ping-Chun		
	Director	Fang Kai-Ping		
	Director	Chang Tzu-Chieh		
	Director	RITCHIE GLEN YAPRANADI		
	Director	BARRY LASTKY		
	Supervisor	Pan Su-Chiu		
Yangzhou Lear Hulane Automotive Parts Trading Co., Ltd.	Chairman	Sun-I	900,000	60.00%
	Director	Jared Anthony Fedele		
	Director	Chou-Hsi		
	Supervisor	Chu Hai-Tung		
	Vice Chairman	Chang Tzu-Chieh	600,000	40.00%
	Director	Chang Shao-Chien		
	Supervisor	Pan Su-Chiu		
EAGLE GOOD LIMITED	Director	Hu Lane Associate Inc.	10,680,000	100.00%
	Chairman	Chen Ko-Chou	10,500,000	100.00%

Company name	Job title	Name or Representative	Number of shares held	
			Number of shares (Note 1)	Shareholding ratio
JIAXING SHANG HO ELECTRICS TECHNOLOGY CO., LTD	Director	Hu Shao-Ju		
	Director	Hsu Mao-Shen		
	Supervisor	Pan Su-Chiu		
SHANG HO INDUSTRY CO., LTD	Chairman	Chang Shih-Wei	8,660,000	100.00%
	Director	Hu Shao-Ju		
	Director	Chang Ping-Chun		
	Supervisor	Pan Su-Chiu		

Note 1: Number of shares held as of December 31, 2022. Note 2: Total outstanding shares as of December 31, 2022 were 99,654,707 shares.

[Table 3]

Overview of the operation of each affiliated enterprise
December 31, 2022

Unit: NTD thousands

Company name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current profit and loss (after tax)	Earnings per share (NT\$) (after tax)
Hu Lane Associate Inc.	996,547	8,689,404	3,136,172	5,553,232	2,671,927	331,322	999,901	10.03
(EVERVALUE INVESTMENTS LIMITED) (Note 1)	459,008	3,676,529	4	3,676,525	0	(480)	549,230	-
(TELFORD INVESTMENTS LIMITED) (Note 1)	31,309	181,193	6,466	174,727	0	(265)	19,107	-
(HULANE ELECTRONIC (VIETNAM) CO., LTD.) (Note 1)	167,118	538,394	316,393	222,001	488,366	19,017	14,448	-
HULANE ELECTRONIC (VNANJING) CO., LTD. (Note 1)	322,197	2,233,278	860,440	1,372,838	1,890,463	21,043	6,459	-
FORTUNE MASTER DEVELOPMENT LIMITED (Note 1)	284,908	1,806,001	0	1,806,001	75,880	10,151	535,633	-
Dongguan Hu Lane Puguang Trading Co., Ltd. (Note 1)	38,401	3,147,977	2,756,541	391,436	4,478,553	240,282	367,511	-
Dongguan Hu Lane Electronic Technology Co., Ltd. (Note 1)	222,202	2,449,103	1,076,216	1,372,887	2,663,148	280,905	171,288	-
PT. HULANE TECH MANUFACTURING (Note 1)	64,310	232,318	125,202	107,116	178,874	29,319	11,873	-
Shang Ho Industry Co., Ltd. (Note 1)	86,600	100,190	34,317	65,873	91,349	(14,144)	(12,985)	-
EAGLE GOOD LIMITED (Note 1)	313,238	236,227	0	236,227	0	(52)	(45,597)	-
Jiaxing Shangho Electronic Technology Co., Ltd. (Note 1)	308,010	758,595	522,387	236,208	557,356	(40,094)	(29,113)	-

Yangzhou Lear & Hulane Automotive Parts Trading Co., Ltd. (Note 1)	41,520	90,070	58,747	31,323	69,319	(10,599)	(10,600)	-
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Note 1: As of December 31, 2022 USD: NTD = 30.7100: 1 IDR: NTD = 0.0020: 1 HKD: NTD = 3.9380: 1
CNY: NTD = 4.4080: 1 VND: NTD = 0.0013: 1

Two. Declaration of Consolidated Financial Statements of Affiliates

Declaration of Consolidated Financial Statements of Affiliates

For the year 2022 (from January 1 to December 31, 2022), the Company that should be included in the preparation of the Consolidated Financial Reports of Affiliated Enterprises in accordance with the "Standards for the Preparation of Consolidated Financial Statements and Relationship Reports of Affiliated Enterprises" is the same as the companies that should be included in the preparation of consolidated financial reports of parent and subsidiary companies pursuant to IFRS 10, and the relevant information that should be disclosed in the consolidated financial reports of related enterprises has been disclosed in the previously disclosed consolidated financial reports of the parent and subsidiaries. There will be no separate financial reports for the consolidated financial reports of related enterprises.

It is hereby declared

Company name: Hu Lane Associate Inc.

Chairman: Chang Tzu-Hsiung



March 24, 2023

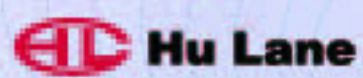
Chapter 3. Report of affiliation: None

Hu Lane Associate Inc.



Chairman: Chang Tzu-Hsiung





Hu Lane Associate Inc.

TEL 886-2-2694-0551 / FAX 886-2-2694-2526