TWSE Stock Code: 1726

ANNUAL REPORT 2022

YUNG CHI PAINT & VARNISH MFG. CO., LTD.

TWSE's Market Observation Post System: http://mops.twse.com.tw
Company website: http://www.rainbowpaint.com.tw

Printed on March 31, 2023

I. I. The name, title, contact number, and email address of the Company's spokesperson and deputy spokesperson:

(I) The Company's spokesperson

Name: Chen Hung-Wei

Title: President

Tel: (07)871-3181

Email address:vickyhchen@mail.rainbowpaint.com.tw

(II) Acting spokesperson

Name: Chang Te-Jen

Title: Chairperson

Tel: (07)871-3181

Email address:a8713181@ksts.seed.net.tw

II. Addresses and telephone numbers of headquarter, branch offices, and factories:

Headquarters and factories: No. 26 and No, 28, Yanhai 3rd Rd., Xiaogang Dist., Kaohsiung City

Tel: (07)871-3181

III. Name, address, website, and contact number of the stock transfer agency

Name: Shareholder Services Department of CAPITALSECURITIESCORP.

Address: Basement Level 1, No. 97, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City

Website: http://www.capital.com.tw

Tel: (02)2702-3999

IV. Names of the certified public accountant who duly audited the annual financial report for the most recent fiscal year, and the name, address and telephone number of said person’s accounting firm:

Name: Kuo Li-Yuan; Hsu Jui-Hsuan

Name of accounting firm: Deloitte & Touche

Address: 3F, No. 88, Chenggong 2nd Rd., Qianzhen Dist., Kaohsiung City

Website: http://www.deloitte.com.tw

Tel: (07)530-1888

V. Name of any exchanges where the Company’s securities are traded offshore, and the method by which to access information on said offshore securities

Name of any exchanges where the Company’s securities are traded offshore: None.

The method by which to access information on said offshore securities: None.

VI. The Company’s website:

Website: http://www.rainbowpaint.com.tw

Table of Contents

One. Letter to Shareholders

Ladies and gentlemen:

Thank you for your support and care for the Company in the past year.

In 2022, our consolidated revenue amounted to NT$9.74 billion, up 10% from NT$8.87 billion in 2021. However, soaring raw material prices suppressed the profit margin, reducing the earnings per share from NT$5.45 in 2021 to NT$5.03 in 2022.

The Company will continue to develop new coating materials and expand the sales market to stabilize profits, to create profits for shareholders, and to fulfill corporate social responsibilities, thereby giving back to shareholders for your long-term support and care.

Below is a summary of the 2022 business results and 2023 business plan:

I. 2022 business results

(I) Achievements of business plan:

Unit: NT$1,000

Item	2022	2021	Increase or decrease (%)
Operating revenue	9,735,561	8,865,627	9.81
Operating profit	869,476	1,002,843	-13.30
Post-tax profit	814,474	882,167	-7.67
Earnings per share (NT$)	5.03	5.45	-7.71

(II) Budget execution status: Not applicable because a financial forecast was not disclosed for 2022.

(III) Financial income and expenses and profitability analysis:

1. Financial income and expenses analysis:

Item		2022	2021
Financial structure	Debt-to-assets ratio (%)	16.15	17.98
	Ratio of long-term funds to fixed assets (%)	293.82	292.18
Solvency	Current ratio (%)	444.48	396.96
	Quick ratio (%)	283.41	254.64

2. Profitability analysis:

Item	2022	2021
Return on assets (%)	7.21	8.20
Return on equity (%)	8.67	9.81
Pre-tax profit to paid-in capital (%)	64.19	65.68
Net profit margin (%)	8.37	9.95
Earnings per share (NT$)	5.03	5.45

(IV) Research and Development:

1. 2022 Research and Development achievements:
   (1) The development of UP-168 1-pack polyurea waterproof material was completed.
   (2) The UP600A sound attenuation material was developed
   (3) The completion of a photocurable coating materials system for iron-based printing has been achieved.
   (4) A coating system for photovoltaic system brackets made of coiled steel has been developed.
   (5) A glass fiber waterproof material impervious to cracking has been developed
   (6) Full-color granite paint has been developed
2. Future development trend:
   (1) To develop low-odor cold plastic road marking paint.
   (2) To develop fast-drying acrylic floor coating paint.
   (3) To develop high strength spray polyurea.
   (4) To develop water-based inorganic coating materials.

(5)To develop baking paint for solar panel brackets.

II. Outline of the 2023 Business Plan

(I) Business strategies:

1. Penetrate the niche market; develop technologically differentiated products;
2. Introduce a new Enterprise Resource Planning system; promote digital optimization and transformation to improve business performance;
3. Give full support to Jiaxing factory's mass production capacity;
4. Promote ESG for sustainable operations and management; fulfill corporate social responsibilities.

(II) Business objectives:

The Company's product sales tend to lag behind economic indicators. Since the overall economic is growing at a snail pace, the Company therefore forecasts the sales in 2023 to be lower in 2022.

Unit: Metric tons

Item	Forecast sales for 2023	Sales in 2022	Growth rate
Sales Volume	90,017	98,666	-8.77%

(III) Important production and sales policies:

1. Production policy:
   A. Introduce automation equipment to improve production efficiency and order fill rate.
   B. Strengthen the integration of, and reduce the gap between, production and sales information; reduce the backlog of finished products.
   C. Introduce a new Enterprise Resource Planning system to tighten the grasp of inventories.
2. Sales policy:
   A. Continue to develop waterproof materials, water-based industrial coating materials, and nano-level/heat insulation/ energy-saving/sound insulation products; gradually introduce inorganic products to develop new products and new markets to increase sales.
   B. Increase exposure and appeal to the young generation by sponsoring and broadcasting ball games, or through Google Display Network, FB, IG, and YouTube, so as to increase customer stickiness and expand customer base, thereby expanding market share.
   C. Integrate overseas subsidiaries and jointly develop overseas markets.

III. Future Development Strategies

The Company's future development strategies aim to achieve the following goals:

(I) Continue to explore the niche market; develop differentiated products.

(II) Review the development of the group to formulate talent management strategy and business strategy.

(III) Grasp the trend of circular economy and create a sustainable business environment.

IV. Effect of external competition, the legal environment, and the overall business environment:

(I) Effect of external competition:

Since the entry barrier is low when it comes to technologies or equipment requisite for the production and use of coating materials, market competition is fierce. Aside from enhancing quality and increasing the price–performance ratio and order fill capability to maintain good service quality and enhance customer relationship to ensure stable sales, the Company will also actively develop coating materials that are high added-value, inorganic, or of special function, or make life cozier, thereby differentiating ourselves from peers in the market.

(II) Effect of regulatory environment:

Since the regulatory framework concerning carbon emission and carbon neutral and the ESG sustainable operations requirements have become more demanding of the industry, the priority is to develop eco-friendly or inorganic products or products qualifying as green building materials. Currently, the overall operations comply with regulatory requirements and the ISO 14001 Environmental Management System. The Company will further incorporate carbon emission and ESG sustainable operations into its business plan.

(III) Effect of the overall business environment:

Effected by the pandemic worldwide and the Russia-Ukraine war, the blocked supply chain boosted the price of both energy and raw materials, resulting in inflation, which in turn caused the central bank of each country to increase their benchmark rate, risking a worldwide recession. To effectively cope with that, the Company will continue to integrate group resources to achieve synergy; develop new products to improve competitiveness; and control cost and expenses.

II. Company Profile

1. Date of establishment

May 29, 1957

II. Company History

March 1951	Founded in Kaohsiung, with a starting capital of NT$100 thousand.
May 1957	Restructured as a company limited by shares; the capital was increased to NT$800 thousand.
December 1962	Increased the capital to NT$3 million.
May 1967	Increased the capital to NT$5 million.
March 1974	Increased the capital to NT$10 million.
June 1975	Technologically partnered with BERSER，JENSON & NICHOlSON LTD, a British company, and KOBE PAINTS LTD, a Japanese company, to produce the “RAINBOW TORPEDO”, paint exclusively for ships.
November 1975	Increased the capital to NT$20 million.
February 1976	Increased the capital to NT$30 million.
August 1977	Became a supplier of ship paint and varnish to China Ship Building Corporation, including the paint and varnish for a total of 24 ships, including wooden ships and multipurpose freighters.
August 1977	Received an order from the military services for experimental military products; successfully developed the primer for naval ships and was therefore awarded the qualification certificate titled (1978) Military Experiment No.280.
May 1978	Purchased 13,566 pings (44,847 square meters) in Kaohsiung Linhai Industrial Park from the Industrial Development Division of BES Engineering Inc. Factories were constructed thereon and put into operation in 1983.
August 1979	Increased the capital to NT$50 million.
February 1980	Increased the capital to NT$70 million.
February 1981	Received an order from the military services for experimental military products; successfully developed coating materials for the airplanes of the air force and was therefore awarded the qualification certificate titled (1981) Military Experiment No.484 from the Ministry of National Defense.
August 1981	Increased the capital to NT$100 million, of which NT$16 million was from follow-on offering and NT$14 million from recapitalization of earnings.
July 1982	Undertook the project from the Directorate General of Highways to paint the bridge spanning from Guandu to Bali, the longest steel bridge in the Far East region that was open to traffic in December 1983.
June 1983	Moved the office and factories from Zhonghua 2nd Rd to the current location in Kaohsiung Linhai Industrial Park; replaced more than 85% of production equipment.
August 1984	Added production machinery of new models; purchased various precision inspection instruments; used computer color-matching machine to develop ultraviolet curing paint; increased the capital by NT$30 million in November of the same year, of which NT$21 million came from follow-on offering and NT$9 million from recapitalization of capital surplus, increasing the capital to NT$130 million.
May 1985	Developed the coating materials for cars and luxurious wood articles.
March 1986	Successfully developed self-polishing copolymer paint and started supplying it to be used as coating materials for large ships.
June 1987	Expanded two factories by an area of about 6,000 square meters to increase production capacity to satisfy the industry demand.
September 1988	Developed luxury building coatings and flooring coatings and supplied them to the construction industry and the chemical engineering industry; undertook a project from the Bureau of Housing and Urban Development, Taiwan Provincial Government, to paint the continuous composite steel cable-stayed bridge, namely,

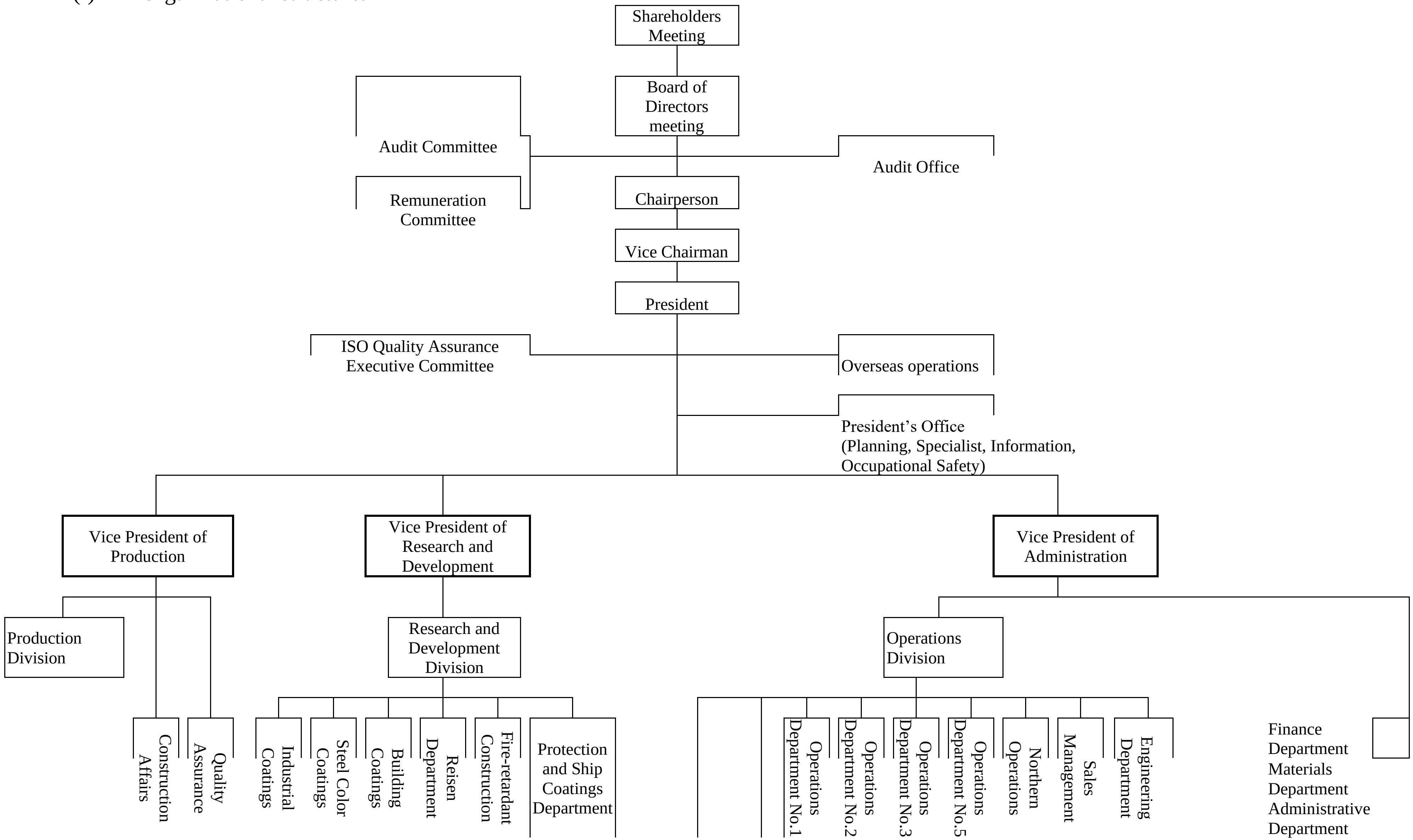
	Chongyang Bridge, which spanned from Sanchong to Taipei City and was open to traffic in January 1989; and recapitalized undistributed earnings of NT$30 million in December in the same year, increasing the capital to NT$160 million.
September 1989	Technologically collaborated with SIGMA, a Belgium company, on the production of color coatings for steel coils; launched a follow-on offering for NT$38 million in December of the same year, increasing the capital to NT$198 million.
February 1990	Successfully developed fire retardant coatings; undertook a project to paint the outfall pipes of the sewage sewer of suburban Taipei in August of the same year.
May 1991	Undertook a sandblasting and painting project under the second automatic filling engineering project of Wang Tian Oil Terminal of CPC Corporation; undertook Hsinta power plant's chimney inner wall anti-corrosion project from Taipower in June of the same year; selected as an approved supplier of paint and coatings by Kaohsiung Refinery Plant in July.
June 1992	Increased the capital by NT$252 million, of which NT$150 million came from follow-on offering, NT$92 million from recapitalization of earnings, and NT$10 million from recapitalization of capital surplus, increasing the capital to NT$450 million; the initial public offering procedures were undergone retrospectively.
June 1993	Developed fire retardant coatings, which passed the UL flammability test and was included in UL's Fire-retardant Materials Yearbook. Increased the capital by NT$162 million in July of the same year, of which NT$81 million came from recapitalization of earnings and NT$81 million from recapitalization of capital surplus, increasing the capital to NT$612 million.
April 1994	Included as an approved supplier in the National Defense Industry Supplier Evaluation; selected as an excellent manufacturer of newly developed products of 1994 by the MOEA for our fire-retardant coatings and fire-retardant paint in November of the same year, and was therefore commended.
January 1995	Obtained an R.O.C. patent titled fire retardant coating composition containing Portland cement. Obtained USA patents for products related to anti-fouling coating composition
November 1995	Recapitalized earnings of NT$122.4 million, increasing the capital to NT$734.4 million.
January 1996	Technologically collaborated with SIGMA, a Dutch company, on the production of ship coatings; passed ISO9001 certification carried out by TUV of Germany in June; in November of the same year, our ISO9001 certificate was accredited by the Commodity Inspection Bureau, and earnings of NT$73.44 million were recapitalized, increasing the capital to NT$807.84 million.
March 1996	Awarded the Green Mark for our water-based cement paint by the EPA.
August 1996	Obtained a USA patent titled Containing Film-Formable Metal Soap Compound.
September 1997	Recapitalized earnings of NT$100.98 million, increasing the capital to NT$908.82 million.
April 1998	Recapitalized earnings of NT$181.764 million and capital surplus of NT$90.882 million, increasing the capital to NT$1.181466 billion.
June 1998	Shares began trading on TPEx.
September 1999	Recapitalized earnings of NT$117.2199 million, increasing the capital to NT$1.3586859 billion.
August 2000	Recapitalized earnings of NT$203.80289 million, increasing the capital to NT$1.56248879 billion.
September 2000	Shares began trading on TWSE.
December 2000	FM-900 solvent-based intumescent fire resistance mastic coating passed the inspection carried out by Britain's WFRC and LPC.
April 2001	Introduced the photoresist technology used in color filters.
May 2002	Kunshan factory in China started production.
July 2003	Recapitalized earnings of NT$37.499703 million, increasing the capital to

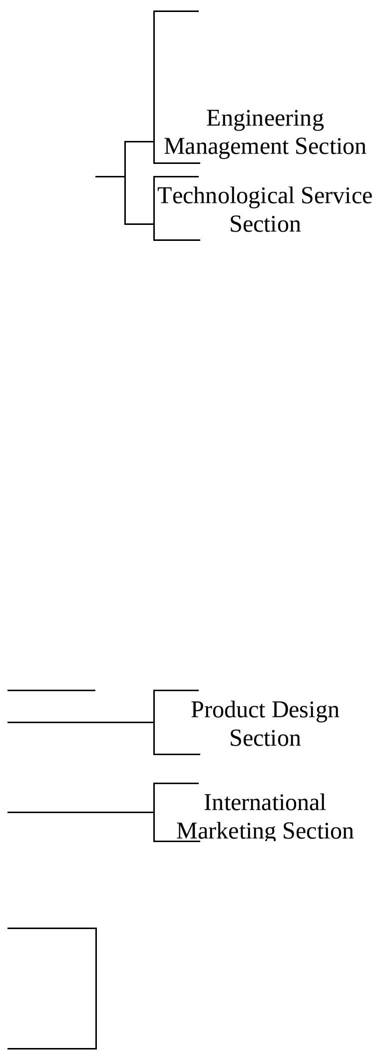
	NT$1.59998852 billion.
January 2004	Took part in Taiwan High Speed Rail's waterproofing membrane engineering project.
May 2006	Vietnam factory officially started mass production.
July 2008	Recapitalized earnings of NT$20.01148 million, increasing the capital to NT$1.62 billion.
January 2009	Malaysia factory officially started mass production.
February 2010	Incorporated CSBC Coating Solutions Co., Ltd. jointly with CSBC Corporation, Taiwan, with a capital contribution of NT$37.5 million, accounting for 30% of total shares.
December 2011	Successively installed computer color matching machines in Rainbow Houses, regular chains across northern, central, and southern Taiwan.
November 2012	Tapped into the US market and invested in Continental Coatings, Inc.
September 2013	Launched RAINBOW ITALIA, a new product.
March 2014	Started construction of Tian Yung Technology Building
July 2016	Tapped into the Malaysian market and invested in TLT ENGINEERING SDN BHD.
June 2017	Completed construction of Tian Yung Technology Building.
July 2017	Tapped into the US market and purchased land for the Texas factory.
December 2017	Set up Jiaxing factory in China through investment.
January 2018	Passed ISO 14001 certification.
January 2019	USA Texas factory officially started mass production.
June 2020	Set up the Audit Committee.
June 2022	Jiaxing factory in China started production.

Chapter 3. Corporate Governance Report

I. Organizational system

(I) Organizational structure:




Engineering Management Section
Technological Service Section
Product Design Section
International Marketing Section

(II) Major duties of principal departments:

Department	Major duties
Audit Office	1. Investigate and evaluate the soundness, rationality, and effectiveness of the company's internal control system and various management systems. 2. Take charge of each company unit's efficiency of implementing policies and occupational functions.
President's Office	1. Assist the President in implementing and supervising the company's various resolutions; drafting and formulating systems; handling anomalies; and executing matters relevant to each project. 2. Plan work related to business analysis; review and improve work methods and technologies. 3. Supervise the work done by the Planning Section, Occupational Safety Section, Information Office, and Audit Section, and evaluate their performance.
Production Division	1. Determine the production schedule according to the production plan; allocate the production lines according to the product category; track the production progress; control the production quality and improve work efficiency. 2. Coordinate and accept the technology transfer for products requested to be mass produced by the Research and Development Division; supervise the execution of inspection during production.
Research and Development Division	1. Conduct research and development of new products; assess product quality; assist in process improvement; provide technological services; and analyze product anomalies. 2. Give R&D personnel technological training; gather and make use of technological information.
Operations Division	1. Coordinate the formulation of the Company's business plan and achievement of business goals; integrate and execute marketing strategies; manage product selling price; remove any anomaly in payment collection.
Construction Affairs Department	1. Install and relocate the Company's equipment and plan and execute maintenance thereof; formulate and execute the equipment preventive maintenance plan; establish and analyze the equipment repair and maintenance record; provide education and trainings on the use of machinery and equipment. 2. Planning, design or commissioned design, supervision, commissioning, and acceptance of the Company's new engineering project.
Quality Assurance Department	1. Formulate the quality assurance system and related computer programs; inspect the quality at each stage; and ensure the quality of materials provided by subcontractors and help them improve their quality.
Finance Department	1. Take charge of financial management, stock affairs handling, taxation, accounting affairs, cost planning, financial statements preparation and company registration related matters. 2. Set up the Accounting section and Wealth Management Section by business nature.
Materials Department	1. Formulate and implement the in-plant storage and transportation service system; stocktaking; set up raw material control objectives; statistically analyze the information of the various raw materials. 2. Take charge of safety stock of materials, purchase requisition, and procurement work.

Administrative Department	1. Take charge of the Company’s general affairs; manage the security guards who are responsible for plant access safety; purchase all things the Company needs; handle relevant affairs and procedures. 2. Select, manage, and train employees.

II. Profile of directors, president, vice presidents, assistant vice presidents, and supervisors of departments and branches:

(I) Information on directors:

March 31, 2023

Title	Nationality or Place of Registration	Name	Gender and age	Date on which the person was elected (took office)	Tenure	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse and underage children		Shares held in the name of other persons		Main career (academic) achievements	Concurrent duties in the Company and other companies	Spouse or relatives of the second degree or closer acting as manager, director or supervisor		
							Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding percentage			Title	Name	Relationship
Chairman	ROC	Chang Te-Jen	Male Aged 70~75	2020.06.20	3 years	1993.06.19	11,529,971	7.12%	11,529,971	7.12%	2,586,889	1.60%	0	0	Yung Ta Institute of Technology & Commerce	1. Director, YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD. 2. Director, Yong Ying Investment Co., Ltd. 3. Director, Jieyou Industrial Co., Ltd. 4. Director, Sanxiangmin Co., Ltd. 5. Director, Yongxiang Investment Co., Ltd. 6. Director, JAUH - HSING ENTERPRISE CO., LTD. 7. Chairperson, Bmass Investment Co.,Ltd. 8. Director, CHERN LUNG FISHERY CO., LTD.	Director Director Vice president Vice president	Chang Te-Hsiung Chang Te-Sheng Chang Te-Hsien Chang Te-Ming	Brothers Brothers Brothers Brothers
Director	ROC	Chang Te-Hsiung	Male Aged 70~75	2020.06.20	3 years	1993.06.19	12,248,846	7.56%	12,248,846	7.56%	4,190,556	2.59%	0	0	Master of Management, Cheng Shiu University	1. Chairperson, Jieyou Industrial Co., Ltd. 2. Supervisor, Yong Ying Investment Co., Ltd. 3. Supervisor, Sanxiangmin Co., Ltd. 4. Director, Yongxiang Investment Co., Ltd. 5. Director, JAUH - HSING ENTERPRISE CO., LTD. 6. Chairperson, YUNG CHI PAINT & VARNISH MFG. (Vietnam) CO., LTD. 7. Chairperson, Emass Investment International Co,.Ltd. 8. Director, YUNG CHI America Corp. 9. Director, Continental Coatings Inc.	Chairperson Director Vice president Vice president	Chang Te-Jen Chang Te-Sheng Chang Te-Hsien; Chang Te-Ming	Brothers Brothers Brothers Brothers
Director	ROC	Chang Te-Sheng	Male Aged 70~75	2020.06.20	3 years	1993.06.19	10,365,996	6.40%	10,365,996	6.40%	2,229,133	1.38%	0	0	EMBA, National Sun Yat-sen University	1. Chairperson, Yongxiang Investment Co., Ltd. 2. Director, Yong Ying Investment Co., Ltd. 3. Director, Jieyou Industrial Co., Ltd. 4. Director, Sanxiangmin Co., Ltd. 5. Director, JAUH - HSING ENTERPRISE CO., LTD. 6. Director, YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD. 7. Chairperson, Cmass Investment Co.,Ltd. 8. Chairperson, Dmass Investment International Co,.Ltd.	Director Chairperson Vice president Vice president	Chang Te-Hsiung Chang Te-Jen Chang Te-Hsien Chang Te-Ming	Brothers Brothers Brothers Brothers
Director	ROC	Wu Hsiao-Yen	Female Aged 60~69	2020.06.20	3 years	2011.06.17	0	0	0	0	0	0	0	0	Master, Institute of Law, National Chung Cheng	1. Office Chief, Kaohsiung Office, Chien Yeh Law Offices 2. Independent director, Shiny Chemical Industrial Co., Ltd	None	None	None

															University.	3. Independent director, Kao Hsing Chang Iron & Steel Corp.			
Independent director	ROC	Chan Chin-Yi	Male Aged 60~69	2020.06.20	3 years	2017.06.23	0	0	0	0	0	0	0	0	EMBA, College of Management, NSYSU	1. Partner CPA, L. L. CHANG& CO., CPAs	None	None	None
Independent director	ROC	Wu Chien-Hsun	Male Aged 60~69	2020.06.20	3 years	2017.06.23	0	0	0	0	0	0	0	0	Department of Law, Fu Jen Catholic University Passed the Civil Service Special Examination Regulations for Judges and Prosecutors Judge of Changhua District Court/Kaohsiung District Court/Taiwan High Court	1. Legal practitioner, Wu Chien-Hsun & Partners	None	None	None
Independent director	ROC	Chuang Pi-Yang	Male Aged 70~75	2020.06.20	3 years	2020.06.20	0	0	0	0	0	0	0	0	Master, Institute of Industrial Chemistry, National Tsing Hua University EMBA, University of South Australia MBA, Texas A&M University	1. Supervisor, COLORVALUE TECHNOLOGY INCORPORATED	None	None	None

1. Disclosure of professional qualifications of directors and independence of independent directors:

Criteria / Name	Professional qualifications and experience	Independence	Number of concurrent duties as an independent director at a public company
Chang Te-Jen Director	˙Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. ˙The Company's incumbent Chairperson. ˙Used to be the Company’s director and President.	(1) Not a director, supervisor, or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company. (2) Not a director, supervisor, or employee of another company or institution, who is also the president or holds equivalent position, or a spouse	None

	˙ Circumstances specified in the various subparagraphs of Article 30 of the Company Act do not exist.	of these personnel, of the Company. (3) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.	
Chang Te-Hsiung Director	˙ Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. ˙ Has served as the Company's chairperson and director. ˙ Circumstances specified in the various subparagraphs of Article 30 of the Company Act do not exist.	(1) Not a director, supervisor, or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company. (2) Not a director, supervisor, or employee of another company or institution, who is also the president or holds equivalent position, or a spouse of these personnel, of the Company. (3) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.	None
Chang Te-Sheng Director	˙ Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company. ˙ Used to be the Company's director and President. ˙ Circumstances specified in the various subparagraphs of Article 30 of the Company Act do not exist.	(1) Not a director, supervisor, or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company. (2) Not a director, supervisor, or employee of another company or institution, who is also the president or holds equivalent position, or a spouse of these personnel, of the Company. (3) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.	None
Wu Hsiao-Yen Director	˙ A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company. ˙ Currently serving as the Chief of Kaohsiung Office, Chien Yeh Law Offices; independent director of Shiny Chemical Industrial Co., Ltd ; and independent director of Kao Hsing Chang Iron & Steel Corp. ˙ Circumstances specified in the various subparagraphs of Article 30 of the Company Act do not exist.	(1) Not an employee of the Company or any of its affiliates. (2) Not a director or supervisor of the Company or any of its affiliates. (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate that reaches one percent or more of the total number of issued shares of the company or ranks among the top 10 in terms of shareholding. (4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of any of the above persons listed in Subparagraph (2) and (3) or of the manager listed in (1). (5) Not a director, supervisor or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the Company, or ranks among its top five shareholders, or appointed as a representative in accordance with Paragraph 1 or 2 of Article 27 of the Company Act. (6) Not a director, supervisor, or employee of another company or institution in which the majority of board seats or voting rights are controlled by the same person in the Company.	2
Chan Chin-Yi Independent director	˙ A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company. ˙ Currently serving as the partner CPA of L. L. CHANG& CO., CPAs and the Chairperson of TAIWAN FILAMENT WEAVING DEVELOPMENT CO., LTD.		None

<table>
<tr><td></td><td>˙ Used to be an Independent director of HAI KWANG ENTERPRISE CORPORATION
˙ Circumstances specified in the various subparagraphs of Article 30 of the Company Act do not exist.</td><td rowspan="3">(7) Not a director, supervisor or employee of another company or institution, who is also the chairperson, president or holds equivalent position, or a spouse of these personnel, of the Company.
(8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
(9) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company over the past 2 years and has received cumulative compensation not exceeding NT$500,000, or a spouse thereof;
(10) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.
(11) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.</td><td></td></tr>
<tr><td>Wu Chien-Hsun Independent director</td><td>˙ A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company.
˙ Currently serving as a legal practitioner of Wu Chien-Hsun & Partners.
˙ Used to be a judge of Changhua District Court, Kaohsiung District Court, and Taiwan High Court.
˙ Circumstances specified in the various subparagraphs of Article 30 of the Company Act do not exist.</td><td>None</td></tr>
<tr><td>Chuang Pi-Yang Independent director</td><td>˙ Has work experience in the area of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company.
˙ Currently serving as a supervisor of COLORVALUE TECHNOLOGY INCORPORATED
˙ Used to be a member of the Company’s Remuneration Committee; a director of Centrillion Technologies Taiwan; and a supervisor of TAIMIDE TECHNOLOGY INCORPORATION
˙ Circumstances specified in the various subparagraphs of Article 30 of the Company Act do not exist.</td><td>None</td></tr>
</table>

2. Board diversity and independence:

(1) Diversity of the board:

To enhance corporate governance and facilitate a sound development of the Board of Directors’ composition and structure, the Company accounts for diversity when selecting members of the Board of Directors. Furthermore, by factoring in its operations, operational type, and development requirement, the Company has also formulated an appropriate diversity policy, which comprises criteria including, but are not limited to, the following two aspects:

A. Basic criteria and value: Gender, age, nationality, and culture.

B. Professional knowledge and skill: Professional background and skill, and industry experience.

In addition, members of the Board of Directors as a whole possess required abilities, including the ability to make operational judgments; ability to perform accounting and financial analysis; ability to conduct management administration; ability to conduct crisis management; knowledge of the industry; an international market perspective; ability to lead; and ability to make policy decisions.

Below are the Company’s policy on Board of Directors membership diversity, and the implementation of the policy:

Name of Director		Basic composition							Professional background				Professional knowledge and skill					
		Gender	Nationality	Concurrently serving as the Company’s employee	Age		Term and seniority of independent director		Financial accounting	Business administration	Industry knowledge	Legal professionalism	Operational judgment capability	Business administration capability	Crisis management capability	International market perspective	Leadership	Decision-making capability
					60~69	70~75	under 3 years	3~6 years										
Director	Chang Te-Jen	Male	ROC	V		V			V	V	V		V	V	V	V	V	V
Director	Chang Te-Hsiung	Male				V			V	V	V		V	V	V	V	V	V
Director	Chang Te-Sheng	Male				V			V	V	V		V	V	V	V	V	V
Director	Wu Hsiao-Yen	Female			V					V		V	V	V	V	V	V	V
Independent director	Chan Chin-Yi	Male			V			V	V	V			V	V	V	V	V	V
Independent director	Wu Chien-Hsun	Male			V			V		V		V	V	V	V	V	V	V
Independent director	Chuang Pi-Yang	Male				V	V		V	V			V	V	V	V	V	V

Currently the Company’s Board of Directors is composed of 7 directors, including 4 regular directors and 3 independent directors; of the Board of Directors members, those who serve double duties as a director and an employee account for 14%; independent director 43%; and female directors 14%. 4 directors specialize in management and administration, leadership and decision-making, industry knowledge, and legal professionalism, and the other 3 are an expert in financial and accounting affairs, taxation, and law; they as a whole are an embodiment of the implementation of the Company’s diversity policy.

(2) Independence of the board:

Of the Company’s 7 directors, 3 are independent directors and 1 serves double duty as a director and an employee. All independent directors meet what the competent authority requires of an independent director. In addition, the number of directors who are a spouse or a relative within the second degree of kinship of another director must not exceed half of the Board seats. The Company's Board of Directors only has 3 directors who are a relative within the second degree of one another, and therefore is considered independent.

(II) Profile of directors, president, vice presidents, assistant vice presidents, and supervisors of departments and branches

March 31, 2023

Title	Nationality	Name	Gender	Date on which the person was elected (took office)	Shareholding		Shareholding of spouse and underage children		Shares held in the name of other persons		Main career (academic) achievements	Concurrent duties in the Company and other companies	Managers who are spouse or blood relatives within the second degree		
					Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding percentage			Title	Name	Relationship
President	ROC	Chen Hung-Wei	Male	2014.06.16	0	0	0	0	0	0	Master of Science, Department of Mechanical Engineering, National Taiwan University	1. Director, TLT ENGINEERING SDN BHD. 2. President, YUNG CHI PAINT & VARNISH MFG. (Jiaxing) CO., LTD.	None	None	None
Vice president	ROC	Chang Te-Hsien	Male	2014.06.16	5,000	0	9,336,101	5.76%	0	0	EMBA, National Sun Yat-sen University	1. YUNG CHI PAINT & VARNISH MFG. (Malaysia) CO., LTD. Chairperson 2. Chairperson, JAUH - HSING ENTERPRISE CO., LTD. 3. Director, Yong Ying Investment Co., Ltd. 4. Director, Yongxiang Investment Co., Ltd. 5. Director, YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD. 6. Director, TLT ENGINEERING SDN BHD. 7. Supervisor, YUNG CHI PAINT & VARNISH MFG. (Jiaxing) CO., LTD.	Vice president	Chang Te-Ming	Brothers
Vice president	ROC	Chang Te-Ming	Male	2014.06.16	2,745,168	1.69%	2,237,448	1.38%	0	0	Cheng Shiu University	1. Chairperson, Yong Ying Investment Co., Ltd. 2. Director, Yongxiang Investment Co., Ltd. 3. Director, JAUH - HSING ENTERPRISE CO., LTD. 4. Director, YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	Vice president	Chang Te-Hsien	Brothers

Vice president	ROC	Tseng Shih-Yu	Male	2021.01.01	3,192	0	0	0	0	0	National Sun Yat-sen University	1. Chairperson, Yung Chi America Corp. 2. Chairperson, Continental Coatings Inc. 3. Director, YUNG CHI PAINT & VARNISH MFG. (Vietnam) CO., LTD.	None	None	None
Associate Vice President, Operations Division	ROC	Wang Ling-Chang	Male	2018.03.01	0	0	0	0	0	0	National Chin-Yi University of Technology	None	None	None	None
Associate Vice President, Research and Development Division	ROC	Pan Yi-Ming	Male	2021.02.01	0	0	0	0	0	0	Chung Yuan Christian University	None	None	None	None
Associate Vice President, Vietnam Factory	ROC	Huang Shi-Chang	Male	2022.11.01	0	0	0	0	0	0	Tung Fang Junior College of Technology	None	None	None	None
Manager, Production Division	ROC	Lin Te-Ming	Male	2013.05.01	0	0	0	0	0	0	Kaohsiung Municipal Kaohsiung Industrial High School	None	None	None	None
Manager of Finance Department	ROC	Chen Hsi-Hui	Female	2018.03.12	0	0	0	0	0	0	Master of Business Taxation, University of Minnesota	None	None	None	None
Manager of Auditing Office	ROC	Chou Hung-Chih	Male	2020.11.05	0	0	0	0	0	0	Feng Chia University	None	None	None	None
Deputy Manager, Quality Assurance Department	ROC	Lai Tsun-Hua	Male	2017.09.01	0	0	0	0	0	0	Chung Yuan Christian University	None	None	None	None
Deputy Manager, Administrative Department	ROC	Chang Feng-Yu	Male	2023.03.01	733,847	0	0	0	0	0	Northwestern Polytechnic University	Chairperson, Yung Chi Paint & Varnish Mfg. (Jiaxing) Co., Ltd.	None	None	None
Section Chief, Materials Department	ROC	Lo Ta-Tsung	Male	2021.04.01	0	0	0	0	0	0	National Taipei University of Technology	None	None	None	None

Overseas operations Manager	ROC	Kuo Hsu-Chang	Male	2014.06.01	0	0	0	0	0	0	Southern Taiwan University of Science and Technology	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Kunshan) President	None	None	None

III. Remuneration paid during the most recent fiscal year to directors, the president, and vice presidents:

(I) Directors' remuneration:

2022; Unit: NT$1,000

Title	Name	Directors' remuneration								Total Remuneration (A+B+C+D) as a % of the Net Income		Remuneration for concurrent duty as an employee								Total Remuneration (A+B+C+D+E+F+G) as a % of the Net Income		Remuneration received from an investee other than a subsidiary, or the parent company
		Compensation (A)		Disability retirement benefits (B)		Directors' remuneration (C)		Fees for professional practice (D)				Salary, bonus, and special reimbursement (E)		Disability retirement benefits (F)		Employee compensation (G)						
																The Company		All companies within the financial statements				
		The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	Amount in cash	Amount in shares	Amount in cash	Amount in shares	The Company	All companies within the financial statements	
Chairperson	Chang Te-Jen	0	0	0	0	443	443	12	12	0.06%	0.06%	3,768	3,768	102	102	31	0	31	0	0.53%	0.53%	0
Director	Chang Te-Hsiung	0	0	0	0	443	443	24	24	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06%	0.06%	400
Director	Chang Te-Sheng	0	0	0	0	443	443	24	24	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06%	0.06%	0
Director	Wu Hsiao-Yen	0	0	0	0	443	443	18	18	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06%	0.06%	0
Independent director	Chan Chin-Yi	0	0	0	0	443	443	24	24	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06%	0.06%	0
Independent director	Wu Chien-Hsun	0	0	0	0	443	443	24	24	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06%	0.06%	0
Independent director	Chuang Pi-Yang	0	0	0	0	443	443	24	24	0.06%	0.06%	0	0	0	0	0	0	0	0	0.06%	0.06%	0

1. Please describe the remuneration policy, system, criteria, and structure for independent directors, and the relevance of remuneration to factors such as the duty and risk they assume and the time they invest: According to Article 28 of the Company's Articles of Incorporation, independent directors' compensation should be proposed by the Remuneration Committee by referring to the Company's operating performance and the payment standard among industry peers, and should then be submitted to the Board of Directors for resolution. 2. Aside from the remuneration disclosed in the above table, is there any other remuneration received by directors in the most recent year from any company included in the financial statements for their services rendered (such as serving as an advisor other than an employee): NT$1,519 thousand. 3. Fees for professional practice: These are the transportation fees for directors to attend the Board of Directors meetings. 4. Disability retirement benefits: These are the expenditures of disability retirement benefits contributed.

(II) Remuneration to the president and vice presidents:

2022; Unit: NT$1,000

Title	Name	Salary (A)		Disability retirement benefits (B)		Bonus and special reimbursement (C)		Employee compensation (D)				Total Remuneration (A+B+C+D) as a % of the Net Income (%)		Whether received remuneration from an investee other than a subsidiary
								The Company		All companies within the financial statements				
		The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	Amount in cash	Amount in shares	Amount in cash	Stock	The Company	All companies within the financial statements	
President	Chen Hung-Wei	1,573	1,573	95	95	2,363	2,363	31	0	31	0	0.50%	0.50%	None
Vice president	Chang Te-Hsien	1,570	1,570	95	95	766	766	31	0	31	0	0.30%	0.30%	None
Vice president	Chang Te-Ming	1,502	1,502	91	91	737	737	31	0	31	0	0.29%	0.29%	None
Vice president	Tseng Shih-Yu	1,519	1,519	94	94	1,745	1,745	31	0	31	0	0.42%	0.42%	None

(III) Remuneration to the Five Highest Remunerated Management Personnel:

2022; Unit: NT$1,000

Title	Name	Salary (A)	Disability retirement benefits (B)	Bonus and special reimbursement (C)	Employee compensation (D)	Sum of A+B+C+D and ratio to net income (%)	Whether received remuneration from

		The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company	All companies within the financial statements	The Company		All companies within the financial statements		The Company	All companies within the financial statements	an investee other than a subsidiary
								Amount of cash dividend	Amount of stock dividend	Amount of cash dividend	Amount of stock dividend			
President	Chen Hung-Wei	1,573	1,573	95	95	2,363	2,363	31	0	31	0	0.50%	0.50%	None
Vice president	Chang Te-Hsien	1,570	1,570	95	95	766	766	31	0	31	0	0.30%	0.30%	None
Vice president	Chang Te-Ming	1,502	1,502	91	91	737	737	31	0	31	0	0.29%	0.29%	None
Vice president	Tseng Shih-Yu	1,519	1,519	94	94	1,745	1,745	31	0	31	0	0.42%	0.42%	None
Associate vice president	Pan Yi-Ming	1,290	1,290	78	78	1,452	1,452	31	0	31	0	0.35%	0.35%	None

(IV) Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers:

2022; Unit: NT$1,000

Position	Title	Name	Amount in shares	Amount in cash	Total	Ratio of total amount to the net profit after tax (%)
Director	Chairperson	Chang Te-Jen	0	253	253	0.031%
Manager	President	Chen Hung-Wei				
	Vice president	Chang Te-Hsien				
	Vice president	Chang Te-Ming				
	Vice president	Tseng Shih-Yu				
	Associate vice president	Wang Ling-Chang				
	Associate vice president	Pan Yi-Ming				
	Manager of Finance Department	Chen Hsi-Hui				

(V) Below is the analysis and payment of the total remuneration, the remuneration policies, standards and packages, the procedures for determining remuneration and their relationship to the Company's operating performance and future risks, as a percentage of net income stated in the parent company only financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, president, and vice presidents:

1. Below is the analysis of the total remuneration, as a percentage of net income stated in the parent company only financial reports during the past 2 fiscal years to directors, president, and vice presidents:

Unit: NT$1,000

Remuneration recipient	2021				2022			
	Remuneration amount		Ratio to the Net Income(%)		Remuneration amount		Ratio to the Net Income(%)	
	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities	The Company	From All Consolidated Entities
Director	7,153	7,153	0.8108	0.8108	7,152	7,152	0.8781	0.8781
President and vice president	11,909	11,909	1.3500	1.3500	12,274	12,274	1.5070	1.5070

2. Description of the remuneration policies, standards and packages, the procedures for determining remuneration and their relationship to the Company's operating performance:

(1) Remuneration policies, standards and packages:

According to Article 28 of the Company's Articles of Incorporation, if the Company has profit in the fiscal year, 1%~5% of the profit shall be offered as employee remuneration, and no more than 0.5% of the profit shall be allocated as directors' remuneration.

(2) The procedures for determining remuneration and their relationship to the Company's operating performance and future risks

Compensation paid to directors is discussed and reviewed by the Company’s Remuneration Committee based on operating performance, submitted to the Board of Directors for resolution, reported to the Shareholders Meeting for adoption, and then distributed. Compensation paid to the Company’s managers is also drafted by the Remuneration Committee based on the Company’s salary management regulations and personal contribution, and then submitted to the Board of Directors for approval. The Company distributes remuneration by considering the year’s financial conditions, operating achievements, and future capital utilization planning while taking into account the assessment of future risks so as to minimize the occurrence of risk.

IV. Corporate governance implementation

(I) The state of operation of the board of directors: The Board of Directors had 4 meetings(A) in the most recent fiscal year, and the attendance of directors is shown as follows:

Title	Name	Actual attendance in person (B)	Number of attendance by proxy	Actual Attendance Rate (%) (B/A)	Remarks
Chairperson	Chang Te-Jen	2	2	50.00	
Director	Chang Te-Hsiung	4	0	100.00	
Director	Chang Te-Sheng	4	0	100.00	
Director	Wu Hsiao-Yen	3	1	75.00	
Independent director	Chan Chin-Yi	4	0	100.00	

Independent director	Wu Chien-Hsun	4	0	100.00	
Independent director	Chuang Pi-Yang	4	0	100.00	

Other matters to be recorded:

1. If any of the following circumstances exists, specify the board meeting date, meeting session number, content of the motion(s), the opinions of all the independent directors, and the measures taken by the Company based on the opinions of the independent directors:

   (1) Items listed in Article 14-3 of the Securities and Exchange Act: No such situation.

   (2) Any other documented objections or qualified opinions raised by an independent director against a board resolution: No such situation.

2. The status of implementation of recusals of directors with respect to any motions with which they may have a conflict of interest: specify the director's name, the content of the motion, the cause for recusal, and whether and how the director voted: No such situation. .

3. Disclose information including the evaluation cycle and period(s) of the board of directors' self-evaluations (or peer evaluations) and the evaluation method and content.

Evaluation periodicity	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Annually	January 1 to December 31, 2022	The Board of Directors as a whole	Directors' self-evaluation	1. Participation in the operations of the Company. 2. Improvement in the quality of the Board of Directors' decision making 3. Composition and structure of the Board of Directors. 4. Election and continuing education of the directors. 5. Internal control.
Annually	January 1 to December 31, 2022	Individual board member.	Directors' self-evaluation	1. Alignment with the goals and tasks of the Company. 2. Awareness of the duties of a director. 3. Participation in the operations of the Company. 4. Management of internal relationship and communication. 5. Professionalism and continuing education of the directors. 6. Internal control.

Annually	January 1 to December 31, 2022	Each functional committee.	Directors’ self-evaluation	1. Participation in the operations of the Company. 2. Awareness of the duties of the functional committee 3. Improve the functional committee's decision-making quality 4. Composition of the functional committee and selection of committee members. 5. Internal control.

4. The goal of improving the performance of board of directors in this year and latest fiscal year (including the establishment of audit committee and improvement of the information transparency, etc.) and the analysis of implementation:

(1) Establishment of the Audit Committee and Remuneration Committee: The Company’s Audit Committee exercises duties assigned to them by the Securities and Exchange Act, the Company Act, and other laws and regulations; the Company’s Remuneration Committee assesses the policy and systems regarding the remuneration paid to the Company’s Board of Directors and managers, so as to enhance the Board of Directors’ functions.

(2) Establishment of corporate governance regulations: The Company has formulated the Corporate Social Responsibility Best Practice Principles, Ethical Corporate Management Best Practice Principles, and Code of Ethical Conduct for Directors for compliance purposes.

(3) Improve information transparency: The Company’s website has an “Investors Zone”, where the contact information of the Company’s spokesperson is provided for shareholders to make a query about financial and business information. Related information is also disclosed in a timely manner as required by the competent authority so that investors can access transparent and fair information.

(II) Operation of the Audit Committee

1. Operation of the Audit Committee: The Audit Committee had 4 (A) meetings in the most recent fiscal year, and the attendance of independent directors is shown as follows:

Title	Name	Number of attendance in person	Number of attendance by proxy	Actual attendance rate [B/A]	Remarks
Independent director	Chan Chin-Yi	4	0	100.00	
Independent director	Wu Chien-Hsun	4	0	100.00	
Independent director	Chuang Pi-Yang	4	0	100.00	

Other matters to be recorded:

I. If any of the following circumstances exists, specify the audit committee meeting date, meeting session number, content of the motion(s), the content of any dissenting or qualified opinion or significant recommendation of the independent directors, the outcomes of audit committee resolutions, and the measures taken by the Company based on the opinions of the audit committee:

(I) Matters described in Article 14-5 of the Securities and Exchange Act: No such situation.

(II) In addition to the matters referred to above, any matter that was not approved by the audit committee but was approved by a two-thirds or greater majority resolution of the board of directors.: No such situation.

II. When there is avoidance of conflicts of interest by a director, state the name of that director, the involved proposal(s), the cause(s) of the avoidance of conflicts of interest, and the participation in voting of that director: No such situation.

III. Communication between the independent directors and the chief internal audit officer and the CPAs that serve as external auditor (including any significant matters communicated about with respect to the state of the company's finances and business and the method(s) and outcomes of the communication)：

A. Independent directors did not object to any items in the audit report submitted by the Chief Audit Officer.

B. The Chief Audit Officer attended the Board of Directors meeting and gave an audit business report.

C. The CPAs explained and communicated about the audit planning and key audit matters of the Company's financial statements and other competent authorities' official letters which are of significance.

(III) The Company's implementation of corporate governance and the differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor:

Evaluation Items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
I. Has the Company formulated and disclosed its corporate governance best practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"?		V	They are yet to be formulated by the Company.	The Company has yet to formulate its "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies", and will do so based on the Company's business needs and legal requirements.
II. The Company's equity structure and shareholder equity				
(I) Has the Company established internal operating procedures to handle shareholder recommendations, doubts, disputes and litigations, and implemented them in accordance with the procedures?	V		(I) The Company already has a spokesperson and a deputy spokesperson, and has disclosed their telephone number and email address; shareholders' and stakeholders' suggestions or questions are dealt with by dedicated personnel.	(I) Not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(II) Does the Company have a list of the major shareholders who actually control the Company and those who ultimately have control over the major shareholders?	V		(II) The Company always has a good grasp of the shareholding of directors, managers, and major shareholders with 10% or more stake in the Company, and regularly reports any insider shareholding changes.	(II) Not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(III) Has the Company established and implemented risk control and firewall mechanisms between affiliated companies?	V		(III) 1. The Company has formulated regulations for transaction management, endorsements and guarantees, and loaning of funds between the Company and affiliates. 2. In addition, as required by the FSC's	(III) Not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed

Evaluation Items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
			"Regulations Governing Establishment of Internal Control Systems by Public Companies", the Company also puts in place the "Regulations for Supervising and Managing Subsidiaries", whereby the Company implements its management of risks arising from subsidiaries' management or operation.	Companies.
(IV) Has the Company formulated internal regulations to prevent insiders from trading securities using undisclosed information on the market?	V		(IV) The Company has formulated the "Regulations for Preventing Insider Trading" to prevent the occurrence of insider trading.	(IV) Not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
III. Composition and responsibilities of the Board of Directors (I) Has the board established a policy on diversity and specific management approaches and objectives, and have they been implemented accordingly?		V	(I) The Company's Board of Directors designates the management to formulate policy and goals corresponding to the operational environment, and to report the implementation achievements it monitored.	(I) Matters will be carried out in the future based on the Company's development needs and laws and regulations.
(II) In addition to the Remuneration Committee and the Audit Committee established in accordance with law, has the company voluntarily set up other functional committees?		V	(II) Aside from setting up the Remuneration Committee and the Audit Committee as required by law, the Company will also set up other functional committees depending on actual needs.	(II) Matters will be carried out in the future based on the Company's development needs and laws and regulations.
(III) Has the Company established its Board Performance Appraisal Measures and the evaluation methods, conducted the performance	V		(III) The Company has formulated the "Rules for Performance Evaluation of Board of Directors", whereby it started performance	(III) Not significantly different from the Corporate Governance

Evaluation Items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
appraisal regularly every year and provided the results to the board as the reference for directors' remuneration and nomination and renewal? (IV) Does the company regularly evaluate the independence of attesting CPAs?	 V		evaluation and reporting to the Board of Directors from 2020 in order to obtain a reference for the remuneration and renewal of the term of directors. (IV) The Company evaluates the independence of its attesting CPAs every year by itself. The Company also formulates an attesting CPAs assessment checklist by referencing The Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 “Integrity, Fairness, Objectivity, and Independence”, and has the CPAs present a declaration of independence. The documents are then submitted to the Board of Directors for review and approval.	Best Practice Principles for TWSE/TPEx Listed Companies. (IV) Not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
IV. Has the Company allocated qualified and sufficient number of personnel and appointed managers in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and independent directors, assisting directors and independent directors to comply with laws, handling matters relating to board meetings and shareholder meetings according to laws, recording minutes of board meetings and shareholder meetings, etc.)?	V		The Company has designated competent governance personnel responsible for corporate governance matters. On March 16, 2023, the Board of Directors appointed Chang Tsung-Han as Corporate Governance Officer.	Not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and a special sections for stakeholders on the company's website, and responded appropriately to important corporate social responsibility issues that are of concern to stakeholders?	V		(I) The Company has set up a spokesperson system and a deputy spokesperson system. The telephone number of the spokesperson and the deputy spokesperson is disclosed on the Company's website. Queries are responded through a dedicated email box on an irregular basis. Financial information is disclosed on the Company's website or the Market Observation Post System as required in order to build a good communication channel with investors. (II) The Company provides consumers and suppliers with a communication channel through its procurement, sales, and technological support departments. (III) The Company designates each of its units to deal with each stakeholder separately for timely communication, response, and handling.	Not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
VI. Has the company appointed a professional stock affairs agency to handle matters for shareholder meetings?	V		The Company commission CAPITALSECURITIESCORP. to handle the Company's stock affairs.	Not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
VII. Public disclosure of information (I) Has the Company set up a website to disclose finance and business matters and corporate governance information?	V		(I) The Company has set up an official website in the Chinese language, on which financial, business, and corporate governance is disclosed in a timely manner.	(I) Not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
(II) Has the Company adopted other means of information disclosure (such as setting up an English website, appointing dedicated personnel responsible for the collection and disclosure of Company information, implementing a spokesperson system, posting the Company's earnings calls on its website, etc.)?	V		(II) The Company has a dedicated person who is responsible for collecting the Company's information and disclose it on the Company's website or the Market Observation Post System. The Company has also implemented a spokesperson system.	(II) Not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(III) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with the monthly business performance statements before the required due dates?		V	(III) The Company announces the follows according to laws and regulations and files them with the competent authorities: 1. Within 3 months after the end of each fiscal year, the Copan files the annual financial statements that were attested by CPAs, approved by the Board of Directors, and adopted by the Audit Committee. 2. Within 45 days after the end of the first, second, and third quarter of each fiscal year, the Company announce and files the financial statements that were reviewed by CPAs and reported to the Board of Directors. 3. The Company also announces and files its monthly operating performance before the 10th day of the following month.	(III) Matters will be carried out in the future based on the Company's development needs and laws and regulations.
VIII. Does the company have other important information that is helpful to understand its implementation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, continuing education of directors and	V		(I) Employee rights and employee care The Company has set up an Employee Benefit Committee, of which the members are elected by employees to carry out employee benefit measures. Employees legal rights are protected based on the Labor Standards Act.	Not significantly different from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
supervisors, implementation of risk management policies and risk measurement standards, implementation of customer policies, the company's purchase of liability insurance for directors and supervisors, and so on)?			The Company also provides employees with group insurance, trainings, festive bonus, and employee travel in order to maintain a harmonious labor-management relations. (II) Investor relations: Information is fully disclosed on the Company's website and the Market Observation Post System so that investors can know the Company's operational and corporate governance status. The Company answer investors' questions through its spokesperson or by convening a shareholders meeting. (III) Supplier relations: 1. The Company partners with suppliers based on the principles of equality, reciprocally benefit, and co-prosperity, and ensures the reasonableness of raw materials purchase price by adhering to the procurement principles. 2. The Company also surveys suppliers' needs and expectations regularly every year and gives timely response. (IV) Stakeholders' rights: The Company maintains a good communication channel with consumers, shareholders, suppliers, and creditors through its website, spokesperson, financial units, and procurement units.	

<table>
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<tr><th><u>Yes</u></th><th><u>No</u></th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>(V) Continuing education of directors:
The Company's directors are an expert in either industry, finance, and/or administration; the Company actively encourages directors to take continuing education courses.
<table>
<tr><th>Title</th><th>Name</th><th>Date of participation</th><th>Course name</th><th>Course hours</th></tr>
<tr><td>Director</td><td>Chang Te-Sheng</td><td>2022/10/26</td><td>2022 Advocacy on Compliance of Regulations Governing Insider Equity Transactions</td><td>3</td></tr>
<tr><td>Independent director</td><td>Chan Chin-Yi</td><td>2022/10/05</td><td>(Same as above)</td><td>3</td></tr>
<tr><td>Independent director</td><td>Chuang Pi-Yang</td><td>2022/10/05</td><td>(Same as above)</td><td>3</td></tr>
</table>
(VI) Implementation of risk management policies and risk measurement standards:
1. The Company focuses on its own business, promotes and implements policy in accordance with relevant laws and regulations, and establishes various standard operating manuals in order to reduce and</td><td></td></tr>
</table>

Evaluation Items	The State of Operation			The differences from the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies for TWSE/GTSM Listed Companies and the reasons therefor.
	Yes	No	Summary description	
			avoid any possible risks. 2. The Company controls risks by having a SWOT analysis to understand the business environment, conducting a survey to understand stakeholders needs and expectations, doing a business analysis, examining material customer complaints, and carrying out internal audit and control measure, periodically every year. (VII) Implementation of customer policies: The Company has set up an 0800 number, a toll-free number which consumers may call. A smooth channel through which consumers may make an inquiry or file complaints is also available in each distributor's operational premises, capable of solving consumers' product use questions in a timely manner. (VIII) The company's purchase of liability insurance for directors and supervisors: The Company purchased a liability insurance with an insurance period from January 1, 2022 to January 1, 2023 for all directors and managers; such purchase had been approved by the Board of Directors on November 8, 2021, and disclosed on the Market Observation Post System and the Corporate Governance Zone on the Company's website.	
IX. Please explain improvements that have been made as well as priorities to improve the results of the Corporate Governance Evaluation issued by the Taiwan Stock Exchange Corporate Governance Center:				

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<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td colspan="5">(I) After giving full consideration to cost effectiveness, the Company will gradually improve its information disclosure on its website in order to improve information transparency.
(II) The Company will actively implement corporate governance regulations.</td></tr>
</table>

(IV) Composition, duties, and operation of the Remuneration Committee

1. Information on members of the Remuneration Committee

Position	Criteria / Name	Professional qualifications and experience	Independence	Number of concurrent duty as a Remuneration Committee member at a public company
Independent director (Convener)	Chuang Pi-Yang	Please refer to the directors' information on pages 8 and 9.	(1) The independent director, his/her spouse or relative within second degree of kinship does not serve as a director, supervisor, or employee of the Company or its affiliates or a company having specific relation with the Company, or hold any number or percentage of the Company's shares; (2) Not providing business, legal, financial, accounting, and other services to the Company or other affiliates for any compensation in the past two years.	None
Independent director	Wu Chien-Hsun	Please refer to the directors' information on pages 8 and 9.		None
Independent director	Chan Chin-Yi	Please refer to the directors' information on pages 8 and 9.		None

2. Information on the operation of the Remuneration Committee

(1) The Company's Remuneration Committee has 3 members.

(2) Term of office: August 7, 2020 through June 19, 2023. The Remuneration Committee has held 2 meetings (A) in the most recent fiscal year, and the qualifications and attendance of the members are shown as follows:

Title	Name	Number of attendance in person (B)	Number of attendance by proxy	Attendance rate (%) (B/A)	Remarks
Convener	Chuang Pi-Yang	2	0	100.00	
Committee member	Wu Chien-Hsun	2	0	100.00	
Committee member	Chan Chin-Yi	2	0	100.00	

Other matters to be recorded:

I. If the board of directors does not adopt or amend the recommendations from the Salary and Remuneration Committee, it shall clarify the date, session, proposal content and resolution of the board and how the Company handles the recommendations of the Committee (such as that the salary and remuneration approved by the board are better than what the Committee recommended, and the differences and reasons should be clarified): No such situation.

II. If the Committee members have objections or reservations and there are records or written statements from the meetings, the date, term, proposal content, opinions of all members and the handling of their opinions shall be clearly stated: No such situation.

(V) Fulfillment of Sustainable Development; Differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies; and Causes for Such Differences:

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the board of directors authorized senior management to handle related matters under the supervision of the board?	V		The Company designates the Administrative Department to be the unit responsible for promoting sustainable development. Issues regarding corporate governance, product safety, social commitment, and sustainable development are assigned to different units, including the President's Office, the Research and Development, Production, Procurement, HR, Operations, Financial Affairs, and Occupational Safety. In this way, the Company incorporates ESG issues into its daily operations, and into each unit on a systematic, organizational, and top-down manner. The Company also compiles an ESG report periodically under the supervision of the President. The Board of Directors reviews quarterly reports (including ESG-related reports) from management, discusses and analyzes the contents, and makes suggestions accordingly.	Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.
II. Has the Company conducted risk assessments on environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulated relevant risk management policies and strategies?	V		The Company holds relevant meetings and deals with relevant issues (e.g., SWOT analysis, survey on stakeholders needs and expectations, assessment of opportunities and risks and countermeasures therefor, the various types of self-evaluation, and ESG report, and so on) regularly every year based on operational needs in order to conduct a review and make improvement with respect to operational performance in terms of environment (current state, future forecast, or possible disasters), society (products, environment, and stakeholders), and governance (laws and regulations, corporate governance, and operational risks).	Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			Quantity inspections of GHG inventory shall be conducted as scheduled. Carbon reduction plans will be formulated based on inventory results.	
III. Environmental Issues (I) Has the Company set up an appropriate environmental management system based on the characteristics of its industry?	V		(I) The Company has set up an occupational safety unit, which is responsible for the following: 1. Personnel management: labor health, safety and health habits, environmental, safety, and health education and training, qualification and certification management, and related business declarations. 2. Equipment management: focusing on protection guards against hazardous facilities/machinery/objects and machinery and equipment, and the planning, promotion, and implementation of the safety of electric heating equipment. 3. Environmental management: Improvement and management of work environments sanitation and environmental issues such as air pollution, wastewater, noise, and waste; acquisition of the ISO 14001 environmental management system certificate and ongoing implementation. A management system is established for the above management items as required.	(I) Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.
(II) Is the Company committed to improving energy efficiency and to the use of renewable materials with low environmental impact?	V		(II) The Company is committed to improving the utilization efficiency of various	(II) Not significantly different from the Sustainable Development Best Practice

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
	V		resources and using raw materials with low impact on the environment. Currently, the Company is committed to the following measures: 1. Recycle and reuse 53 gallon barrels. 2. Recycle and reuse the waste solvent used to wash tanks. 3. Re-process paint and put it into production again. 4. Actively deal with obsolete inventory of raw materials and manage to use them for other purposes. 5. Gradually use recycled materials with low environmental impact. 6. Planning and implementation of GHG inventory inspections are based on inventory information, to improve energy utilization efficiency and ensure regular reviews and follow-ups. 7. Furthermore and on the basis of implementation described in 6, assessments are conducted on recycled materials with low environmental impact.	Principles for TWSE/TPEx Listed Companies.
(III) Does the Company evaluate the potential risks and opportunities of climate change to the Company now and in the future, and take corresponding measures to respond to climate related issues?	V		(III) 1. Risk due to climate change related regulations An understanding of energy consumption is paramount and directly related to the operational costs of the company. Accurate inspection of energy consumption and GHG emissions establishes and ensures the company stays on top of energy consumption trends.	(III) Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			Meanwhile, reduction of consumption can mitigate climate change and control operational risks. All employees need to work together to reduce the environmental impact caused by corporate development. We continue to keep abreast of relevant regulations domestic and overseas, keep up with the industry trends with self-discipline and fulfill our social responsibility. 2. Substantive risk due to climate change GHGs create significant and adverse influences on climate and environmental factors. Greenhouse effects and climate change cause extreme climates, global warming, and natural disasters such as floods and drought. Any disaster due to extreme climate will cause a rise of prices of raw materials and goods and even disrupt supplies. This will have a significant impact on the company's operation such as electricity and water supplies required in manufacturing process. 3. Opportunities accompanying climate change that are opened to enterprises The Company continues to manage energy consumption in factories. The higher operating cost as a consequence of climate change has promoted the Company to further consider the adoption of measures for cost reduction and staying	

<table>
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<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>(IV) Does the Company make statistics on greenhouse gas emissions, water consumption and total weight of waste for the past two years, and formulate policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management?</td><td>V</td><td></td><td>on top of energy consumption of different equipment. To mitigate energy supply risks of factories in the future, we formulate energy efficiency projects and action plans and continue to monitor energy consumption, to achieve sustainable operation by reducing energy expenditures.
4. GHG emissions (direct and indirect) (inspection scope and time) and whether validated by a third party
Inspection time / Scope 1 / Scope 2
2022 / ----- / 4,357 (ton CO_2e)
Validated by a third party: no, self-inspection
(IV) 1. The Company's achievement in greenhouse gas emission reduction:
A. GHG emission (CO_2e) (Scope 2)
2021: 4,501 / 2022: 4,358
B. Water consumption (2022)
a. Running water consumption: 64.74 million liters
b. Waste water treated volume: 9.714 million liters
C. Total weight of wastes collected and processed (2022)
Total: 2263.82 tons
a. General wastes: 1,472.04 tons
b. Toxic wastes: 672.85 tons
c. Reused wastes: 118.93 tons
D. Energy consumption (GJ)</td><td>(IV) Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			2021 2022 62,838.25 58,739.62 2. Policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management are as follows: A. Continue to improve energy conservation management: a. Continue to promote the digitization of forms to reduce paper consumption; encourage double-sided photocopying and recycle and reuse single-sided photocopies. b. Promote source improvement to reduce energy consumption. c. Energy conservation policy at the office (1) Set the air conditioning temperature to 26~28°C in principle. (2) Turn off the light immediately after the lunch break, and in different areas after work. d. Replace energy consuming air compressors with inverter ones. B. Continue carbon-reduction management: a. Replace fuel-powered fork lifts with electricity-driven ones. b. Substitute roof-top daylight-admission panels to bring in more	

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			daylight during the day without having to turn on any lights. c. Enhance the promotion of turning off the lights when leaving a place and cultivate the habit of turning off unnecessary power to reduce energy waste. d. Replace the lights that are required to be lit for a long time (e.g., direction indicator lights, emergency exit indicator lights, etc.) with LED tubes. e. Research the various energy-conservation methods; use energy-efficient equipment; and implement energy-conservation measures for the electricity, lighting, and air conditioning systems. C. The measures adopted by the Company for dealing with business waste, air pollutant emission reduction, and waste water discharge are as follows: a. Optimize waste water treatment system; the quality of waste water after treatment is far lower than the waste water control standards in the industrial zone, an embodiment of our active implementation of water resource management. In addition, water consumption did not proportionally increased with the	

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			increase in production volume because the Company had effectively executed water conservation projects for recycling and reuse purposes. b Continue to update and enhance the efficiency of air pollution control equipment. In 2021, two additional sets of air pollution control equipment were installed, slashing VOC emissions by 29,970 kg; another two diesel boilers also burned low-polluting fuels instead. In support of the national policy, the Company continues to reduce pollutant and gas emission, striving to improve air quality and reducing greenhouse gas emissions. c. Continue to extend or renew the air pollution source operation permit for each manufacturing process, waste disposal plans, and the waste water discharge permit. d. Turn to low-emission fuels to reduce air pollutant emission from the source. e. Improve the fire safety measures in premises where public hazardous substances are present, to lower the safety and health risk and fire risk. f. Carry out the sorting, gathering, storage, management, and disposal of waste to effectively control waste.	

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			Effectively implement source reduction control; implement waste reduction measures in the manufacturing process; and effectively prevent pollution and monitor environmental impact.	
IV. Social Issues (I) Has the company formulated relevant management policies and procedures in accordance with relevant laws and regulations as well as the International Bill of Human Rights?	V		(I) The Company strictly adheres to the laws and regulations of the place in which it operates that govern labor affairs and gender equality in employment; it also supports and respects internationally recognized human rights standards, e.g., The United Nations Universal Declaration of Human Rights, The United Nations Global Compact, and International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, in order to eliminate any conduct that infringes on or violates human rights and to treat all employees with dignity and respect them.	(I) Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.
(II) Has the Company established and implemented reasonable employee welfare measures (including remuneration, vacation and other benefits) and appropriately reflected the business performance or results in the employee remuneration policy?	V		(II) The Company has set up the Employee Benefit Committee, which is responsible for carrying out the various employee benefit measures. The Company also complies with labor laws and regulations, offers labor insurance and health insurance, and makes pension contribution and covers employees with group insurance to protect their rights. In addition, performance money rewards are given on the three major Chinese festivals every year based on operating results and	(II) Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.

<table>
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<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td></td><td></td><td></td><td>1%-5% of earnings is set aside as employee bonus. Furthermore, the Company has also set up regulations for employment, employment termination, and remunerations for compliance purposes.
The Company adjusts salaries each year depending on operational status and consumer price indexes. In response to the significant rise of the consumer price index in 2022, we increased salaries by approximately 5% to reflect the company's operation and the economic situation in 2023.</td><td></td></tr>
<tr><td>(III) Does the Company provide employees with a safe and healthy working environment, and related education?</td><td>V</td><td></td><td>（III） 1.The Company provides a safe and healthy working environment as required by relevant laws and regulations on occupational safety and health, environmental protection, fire safety, and building public safety.
2.The Work Rules stipulate a safety awareness session for employees who are about to carry out work on site.
3.The Company provides education and training to new hires and in-service employees from time to time, and offers an annual health check to them and a special health check to employees engaged in specific jobs.
4. No. of occupational accidents
<table><tr><th>Year</th><th>Number of accidents</th><th>Number of people</th><th>As % of total workforce</th></tr><tr><td>2021</td><td>19</td><td>19</td><td>2.66%</td></tr></table></td><td>(III) Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			2022 13 13 1.79% These were all traffic accidents. The Company has stepped up advocacy for traffic safety and control of commuter traffic, to reduce the accident number to zero.	
(IV) Has the Company established an effective career development training program for employees?	V		(IV) The Company formulates business goals every year. Achieving these business goals requires employees with qualified professional literacy. Therefore, each unit formulates training requirements based on annual business goals and development requirements. Trainings will be carried out internally by personnel units or externally in the form of professional trainings.	(IV) Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.
(V) Has the Company complied with the relevant regulations and international standards and formulated policies for protection of consumers and clients' rights and interests and grievance procedures with respect to consumer health and safety, customer privacy, marketing and labeling of products and services?	V		(V) 1.To protect customer health and safety, the Company labels its products as required by laws and regulations. The Company will also gradually transition to low-VOC and water-based products and develop a green supply chain for both products and raw materials. 2. Sales specialists will interview customers irregularly, conduct a survey on the satisfaction of stakeholders and customers, and gather customer needs and give feedback. 3. A company website and a 0800 toll-free number are in place, to receive suggestions, comments and complaints from stakeholders including customers. This is then handled by designated	(V) Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
(VI) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and monitor their implementation?	V		personnel. (VI) 1. Before starting business relationship with suppliers, the Company will evaluate them and communicate the Company's business philosophy to them so that they understand the Company is gradually transitioning to green products. 2. Aside from evaluating suppliers regularly every year during the collaboration period, the Company also shares with them the Company's raw materials needs in the future and development trend towards green products, so that they know the Company's future purchase strategy and thereby obtain a reference for them to develop new raw materials or improve existing materials, thereby achieving mutual prosperity. 3. In the future, the Company will gradually grasp suppliers implementation with respect to environmental protection, occupational safety and health, or labor rights, and will propose timely suggestions for them to make improvement.	(VI) Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.
V. Has the Company referred to international reporting standards or guidelines in its preparation of sustainability reports and other reports which disclose the Company's non-financial information? Has the assurance or opinion from third-party certifying institutions been obtained for the reports of the preceding paragraph?	V		The Company compiles the ESG report of the previous year every year. The report discloses the Company's implementation of corporate social responsibilities and is compiled under the framework specified in the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed	Not significantly different from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
			Companies and the GRI Standards published by the Global Reporting Initiative (GRI). The sustainability report published by the Company is reviewed by Deloitte Taiwan in accordance with Assurance Standards No. 1 "Standard for Assurance over Non-historical Financial Information" issued by Accounting Research and Development Foundation (Taiwan) (based on the International Standard on Assurance Engagements (ISAE 3000) and provided with limited assurance. This has been disclosed on the company website.	

VI. If the Company has established its own sustainability best practice principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the principles and their implementation in the Company:

The Company has acted according to relevant regulations and the requirements of the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies.

VII. Other important information for facilitating the understanding the implementation of sustainable development:

(I) Environmental aspect: The Company exercises environmental protection and health control according to laws and regulations. Please see "Information on Environmental Expenditure" for details.

(II) Social engagement; social contribution; social service; and social benefits: The Company is seriously engaged in social benefit activities and fulfills its corporate social responsibilities. Through BOYO Social Welfare Foundation and Chang Yun Wang Chueh Foundation that were established for years, the Company has helped impoverished and needy families, provided sponsorships to impoverished students, and sponsored events held by various charities as well as sports competitions in support of the government's call for nation-wide sports participation.

(III) Consumer rights: Aside from designating dedicated personnel to deal with customer complaints, the Company also answers customers' questions in Rainbow Houses, its distribution premises, in a timely manner.

(IV) Human rights: The Company has created a good working environment where employees are respected and away from unnecessary interference.

(V) Safety and health: The Company implements safety and health management according to laws and regulations.

(VI) Other social responsibility events: The Company has formulated the Sustainable Development Best Practice Principles. To fulfill its responsibilities to shareholders, employees, and the general consumers, aside from actively investing in the development of green building coatings, the Company also spares no effort in participating in and sponsoring community events and charitable events. To ensure reduction of pollutants like waste water and waste gas generated during the manufacturing process, the Company actively monitors the discharge from liquid waste incinerators and controls the quality of waste water. Besides, the Company also encourages employees to save energy in order to create a green Earth. In the future, we will inventory our greenhouse gas emissions and carbon footprint and reduce emissions to jointly guard our Earth, thereby complying with the requirements of the

Item	Implementation			Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the reasons
	Yes	No	Summary description	
Sustainable Development Best Practice Principles.				

(VI) The Company's implementation of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons therefor

Evaluation Items	The State of Operation			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
I. Establish corporate conduct and ethics policy and implementation measures				
(I) Does the company establish ethical management policies approved by the board and have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures and the commitment regarding the implementation of such policy from the board and the executive management team?	V		(I) The Company has formulated the Ethical Corporate Management Best Practice Principles, Code of Ethical Conduct for Directors, and Code of Conduct and Ethics for Employees, which the management must comply with when carrying out duties and staff at each level are required to strictly comply with, and whereby the management builds a good corporate governance system and a risk control mechanism to create an environment facilitating sustainable operations.	(I) Not significantly different from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyzed and assessed on a regular basis business activities within their business scope which are at a higher risk of being involved in unethical conduct, and established prevention programs accordingly which at least cover the prevention measures against the conducts listed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies?	V		(II) The Company's "Ethical Corporate Management Best Practice Principles" explicitly prohibits unethical conduct like bribing or taking bribe, providing or accepting improper benefits, providing or promising facilitating payments, providing illegal political donation, engaging in unfair competition, providing improper charitable donation or sponsorship, confiding trade secrets, or impairing stakeholders' rights. By phasing in preventive measures, the Company implements ethical corporate management.	(II) Not significantly different from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.
(III) Has the Company defined operating procedures,	V		(III) The Company revised the "Ethical Corporate	(III) Not significantly

Evaluation Items	The State of Operation			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
conduct guidelines, disciplinary penalties and grievance process in the program preventing unethical conduct and put them in practice, and regularly reviewed and amended the program?			Management Best Practice Principles" on August 21, 2019. Currently, programs to prevent unethical conduct that are to be included in these Principles are under discussion, and will be incorporated gradually into related operating procedures and personnel regulations, promoted, and reviewed.	different from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.
II. The implementation of ethical corporate management (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) The Company will evaluate a customer and a supplier in advance to determine whether to start a business relationship with them. When evaluating new customers in the future, the Company will have responsible staff understand and promote ethical conduct. An unethical conduct, if found, will be noted down as reference for evaluation. An awareness session is given periodically to existing customers, whose ethical conduct is also strictly monitored. A correction will be given if any unethical conduct is found.	(I) Not significantly different from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.
(II) Does the Company have a dedicated unit under the Board of Directors to promote ethical corporate management and report regularly (at least once a year) to the Board of Directors on its ethical management policy, plan to prevent unethical conduct, and the state of monitoring and implementation of such policy and plan?	V		(II) The Company has yet to set up a unit exclusively or concurrently responsible for ethical corporate management. However, the Company has designated staff to coordinate and promote the compliance with ethical regulations among each department based on the scope of their duties, so as to avoid any conduct that might jeopardize the Company's interests. A self-evaluation is	(II) Will be set up in the future based on practical needs.

Evaluation Items	The State of Operation			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			conducted every year and the results thereof are submitted to the Board of Directors.	
(III) Does the Company have a policy to prevent conflict of interest, provide appropriate channels for explanation, and carry out the implementation?	V		(III) The Company has formulated the "Code of Conduct and Ethics for Employees" and the "Ethical Corporate Management Best Practice Principles", which prohibits engagement in any activity or business which will conflict with the Company's interests. Opinions can be submitted through intra-company website and the Company's official website.	(III) Not significantly different from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.
(IV) Does Company establish an effective accounting system and internal control system for the implementation of ethical corporate management, and have the internal audit unit draw up relevant audit plans based on the evaluation results of risk of unethical conduct and audit the compliance with the plan to prevent unethical conduct, or entrust a CPA to perform the audit?	V		(IV) After regularly auditing the compliance with the Company's accounting system and internal control system, the Company's auditors did not find any employee or the management to violate ethical corporate management. In the future, the Company will formulate relevant audit plans based on the results of unethical conduct risk assessment, and will carry out audit accordingly to ensure compliance with the unethical conduct prevention programs.	(IV) Not significantly different from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.
(V) Does the Company regularly organize internal and external education and training on ethical corporate management?	V		(V) The Company has published the "Ethical Corporate Management Best Practice Principles" and distribute it to each unit. The head of each unit is required to disseminate the information to subordinates and discuss with them about the Company's implementation in this field, so as to provide a reference for formulating future training	(V) Not significantly different from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.

Evaluation Items	The State of Operation			Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons for the differences
	Yes	No	Summary Description	
			items. If there are appropriate external courses, the Company will designate personnel to attend the courses and do internal dissemination thereafter.	
III. The operation of the Company's whistleblower reporting system (I) Does the Company establish specific whistleblowing and reward procedures, set up conveniently accessible whistleblowing channels and designate responsible individuals to handle the complaints received?	V		(I) In its Code of Conduct and Ethics for Employees, the Company has specified whistleblowing and disciplinary regulations, which encourage employees to report any conduct violating laws, regulations, or code of ethical conduct, if they suspect or find any, through related channels. A whistleblowing case will be accepted and audited by designated, qualified personnel.	(I) Not significantly different from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.
(II) Does the Company establish standard operating procedures for investigating the complaints received, follow-up measures to be adopted and the related confidentiality measures after investigation?	V		(II) On receiving a whistleblowing case, the Company will designate personnel to investigate. The case, if confirmed to be true through investigation, will be dealt with according to laws and regulations or personnel rewards and disciplinary regulations. A reward system is in place to reward employees who whistleblow on illegal conduct. The Company also demands that relevant personnel keep confidential so as to protect the whistleblower.	(II) Not significantly different from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.
(III) Does the Company adopt proper measures to shield a whistleblower from retaliation for filing grievances?	V		(III) The Company keeps a whistleblower confidential and away from improper	(III) Not significantly different from the Ethical Corporate Management

<table>
<tr><td rowspan="2">Evaluation Items</td><td colspan="3">The State of Operation</td><td rowspan="2">Differences from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and the reasons for the differences</td></tr>
<tr><td>Yes</td><td>No</td><td>Summary Description</td></tr>
<tr><td></td><td></td><td></td><td>treatment due to whistleblowing.</td><td>Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td>IV. Enhance Information Disclosure
(I) Does the Company disclose the content and implementation results of its Ethical Corporate Management Best Practice Principles on its website and the Market Observation Post System?</td><td>V</td><td></td><td>(I) The Company has disclosed information on ethical corporate management on its “company website” and the “Market Observation Post System”.</td><td>(I) Not significantly different from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
<tr><td colspan="5">V. If the Company has established its own ethical corporate management best practice principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please state the differences between its own principles and the state of implementation:
Acted according to requirements.</td></tr>
<tr><td colspan="5">VI. Other important information that is conductive to understanding the implementation of ethical corporate management (e.g., the Company’s review or revision of its own ethical corporate management best practice principles):
The Company always pays attention to the development of the regulatory framework on ethical corporate management, so as to review and revise its “Ethical Corporate Management Best Practice Principles” accordingly for implementation and promotion purposes.</td></tr>
</table>

(VII) If the Company has formulated the Corporate Governance Best Practice Principles and related rules, it shall disclose the query methods:

Information can be accessed on the Market Observation Post System (http://mops.twse.com.tw) and the Investors’ Zone on the Company’s website (http://www.rainbowpaint.com.tw).

(VIII) Other important information conductive to understanding the operation of corporate governance may be disclosed:

None.

(IX) State of implementation of the internal control system:

1. Statement on Internal Control:

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Statement of internal control system

Date: March 16, 2023

The Company states the following for its 2022 internal control system based on the results of self-evaluation:

I. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and managerial officers, and the Company has established this system. Its purpose is to provide reasonable assurance of the achievement of objectives such as the effectiveness and efficiency of operations (including profitability, performance, and asset security, etc.), the reliability, timeliness, and transparency of reporting, as well as compliance with relevant rulings, laws and regulations, etc.

II. Internal control system has its inherent limitations. No matter how perfect the design is, an effective internal control system can only provide a reasonable assurance of the achievement of the above three objectives; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria for the effectiveness of the internal control system stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria of internal control system adopted in the "Regulations” are based on the process of managerial control and divide internal control system into five components: **1.** control environment, **2.** risk evaluation, **3.** control operation, **4.** information and communication, and **5.** monitoring operation. Each component consists of a number of items. Please refer to the "Regulations" for these items.

IV. The Company has adopted the aforementioned criteria of internal control system to evaluate the effectiveness of the design and implementation of its internal control system.

V. Based on the evaluation results of the preceding paragraph, the Company believed that the design and implementation of its internal control system was effective as of December 31, 2022 (including the supervision and management of subsidiaries), with an understanding of the extent to which the objectives of effectiveness and efficiency of operations were achieved, whether the reporting was reliable, timely, transparent, and if the compliance with relevant rulings, laws and regulations is met, and a reasonable assurance of the achievement of these objectives.

VI. This statement will become the main content of the Company's annual report and prospectus, and will be made public. If the above-mentioned disclosures have falsehood or concealment, legal liability under Articles 20, 32, 171 and 174 of the Securities and Exchange Act will be incurred.

VII. This statement was approved by the Company’s Board of Directors on March 16, 2023. Of the 7 directors present, 0 had objections, and the rest all agreed with the content of this statement and hereby declare the same.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Chairperson: Chang Te-Jen

President: Chen Hung-Wei

2. Where a CPA has been hired to carry out a special audit of the internal control system, furnish the CPA audit report: None.

(X) If there has been any legal penalty against the company or its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Important resolutions of the shareholder meeting and board meeting during the most recent year and during the current year up to the date of publication of the annual report:

1. Important resolutions of the shareholder meeting

Meeting session	Meeting date	Important resolution content	Implementation
Shareholders' meeting	2022.06.22	The Company's Business Report and Financial Statements for 2021.	Implemented as resolved.
		Adopt the 2021 Earnings Distribution Proposal.	Set the ex-dividend record date for August 30, 2022 and the cash dividend payable date for September 23, 2022 (NT$3.5 per share).

2. A total of 5 Board of Directors meetings were held during the most recent year and during the current fiscal year up to the date of publication of the annual report; the important resolutions thereof are summarized as follows:

Meeting session	Meeting date	Important resolution content
Board of Directors meeting	2022.03.15	1. Passed the proposal to approve the 2021 Statement of Internal Control 2. Passed the proposal regarding the Company's Business Report and Financial Statements for 2021. 3. Passed the proposal to distribute compensation to employees, directors, and managers for 2021. 4. Passed the proposal to convene the 2022 General Shareholders Meeting. 5. Passed the Earnings Distribution Proposal for 2021. 6.Passed the proposal to assess the independence and suitability of attesting CPAs for 2022. 7. Passed the proposal to provide endorsement to CHIEF-GO CO., LTD. 8. Passed the proposal to revise the Articles of Incorporation. 9. Passed the proposal to revise the Rules of Procedures for Shareholders Meeting. 10. Passed the proposal to revise the Rules for Election of Directors. 11. Passed the proposal to revise the Code of Ethical Conduct for Directors and Supervisors. 12. Passed the proposal to revise the Corporate Social Responsibility Best Practice Principles. 13. Passed the proposal to revise the Regulations Governing the Acquisition and Disposal of Assets by Public Companies.
Board of Directors meeting	2022.05.10	1. The proposal regarding the financial statements for the three months ended March 31, 2022. 2. Passed the proposal to provide endorsement to TWINAHEAD INTERNATIONAL MATERIAL CO., LTD.
Board of Directors meeting	2022.08.09	1. The proposal regarding the financial statements for the six months ended June 30, 2022. 2. Passed the proposal to provide endorsement to Quan Lian Group.
Board of Directors meeting	2022.11.08	1. The proposal regarding the financial statements for the 9 months ended September 31, 2022. 2. Passed the proposal regarding the 2023 Annual Audit Plan. 3. Passed the proposal to take out financing facilities from banks in 2023. 4. Passed the proposal to purchase liability insurance for directors, supervisors, and managers. 5. Approval of the amendment to Rules of Procedure for Board Meetings 6. Approval of the amendment to Operating Procedures for Handling of Internal Material Information

Board of Directors meeting	2023.03.16	1. Passed the proposal to approve the 2022 Statement of Internal Control 2. Passed the proposal regarding the Company's Business Report and Financial Statements for 2022. 3. Passed the proposal to distribute compensation to employees, directors, and managers for 2022. 4. Passed the proposal to convene the 2023 General Shareholders Meeting. 5. Passed the Earnings Distribution Proposal for 2022. 6.Passed the proposal to assess the independence and suitability of attesting CPAs for 2023. 7. Approval of re-election of directors 8. Approval of the removal of non-compete clauses on directors 9. Appointment of Corporate Governance Officer 10. Amendment to the Articles of Incorporation

(XII) Where, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, a director or independent director has expressed a dissenting opinion with respect to a material resolution passed by the board of directors, and said dissenting opinion has been recorded or prepared as a written declaration, disclose the principal content thereof.: None

(XIII) A summary of resignations and dismissals, during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, of the company's chairperson, general manager, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, or chief research and development officer: No such situation.

V. Information on the professional fees of the attesting CPAs

(I) Information on CPA Professional Fees

Unit: NT$1,000

CPA firm	CPA name	CPA audit period	Audit fee	Non-audit fee (Note)	Total	Remarks
Deloitte & Touche Taiwan	Kuo Li-Yuan	2022.01.01-2022.12.31	2,860	440	3,300	
	Hsu Jui-Hsuan	2022.01.01-2022.12.31				

Note: These are fees for a transfer pricing report and the attestation and filing of profit-seeking enterprise income tax returns.

(II) Where the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: No such situation.

(III) Where the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more: No such situation.

VI. Information on replacement of CPAs

(I) Information on replacement of CPAs in the most recent two years: No such situation.

(II) Information on replacement of CPAs after the reporting period: No such situation.

(III) Former CPAs' response regarding matters prescribed in Article 10, Subparagraph 6, Item 1 and Item 2-3 of the Regulations Governing Information to be Published in Annual Reports of Public Companies: Not applicable.

VII. If the chairman, president, or managers in charge of the Company's finance or accounting operations held any positions within the Company's independent audit firm or its affiliates during the past one year: No such situation.

VIII. Any equity transfer or change in equity pledge by a director, managerial officer, or shareholder with 10% stake or more during the most recent year or during the current year up to the date of publication of the annual report

(I) Changes in Shareholding of Directors, Managerial Officers, and Major Shareholders

Unit: Share

Title	Name	2022		Year-to-date through March 31, 2023	
		Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares	Increase (decrease) in the number of shares held	Increase (decrease) in the number of pledged shares
Chairperson	Chang Te-Jen	0	0	0	0
Director	Chang Te-Hsiung	0	0	0	0
Director	Chang Te-Sheng	0	0	0	0
Director	Wu Hsiao-Yen	0	0	0	0
Independent director	Chan Chin-Yi	0	0	0	0
Independent director	Wu Chien-Hsun	0	0	0	0
Independent director	Chuang Pi-Yang	0	0	0	0
President	Chen Hung-Wei	0	0	0	0
Vice president	Chang Te-Hsien	0	0	0	0
Vice president	Chang Te-Ming	0	0	0	0
Vice president	Tseng Shih-Yu	0	0	0	0
Associate vice president	Wang Ling-Chang	0	0	0	0
Associate vice president	Pan Yi-Ming	0	0	0	0
Associate Vice President	Huang Shi-Chang (newly appointed on November 1, 2022)	0	0	0	0
Manager	Chen Hsi-Hui	0	0	0	0

(II) Where the counterparty to an equity transfer transaction made by a director, manager, or a major shareholder with 10% stake or more is a related party:
No such situation.

(III) Where the counterparty to an equity pledge transaction made by a director, manager, or a major shareholder with 10% stake or more is a related party:
No such situation.

IX. Information on the top ten shareholders who are a related party, a spouse, or a relative within the second degree of kinship of one another:

Name	Shareholding		Shareholding of spouse and minor children		Total shares held in the name of others		The name of and relationship among the top 10 shareholders if anyone is a related party, a spouse or a relative within second degree of kinship of another		Remarks
	Number of shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Name (or name)	Relationship	
Yong Ying Investment Co., Ltd.	36,698,653	22.65%	Not applicable	Not applicable	0	0	Chang Te-Hsiung Chang Te-Jen Chang Te-Sheng Chang Te-Ming	The company's supervisor The company's director The company's director The company's	

							Kuo Ping-Lin	chairperson The company’s director	
Yong Ying Investment Co., Ltd. Representative: Chang Te-Ming	2,745,168	1.69%	2,237,448	1.38%	0	0	Chang Te-Hsiung Chang Te-Jen Chang Te-Sheng Huang Hsiang-Hui Chang Shu-Li Kuo Ping-Lin Chang Kung Hui-Fang	A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship	
Chang Te-Hsiung	12,248,846	7.56%	2,724,556	1.68%	0	0	Chang Kung Hui-Fang Chang Te-Jen Chang Te-Sheng Huang Hsiang-Hui Chang Te-Ming Chang Shu-Li Kuo Ping-Lin	Spouse A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship	
CTBC Bank as the custodian of the dedicated investment account of MasterLink Securities	12,167,000	7.51%	Not applicable	Not applicable	0	0	None	None	

(Hong Kong)									
Chang Te-Jen	11,529,971	7.12%	2,586,889	1.60%	0	0	Chang Te-Hsiung Chang Te-Sheng Huang Hsiang-Hui Chang Te-Ming Chang Shu-Li Kuo Ping-Lin Chang Kung Hui-Fang	A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship	
Chang Te-Sheng	10,365,996	6.40%	2,229,133	1.38%	0	0	Chang Te-Hsiung Chang Te-Jen Huang Hsiang-Hui Chang Te-Ming Chang Shu-Li Kuo Ping-Lin Chang Kung Hui-Fang	A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship	
Huang Hsiang-Hui	9,336,101	5.76%	5,000	0%	0	0	Chang Te-Hsiung Chang Te-Jen Chang Te-	A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of	

							Sheng Chang Te-Ming Chang Shu-Li Kuo Ping-Lin Chang Kung Hui-Fang	kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship	
Kuo Ping-Lin	7,206,354	4.45%	2,978,184	1.84%	0	0	Chang Shu-Li Chang Te-Hsiung Chang Te-Sheng Chang Te-Jen Chang Te-Ming Huang Hsiang-Hui Chang Kung Hui-Fang	Spouse A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship A relative within 2 degree of kinship	
Sanxiangmin Co., Ltd.	3,501,188	2.16%	Not applicable	Not applicable	0	0	Chang Shu-Li Chang Te-Hsiung Chang Te-Jen Chang Te-Sheng	The company’s chairperson. The company’s supervisor The company’s director The company’s director	
Sanxiangmin Co., Ltd. Representative: Chang Shu-Li	2,978,184	1.84%	7,206,354	4.45%	0	0	Kuo Ping-Lin Chang Te-Hsiung Chang Te-Jen	Spouse A relative within 2 degrees of kinship A relative within 2	

							Chang Te-Sheng Huang Hsiang-Hui Chang Kung Hui-Fang	degrees of kinship A relative within 2 degrees of kinship A relative within 2 degrees of kinship A relative within 2 degrees of kinship	
Tu Yu-Jen's account entrusted to Chang Te-Ming	3,400,000	2.10%	Not applicable	Not applicable	0	0	None	None	
Credit Suisse AG Hong Kong Branch's custodian account with Standard Chartered Bank Limited	3,014,000	1.86%	Not applicable	Not applicable	0	0	None	None	

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

Total shareholding

March 31, 2023; Unit: shares

Investee	Ownership by the Company		Directors and managerial officers, and any companies controlled either directly or indirectly by the company		Total Ownership	
	Number of shares	Ownership	Number of shares	Ownership	Number of shares	Shareholding percentage
Bmass Investment Co.,Ltd.	16,714,658	94.07%	1,053,408	5.93%	17,768,066	100.00%
Cmass Investment Co.,Ltd.	23,800,000	100.00%	0	0	23,800,000	100.00%
Emass Investment International Co.,Ltd.	22,020,000	100.00%	0	0	22,020,000	100.00%
PPG YUNG CHI COATINGS CO.,LTD	0	35.00%	0	0	0	35.00%
YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Kunshan)	0	0	0	100.00%	0	100.00%
YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Jiaxing)	0	0	0	100.00%	0	100.00%
Dmass Investment International Co.,Ltd.	0	0	23,800,000	100.00%	23,800,000	100.00%
YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Vietnam)	0	0	0	100.00%	0	100.00%
YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Malaysia)	0	0	44,552,170	100.00%	44,552,170	100.00%
YUNG CHI America Corp.	0	0	2,202,000	100.00%	2,202,000	100.00%
CONTINENTAL COATINGS,Inc.	0	0	10,736,000	100.00%	10,736,000	100.00%
TLT ENGINEERING SDN. BHD	0	0	1,960,000	49.00%	1,960,000	49.00%

Four. Fund Raising Status

I. Capital and shares

(I) Source of share capital:

1. Information on total issued shares for the most recent two years and up to the publication date of the annual report:

Unit: Thousand shares; NT$1,000

Date	Issue Price	Authorized Share Capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Source of share capital	Capital paid in by assets other than cash	Others
2000.8	10	156,249	1,562,489	156,249	1,562,489	Recapitalization of earnings of NT$203,803 thousand	-	Note1
2001.7	10	156,249	1,562,489	156,249	1,562,489	-	-	-
2002.7	10	156,249	1,562,489	156,249	1,562,489	-	-	-
2003.7	10	159,998	1,599,989	159,998	1,599,989	Recapitalization of earnings of NT$37,500 thousand	-	Note2
2008.7	10	180,000	1,800,000	162,000	1,620,000	Recapitalization of earnings of NT$20,011 thousand	-	Note3

Note 1: Approval document code: Tai-Cai (89) (I) No.58511 dated July 7, 2000.
Note 2: Approved as per the official approval document titled Tai-Cai-I-Zi No. 0920130543 dated July 9, 2003.
Note 3: Approved as per the official approval document titled FSC-I-Zi No. 0970033427 dated July 4, 2008.

2. Type of shares:

April 21, 2023; Unit: shares

Type of equity	Authorized capital stock			Remarks
	Shares outstanding (Exchange-listed shares)	Unissued shares	Total	
Common shares	162,000,000	18,000,000	180,000,000	

3. Shelf registration information: None.

(II) Shareholder structure:

April 21, 2023

Shareholder structure / Quantity	Government agencies	Financial institutions	Other Legal Persons	Individuals	Foreign institutions and foreign individuals	Total
Number of people	0	1	59	10,391	42	10,493
Number of shares held	0	37,000	53,780,943	86,866,314	21,315,743	162,000,000
Shareholding percentage %	0.00%	0.02%	33.20%	53.62%	13.16%	100.00%

(III) Share ownership dispersion:

April 21, 2023

Shareholding tier	Number of Shareholders	Number of shares held	Shareholding percentage (%)
1 ～ 999	6,964	237,107	0.15
1,000 ～ 5,000	2,738	5,483,641	3.39
5,001 ～ 10,000	388	2,919,920	1.80
10,001 ～ 15,000	112	1,406,107	0.87
15,001 ～ 20,000	83	1,500,902	0.93
20,001 ～ 30,000	65	1,611,020	0.99
30,001 ～ 40,000	33	1,130,067	0.70
40,001 ～ 50,000	17	783,792	0.48
50,001 ～ 100,000	40	2,639,867	1.63
100,001 ～ 200,000	21	2,759,118	1.70
200,001 ～ 400,000	6	1,543,906	0.95
400,001 ～ 600,000	0	0	0.00
600,001 ～ 800,000	2	1,485,847	0.92
800,001 ～ 1,000,000	1	820,936	0.51
More than 1,000,001	23	137,677,770	84.98
Total	10,562	162,000,000	100.00

(IV) List of major shareholders:

April 21, 2023

Name of major shareholder \ shares	Number of shares held	Shareholding percentage (%)
Yong Ying Investment Co., Ltd.	36,698,653	22.65
Chang Te-Hsiung	12,248,846	7.56
CTBC Bank as the custodian of the dedicated investment account of MasterLink Securities (Hong Kong)	12,167,000	7.51
Chang Te-Jen	11,529,971	7.12
Chang Te-Sheng	10,365,996	6.40
Huang Hsiang-Hui	9,336,101	5.76
Kuo Ping-Lin	7,206,354	4.45
Sanxiangmin Co., Ltd.	3,501,188	2.16
Tu Yu-Jen's account entrusted to Chang Te-Ming	3,400,000	2.10
Credit Suisse AG Hong Kong Branch's custodian account with Standard Chartered Bank Limited	3,014,000	1.86

(V) Market price, net worth, earnings and dividends per share and the related information for the most recent two years:

Unit: NT$; share

Item \ Year			2021	2022	As at the current year up to March 31, 2023
Market price per share	Highest		77.50	74.80	73.20
	Lowest		70.00	69.30	69.90
	Average		73.42	72.18	71.57
Net worth per share	Before distribution		56.90	59.90	60.56
	After distribution		53.40	Not yet distributed	Not yet distributed
Earnings per share	Weighted average number of shares		162,000,000	162,000,000	162,000,000
	Earnings per share		5.45	5.03	1.30
Dividends per share	Cash dividends		3.50	3.50 (Note)	—
	Bonus Share	Shares from Profit	—	—	—
		Additional paid-in capital	—	—	—
	Dividends in Arrears		—	—	—
Investment return analysis	Price/earnings ratio		13.45	14.30	—
	Price/dividend ratio		20.94	20.55	—
	Cash dividend yield		4.78%	4.87%	—

Note: Pending resolution by the Shareholders Meeting.

(VI) Dividend policy and implementation status:

1. Dividends policy:

If the Company has earnings in the final account, such earnings shall be used first to pay income tax and second to make up for previous deficits; thirdly, 10 percent of the remainder, if any, shall be provided as legal reserve. Any remainder shall be used to provide special reserves according to business or legal requirements. The reminder earnings, if any, along with the undistributed earnings at the beginning of the period, shall be used by the Board of Directors to draft the Earnings Distribution Proposal, which shall then be submitted to the Shareholders Meeting for approval, thus distribution.

The Company is a coating manufacturing company which is at the "maturity" stage of the business life cycle. Considering capital expenditure needs and a sound financial planning requisite for sustainable development, the Company shall distribute no less than 50% of the annual earnings as shareholder dividends in principle. The Company may distribute dividends in cash or in shares. Considering the Company's growth rate and capital expenditure status, the Company shall distribute earnings more in cash than in shares; the cash dividends distributed shall not be less than 60% of total dividends distributed in the given year.

2. Proposed dividends to be resolved on at this Shareholders Meeting: The Company put forward a proposal to distribute dividends of NT$3.5 to each share; the proposal is pending resolution by the Shareholders Meeting.
3. If a material change in dividend policy is expected, provide an explanation: The Company does not expect its dividend policy to change materially.

(VII). Effect of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting upon business performance, and earnings per share, and return on equity: Not applicable.

(VIII) Remuneration to employees and directors:

1. Percentage or scope of remuneration to employees and directors stipulated in the Articles of Incorporation:

   According to the Company's Articles of Incorporation, if the Company has profit in the fiscal year, 1%~5% of the profit shall be offered as employee remuneration, and no more than 0.5% of the profit shall be allocated as directors' remuneration.
2. The basis for estimating the amount of employee and director profit-sharing compensation, for calculating the number of shares to be distributed as employee profit-sharing compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.
   （1） The basis for estimating the amount of employee and director profit-sharing compensation: Estimated based on the average distributed amount over the past three years, taking into account the profits expected of the future.
   （2） The basis for calculating the number of shares to be distributed as profit-sharing compensation: Not applicable.
   （3） The accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure: Any difference between the actual distributed amount and the estimated amount is accounted for as a change in accounting estimate and will be recognized in the following year.
3. Distribution of compensation as approved by the board:
   （1） Amount of remuneration for employees and directors payable in cash or stocks: If the amount recognized in the fiscal year is different from the estimate, please disclose the difference, reasons and treatment:
   It is proposed to issue cash remuneration to employees for NT$19,392,104 and cash remuneration to directors for NT$3,102,736, respectively for 2022. These amounts are consistent with the expenses recognized for 2022.
   （2） The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: not applicable.
4. The actual distribution of employee and director compensation for the previous fiscal year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee or director compensation, additionally the discrepancy, cause, and how it is treated:

Not applicable.

(IX) Buyback of shares by the Company: None.

II. Corporate bonds, preferred stock, global depository receipts, employee stock options, new restricted employee shares, and issuance of new share in connection with mergers and acquisitions:

(I) Corporate bonds: None.

(II) Preferred shares: None.

(III) Global depository receipts: None.

(IV) Issuance of employee stock options certificates and restricted shares: None.

(V) Issuance of new shares in connection with mergers or acquisitions: None

III. The implementation of the Company's capital allocation plans

(I) Plan content:

For the period as of the quarter preceding the date of publication of the annual report, with respect to each uncompleted public issue or private placement of securities, and to such issues and placements that were completed in the most recent 3 years but have not yet fully yielded the planned benefits, the annual report shall provide a detailed description of the plan for each such public issue and private placement: None.

(II) Implementation status: None.

V. Operational Highlights

I. Business Activities

(i) Scope of business

1. Core business activities:

i. Manufacturing, domestic sale, and export of paints and pigments.
ii. Undertaking of painting projects.
iii. Manufacturing and trading of synthetic resins.
iv. Manufacture and sale of fireproof materials (such as: fire resistant mortar, fire retardant, fireproof composite materials, etc.) and acoustic insulation materials.
v. Manufacture and sale of construction materials; architecture coating; heavy duty coating; marine paints; coil painting; can coating; nuclear coating;
Manufacture and sale of curtain wall coating and specialty coating.
vi. Manufacturing and trading of cement and its products.
vii. Undertaking of anti-corrosion projects.
viii. Undertaking of projects of lining, cladding, water jet derusting and wet sand blasting.
ix. Undertaking of electrolytic protection projects.
x. Iron barrel manufacturing and trading.
xi. Housing and Building Development and Rental
xii. Paints and Varnishes Manufacturing
xiii. All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Major business lines and their revenue weight

Main business line	Weight of the 2022 revenue
Coatings	93.64%
Coating Engineering	6.36%
Total	100.00%

3. Major lines of products (services)

Coatings	Building coatings	Water-based cement paints; oil-based cement paints; building protective varnishes; exterior wall coatings; water-based cycloresin top coat; waterproof materials; wood coatings; sound-insulation paints; inorganic crystal anti-wall mold paints; and other architectural coatings.
	Heave-duty anti-corrosion coating	Ready-mixed paint; TOP-LONG; spray enamel; poly urethane paint; VINYL ESTER; rubber paint; fluorocarbon resin paint; anticorrosive primer; epoxy coatings; coating hardener; zinc dust paint.
	Ship coatings	Ship bottom anti-fouling paint; ship topcoat; ship primer; and rainbow paints.
	Specialty coating	Water-based galvanized paint; anti-mold paint; baking paint; varnish; heat-resistant paint; spackle; road marking paint; chalkboard paint; textured coating; nuclear coating; and magnetic paint.
	Steel color coatings	Topcoat; primer; backing coat; and color steel maintenance paint.
	fire retardant coatings	Fire retardant paint; fire retardant covering
	Cement-mixed fire-retardant materials	Solvent free polyurea elastomer coating; EPOXY waterproofing membrane primer; weather resistant polyurethane waterproofing membrane topcoat; LOCK ROOF water-based water-proofing materials.
	Photocurable	Epoxy resin foundation coating

	coating materials	
Coating Engineering		

4. Planned new products (services):
   (1) Highly weather-resistant poly-siloxane topcoat
   (2) Bio-based polyester resin
   (3) Bio-based polyurethane flooring
   (4) Oil-based and water-based paint for nuts and bolts
   (5) Photocatalytic anti-virus transparent paint under visible light
   (6) Inorganic transparent paint

(ii) Industry overview:

1. Status and development of the industry:

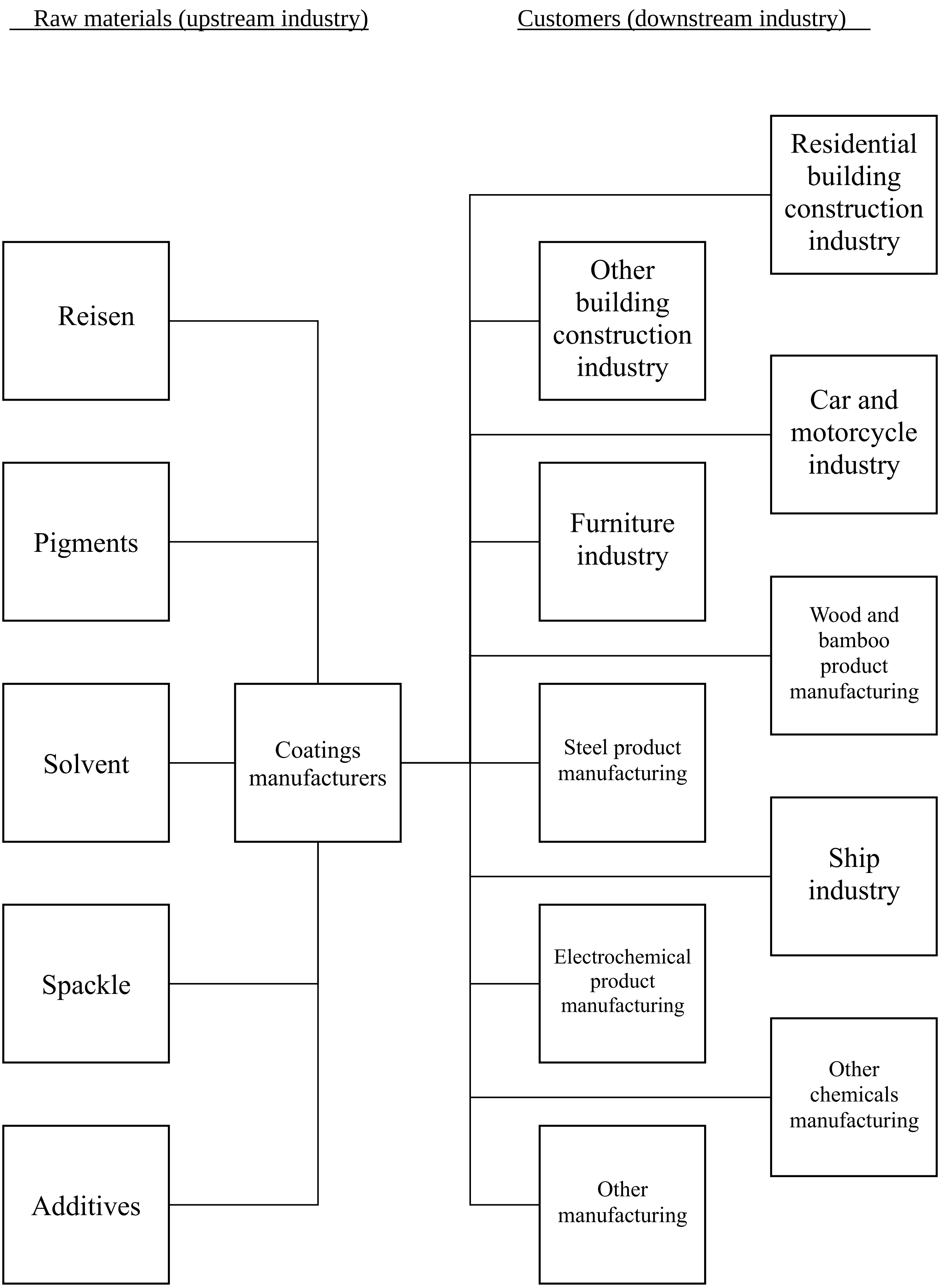
Paints and coatings are an important industry in the world. The surface of things commonly seen in day to day life, e.g., buildings, furniture, cars, computer/ communication/ electronic consumer products, factories, or facilities and mechanism, is coated with specialty coatings for their beautification and protection, and even for rendering additional functions such as sound-insulation, waterproofing, heat-insulation, anti-bacteria, and anti-mold.

In support of what the government has called for, paint and coating manufacturers have improved productivity, promoted automation, strictly implemented quality control, and improved production quality, thereby boosting domestic manufacturers' paint and coating production capacity and providing quality products at low price, thus gaining the recognition from enterprises and households.

Currently, global paint manufacturers are mainly international conglomerates. To respond to volatile market changes, lower cost pressure, and increase market influence, each large paint and coating manufacturers have set off a series of mergers and acquisitions. Through organizational re-structuring, the coating industry will become ever professional and larger to fully leverage their advantages in terms of technologies and market sales, thereby optimizing their network of production and sale, technologies, and materials supply. Since coatings are a dependent and supporting industry, the volume of demand for them is closely related to the economic climate among relevant industries. In addition, the volume of coatings consumed can reflect the extent of a country's economic prosperity and progress.

Propelled by climate changes, economic growth, and rising living standards in recent years, the demand for energy-efficient, safe and nontoxic, and environmentally friendly products and green building materials has gradually increased. To meet the national environmental certification standards and international standards, developing coating products that are low-impact, low-hazard, and human health-friendly, e.g., water-based, non-toxic, heat insulting, fire retardant, waterproofing, and sound insulating products, is the development trend. In addition, to slow climate changes, circular economic issues like greenhouse gas inventory, carbon footprint, and carbon reduction are also issues that will greatly influence industry competition and development.

2. Relations between upstream, midstream, and downstream of the industry



(1) Relation between raw materials industry in the upstream and the coating industry:

Paint and coating are a compound material, a high-tech product that is a mixture of multiple raw chemical materials. The product cost elements are mainly direct raw materials. The formula of paint and coating mainly comprises film components such as resin, pigments, additives, and fillers and non-film components such as solvent. A description is given in the following table. Since domestic environment features fully circulated information and heating competition, raw materials suppliers of domestic and foreign large manufacturers, when factoring in the purchase volume, offer preferential supply conditions to large coating manufacturers, making the market a buyer's market. Contrarily, for small coating manufacturers, the market is a seller's market because raw materials suppliers sell under a distribution or agent system.

Main components	Description	Main suppliers
1. Resin	Resin is the major component improving film quality, a fixative that holds pigments and the coated materials together, and a binder in paint and coating. Since resin's stockiness, which is usually high, is not conductive to the grinding of abrasives and the mixing of adjustment components at a later stage and increases coating operation difficulty, it is required to add solvent and thinner. Resin may be categorized by source into botanic natural resin (such as: rosin, shellac...etc.), chemical synthetic resin (such as epoxy resin, polyester resin...etc.), and drying oils (e.g., linseed oil, etc.)	Main suppliers at home and abroad include Covestro, Dow, Evonik, Eastman, Eternal, Chang Chun, and Nan Ya.
2. Pigment	The conditions required of the pigments of paints and coatings vary with the type, use method, and intended use of paints and coatings. Proper materials are then selected to give a color and offer protective and anti-corrosive functions to paints and coatings. Pigments can be categorized into inorganic pigments, organic pigments, anti-corrosion pigments, etc.	The main suppliers in Taiwan and overseas include Lanxess, Colorants, Basf, Chemours (Taiwan) and Taiwan Color.
3. Solvent	Generally, paints and coatings mainly rely on solvents to facilitate the flow and coating performance of resins. Solvents have an impact on the viscosity, fluidity, drying speed, and gloss of coating films; nevertheless, they evaporate immediately after the formulation of coating films, i.e., they do not stay in coating films. The solvents generally include toluene, xylene and various esters, ketones, alcohols, ethers...etc.	Currently, main suppliers at home and abroad include Eastman, Ashland, Dow Chemical, CPC Corporation, LCY CHEMICAL, Taiwan, and so on.
4. Additives	Additives are used mainly to improve the quality of coating films and prevent possible defects during the manufacturing, storage, and coating process. From the perspective of paint and coating formula design, the use of	Currently, the main suppliers include Ashland, Elementis, Necarbo, Byk, Evonik, PQ, Budenheim, and so on.

	additives has a great impact on the quality of the paint and coat. Additives include defoamer, leveling agent, anti-settling agent, catalyst...etc.	
5. Filler	Filler is used mainly to increase the thickness of coating films and reduce cost. Its physical and chemical properties vary with its type. Fillers include calcium carbonate, talcum powder, mica powder, silicates...etc.	The main suppliers in Taiwan and overseas include Basf, EP Mineral, Huadong, and Formosa Plastics.

(2) Relations between paints and coatings and downstream industry:

Being a high-tech precision surface treatment industry, paints and coatings mainly serve the function of protecting the quality of coated objects, refining their appearance and sense of value, and extending their useful lives. Paints and coatings are second to none when it comes to the final beautification work of buildings, ships, bridges, machinery, toys, wooden objects, and factories. Furthermore, the ever advancing technologies and the continuous development of new applications of paints and coatings have caused paints and coatings to be widely used in the construction industry, transportation vehicle industry, mechanical industry, and steel products industry. Therefore, the paint and coating industry develops in tandem with the overall industry development and, due to its close relationship with the industry, in line with the economic climate among downstream industries.

3. Various product development trends and competition:

(1) Development trend:

Judging from global coating trend development, as the environmental requirements become even stringent, each large coating manufacturer aims to comply with environmental laws and regulations and grasp the consumption demand trend, so they develop environmentally friendly coatings at all costs, e.g., water-based coatings, energy-efficient coatings, solvent-less coatings, highly durable coatings that can be used at length and reduce coating application times, use volume, and emission of volatile organic compound (VOC). In addition, self-cleaning coatings that do not require manual cleaning or detergent cleaning will gradually rank highly with consumers. As climate changes draw a great deal of concerns, what will be at issue are greenhouse gas emission reduction, carbon neutral, and circular economies.

(2) Competition:

General coating production process and the technologies and equipment involved therein are anything but complicated, creating a low entry barrier, thus many startups. This heats market competition, resulting in a price war among peers and highly uneven quality. Aside from producing general coatings for construction and industry use, the Company also manufactures technology-intensive specialty coatings, e.g., weather-resistant coatings, inorganic zinc dust paint, heat-resistant paint, ship bottom anti-fouling paint, color steel paint, fire retardant paint, waterproofing and sound-insulation coatings, creating an incomparable advantage not achievable by general coating manufacturing technologies, thus a favorable competition status. In the future, we will continue the development of high value-added coatings so as to segment the market and distinguish ourselves from small manufacturers.

Aside from owning complete production lines, which enables full control of product quality and delivery date, the Company also has multiple production and quality control equipment and precision instruments that were purchased abroad and have advanced performance, significantly facilitating process improvement and product quality control. For instance, our automated packaging system is able to handle mass-produced and standardized products, saving more than half of manual labor cost. In addition, the high precision laser displacement sensors whose production technology is imported from Japan and modified by the Company, as well as other purchased equipment such as gas chromatograph, atomic absorption spectrometry, and laser particle size distribution analyzer greatly help the certification and quality control after development of new products. Considering the effect of aging population and labor shortage, we will review current production process and operation status gradually and phase in automated production, which can reduce dependency on manual labor and reduce cost and improve competitiveness.

After more than 70 years into incorporation, YUNG CHI PAINT & VARNISH MFG.CO.,LTD is still dedicated itself to product research and development, making it a reputational company in the coatings industry. By adopting a stable and practical approach and upholding the business philosophy of "Customer First, Quality First", it serves as a model leading brand in the paint and coating industry. Due to the Company's mature production technology, stable quality, and high order fill rate, its products are highly regarded by customers and orders are therefore flooding in. In addition, due to its excellent achievement in continuous development of new products, in 1994, the Company was rated an excellent manufacturer by the Chinese National Federation of Industries (CNFI) and an excellent manufacturer that developed new products by the Ministry of Economic Affairs. In addition, the Company also successively passed some important certification, e.g., ISO9001 quality management system, the CNS Mark awarded by the Commodity Inspection Bureau, the Green Mark and Green Building Material Mark, and ISO14001 environmental management system, indicating a high level of recognition for the Company's capability of operations and research and development and transitioning product competitive pattern from price orientation to price–performance ratio like quality and function.

To provide better quality and service, the Company was the first among the industry to build a paint concept house, namely, the Rainbow House, in 2011, where professional color-matching service is provided and customers can experience color matching and get advice on paint-related matters on the spot, thereby establishing the brand objective, namely, "Rainbow Paint Rainbow House" is a Jack-of-all-paints.

(iii) Overview of technology and R&D

1. A listing of research and development expenditures during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:

Unit: NT$1,000

Item \ Year	2022	Up to March 31, 2023
Consolidated research and development expenses	245,613	62,261
Consolidated operating revenue	9,735,561	2,463,271
Ratio to operating revenue	2.52%	2.53%

2. Products or technology successfully developed:

(1) The development of UP-168 1-pack polyurea waterproof material was completed.
(2) The UP600A sound attenuation material was developed.
(3) The completion of a photocurable coating materials system for iron-based printing has been achieved.
(4) A coating system for photovoltaic system brackets made of coiled steel has been developed.
(5) A glass fiber waterproof material impervious to cracking has been developed.
(6) Full-color granite paint has been developed..

(IV) Long-term and short-term business development planning:

1. Short-term development plan

(1) Marketing strategy

A. Introduce TAF-accredited ISO 17025 Testing and calibration laboratories to improve corporate image.

B. Participate in relevant exhibitions and seminars at home and abroad; strengthen interaction with upstream and downstream manufacturers at home and abroad; and intensify communication between industries.
C. Increase exposure and appeal to the young generation by sponsoring and broadcasting ball games, or through Google Display Network, FB, IG, and YouTube.
D. Introduce ad data analysis for precision broadcasting on electronic media, so as to increase the Return On Ad Spend (ROAS).
E. Supply coatings to some of the government’s six core strategic industries, e.g., national defense and strategic industry, green and renewable energy industry, and strategic stockpile industry.

(2) Development strategy

A. Develop coating products that are friendly to the environment and make life cozier.
B. Strengthen product quality and functions and enhance product competitiveness.
C. Improve technological capability by developing new coatings for the government’s six core strategic industries, thereby expanding product lines.

(3) Product development trend

A. Actively research and develop products that meet the requirements for green and green building materials in order to meet consumers’ need and serve as a global corporate citizen.
B. Enhance product differentiation and launch multi-functional products like waterproofing and sound insulating products in response to market demand.
C. Research and develop specialty coatings for the national defense, green power, and energy industries.

2. Long-term development plan

(1) Marketing strategy

A. Develop new products; tap into new markets and seek new demands.
B. Reach different consumer groups through different channels, thereby deepening and enhancing the stickiness.
C. Set up TAF-accredited labs to enhance the credibility of product certification.
D. Obtain a carbon footprint verification certificate to shine corporate image and increase competitiveness.

(2) Development strategy

A. Implement group-level procurement strategy to lower overall procurement cost and improve performance.
B. Effectively allocate resources and markets through group-level operation to maximize the synergy as a group.
C. Formulate a climate change response strategy in line with the United Nations Framework Convention on Climate Change and Taiwan’s Climate Change Adaptation Act.

(3) Product development trend

A. Research and develop functional, high performance, and environmentally friendly coatings to increase profit.
B. Consolidate the research and development resources for each product to give full play to the research and development strength.
C. Leverage the concepts of circular economy to develop green, environmentally friendly, and even recyclable and reusable products.

II. Markets, production and sales overview

(i) Market analysis

1. Geographic areas where the main products (services) of the company are provided (supplied):
Below are the geographic areas where the Company as a group sells:

Regions	Weight
Domestic sale	99.01%
Export	0.99%

Total	100.00%

Note: Domestic sale means the sale made by the Company and each subsidiary to their local customers.

2. Market share:

The Company produces a wide range of coatings for a wide range of use, and tops the list of Taiwanese peers in terms of production scale. According to the statistics of Taiwan Paint Industry Association, of the annual production output of 500 thousand tons in Taiwan, the Company accounts for roughly 17.26%.

3. Demand and supply conditions for the market in the future, and the market's growth potential:

The volume of coatings consumption grows in tandem with economic growth. The growth in the demand for coatings in developed economies like those in the Europe and the America is quite limited because their economic growth has become flat. Contrarily, in emerging industrial countries such as China, India, and Southeast Asian countries, there is ample room for the demand for coatings to grow as their economy grows. Therefore, the demand for coatings as a whole is picking up.

The improvement in living standards, global warming, and rising environmental awareness have not only increased the demand for coatings but will also boost the demand for functional coatings that are safe, health-friendly, or environmental, satisfy daily functions, or make life cozier.

In recent years, the COVID-19 pandemic, Russia-Ukraine war, and soaring oil price have disrupted and jammed the supply chain and led to soaring raw materials price, casting a looming economic prospect for this year and the following year. Despite so, when the pandemic and the war come to an end, global economic climate will gradually revive and the coating industry as a whole will resume its growth pattern again.

4. Competitive niche

(1) Examine the production process and introduce automated equipment to effectively reduce production costs:

The Company systematically examines the production process, and reviews and consolidates it to transition towards automated production. This can not only improve the production efficiency and lower labor costs, but can also improve timely delivery efficiency.

(2) The company has a research and development department dedicated to product research and development:

The Company has set up a research and development department, which keeps developing new products, and has established sound technical collaboration with domestic and foreign manufacturers and research institutions. Personnel from both sides are sent for a workshop, whereby the objectives of technological interaction are achieved. With an established technological foundation, the research and development department is able to keep developing new products to cope with future market demand.

(3) Actively take part in the joint undertaking system to improve coating capability.

Aside from having good quality coating products and a track record of sales, the Company is also rich in coating technologies. In addition to showing support for the government’s promotion of the joint undertaking system, whereby each significant public construction work is completed through division of labor and technological interchange among participating companies, the Company also demands that the coating engineering work achieve perfect quality, so as to improve the Company’s competitiveness.

(4) Refine production to achieve economies of scale:

More than half of the Company’s domestic sales have reached economies of scale in terms of purchase or production. Therefore, the Company is at a great advantage over domestic peers in terms of cost or pricing.

(5) A wide range of distribution channels:

To improve service quality, the Company has set up distribution channels that cover vast geographic areas, including eastern Taiwan, remote villages, and offshore islands, capable of fully providing and satisfying customers' needs.

(6) Install color-matching machines in multiple premises in order to improve customer participation, stickiness, and satisfaction:

To increase customers' custom needs and DIY fun, a color-matching machine is installed in the various distribution channels, so that customers can enjoy the DIY fun derived from matching colors by themselves and their satisfaction with colors can be enhanced.

(7) An automated color-matching factory is set up to process the orders for low-quantity products and custom, special colors, thereby improving delivery speed, quality, and customer satisfaction.

(8) Introduce the next-generation Enterprise Resources Planning system to promote digital transformation and improve operating performance

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

(1) Positive factors:

A. A strong research and development lineup

Established in 1983, the Company's Research and Development Division carried out the research plan to develop new products and improve the quality of existing products in line with the Company's policy; it also provided technological service and support to improve product standard. To cope with the change of times and volatile market demand, the various products were gradually protected with patents at home and abroad. Due to excellent performance in developing new products, the Company was rated an excellent manufacturer by the Chinese National Federation of Industries (CNFI) in 1994. To make products more diverse and to cope with market demand, the Company's research and development will focus on improving its core competitiveness, actively accelerating research and development scale, cultivating talent, and accumulating intellectual capital, so as to become a Taiwan-based global corporate citizen and thus achieve sustainable development.

B. Automated equipment and machinery

The Company has multiple production and quality control equipment and precision instruments that were purchased abroad and have advanced performance, significantly facilitating process improvement and product quality control, thus capable of expanding production capacity and saving labor cost. Since production and sales are ever scaling up, the benefits that come with economies of scale have gradually emerged, enabling the Company to win recognition from market customers for its production process, accurate delivery time, and selling capability.

C. A leading brand awareness

Incorporated for 70 years, the Company is reputational in the coating industry for its privately-owned brand, namely, "Rainbow Paint". Upholding the philosophy of "Customer First, Quality First", the Company has a diverse range of product lines that can meet customers' diverse demand; it also passed the ISO9001 Quality management system certification and ISO14001 Environmental management system certification. Multiple products were also awarded an UL certificate, BS certificate, Green Mark, Green Building Material Mark, recognition from the Ministry of Interior, the permission to bear the CNS Mark, and a certificate from the ship classification society of China, US, Britain, Japan, and Germany, offering a vindication that the Company's product quality meets international standards. This creates an impression of good product quality and a good corporate image in the paint and coating industry, which will be significantly help tap into foreign markets in the future.

D. Deep and broad range of product lines that can meet customers' diverse demand

The Company produces products, mainly including buildings coatings, heavy-duty anti-corrosion coatings, ship coatings, specialty coatings, color can coatings, color steel coatings, and nuclear coatings. The number of types of paints and coatings exceeds 200.

In addition, the Company's complete product range and diverse product lines can meet customers' diverse demand, capable of preventing operations from being impacted by reduced demand in a single industry or price competition; this can also effectively diversify the operating risk arising from being excessively dependent on a single product and greatly help marketing and development and cope with economic climate changes.

E. Set up multiple foreign operations

Currently the Company has production bases in Kunshan and Jiaxing of China, Vietnam, Malaysia, and California and Texas of the US. Doing so can not only develop local markets at close proximity and extend services to domestic manufacturers, but also diversify market niche under the China-US trade war. These operations, when being further integrated, can achieve a group-level synergy.

F. Production capacity reaches the economies of scale

As a leading coating brand in Taiwan, the Company has reaped economies of scale with its production capacity. This gives the Company an advantage over peers in terms of raw material acquisition cost, timeliness, and asset and equipment utilization efficiency.

G. Complete distribution channels throughout Taiwan

The Company has a complete distribution system in that it has nearly 100 distribution premises across each county and city in Taiwan, providing customers with the convenience of purchasing a diverse range of products nearby.

(2) Negative factors:

A. Laborers are less willing to take this kind of job.

Rising educational standards and national income as well as domestic industry transformation and upgrade have resulted in labor shortage and soaring wages in conventional industries, which is not conductive to industry competition. Paint and coating production process produces fugitive volatile organic compounds (VOCs), lowering laborers' willingness to engage in this trade.

Response measures:

1. Since the government has put in place the policy to allow employment of foreign workers, the Company will ease the labor shortage pressure by employing an appropriate number of foreign workers through legal channels.
2. The Company will also gradually improve the work environment to encourage local young laborers to join the Company.
3. By looking into the production lines, the Company will phase in automated production, which can not only improve production efficiency but also solve the issue of labor shortage.

B. Competitors abound and market competition is fierce.

Taiwan's coatings industry features mainly operations by SMEs, which also vary in size. In addition, unregistered factories abound; to survive, they reduce production costs in a way that impacts product quality. They even wage a price war, which heats market competition.

Response measures:

1. The Company will dedicate itself to the research and development and improvement of product quality to boost customers' confidence in the Company's brand and increase market competitiveness.
2. The Company will also segment the market by transitioning towards industrial, functional, and green coatings.

C. Competition from international giants

By establishing multiple foreign operations in recent years, the Company has become an international coatings company, which means intense competition from large, international coatings giants.

Response measures:

1. The Company will strengthen the operating soundness of overseas

subsidiaries

and make them gradually become a well-known brand in the region.

2. The Company, a Taiwan-based parent, will work closely with each subsidiary to jointly compete with international giants.

D. Challenges from climate changes

To solve global warming, the world will adopt stringent climate change controls and demands in the futures. In this way, the industry will face greenhouse gas emission inventory, carbon footprint inventory, and the certification thereof. Not complying with the said regulations will impact product sales in the future.

Response measures:

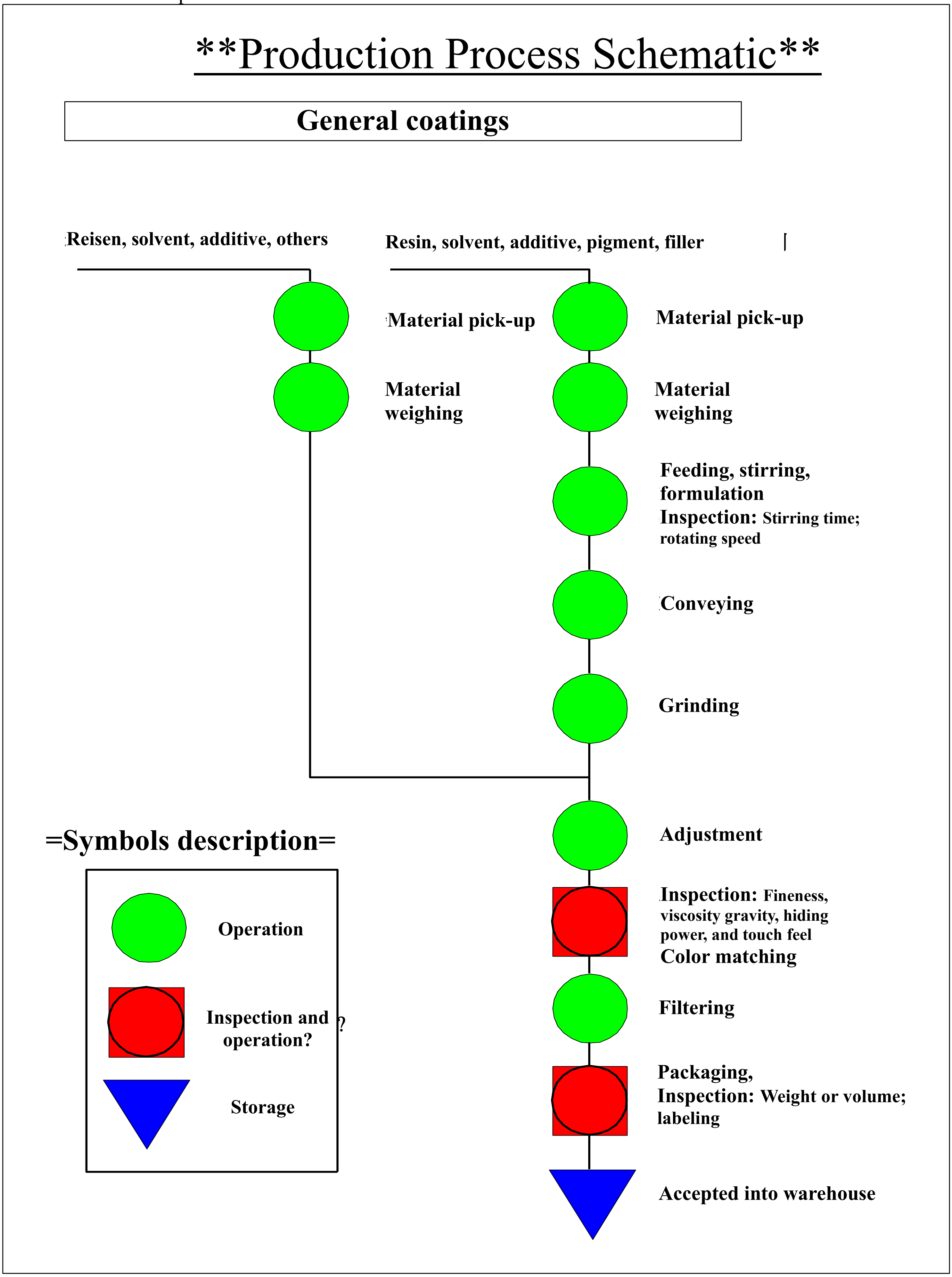
1. Conduct factory-wide greenhouse gas inventory and verification.
2. Product carbon footprint certification.
3. Transition towards carbon neutral in the future.

(ii) Main uses and production processes of major products:

1. Main uses:

Major product	Intended use
Coatings	Anti-corrosion and beatification of steel structures, ships, machinery, wood, buildings, cars, and electrochemical products; protection of flammable and inflammable substrates; fire retardant and resistant functions.
Coating Engineering	Paint projects for the construction industry and machinery and equipment.

2. Production process:



(III) Supply status of main raw materials:

Main raw materials	Supplier	Supply condition
Reisen	Eternal, Nan Ya, Covestro	The Company purchases major raw materials from domestic suppliers working with the Company for a long time, and from foreign suppliers in Southeast Asia, Europe, the America, and Japan. The supply source is stable; diversified purchase also enables absolute autonomy.
Pigments	Basf, CHEMOURS TITANIUM (TAIWAN)	
Paint solvent	SHANG CHEN HANG, CHIMEI, Dow Chemical	
Additives	Evonik, Byk	

(IV) A list of any suppliers and clients accounting for 10 percent or more of the company's total procurement (sales) amount in either of the 2 most recent fiscal years:

1. List of major suppliers

Unit: NT$1,000

Rank	2021				2022				Year-to-date through March 31, 2023			
	Company name	Amount	Ratio to annual net purchase (%)	Relationship with the issuer	Company name	Amount	Ratio to annual net purchase (%)	Relationship with the issuer	Company name	Amount	Ratio to annual net purchase (%)	Relationship with the issuer
1	CHEMOURS	729,519	10.01	None	CHEMOURS	829,662	11.33	None	CHEMOURS	207,231	11.93	None
2	Eternal	518,603	7.12	None	Eternal	555,957	7.59	None	Eternal	134,646	7.75	None
	Others	6,037,187	82.87		Others	5,935,527	81.08		Others	1,395,113	80.32	
	Total net purchase	7,285,309	100.00		Total net purchase	7,321,146	100.00		Total net purchase	1,736,990	100.00	

Description of change: Suppliers of major raw materials were not significantly changed in either of the most recent two years.

2. List of major customers:

Rank	2021 Company name	2021 Amount	2021 Ratio to annual net sales (%)	2021 Relationship with the issuer	2022 Company name	2022 Amount	2022 Ratio to annual net sales (%)	2022 Relationship with the issuer	Year-to-date through March 31, 2023 Company name	Year-to-date through March 31, 2023 Amount	Year-to-date through March 31, 2023 Ratio to annual net sales (%)	Year-to-date through March 31, 2023 Relationship with the issuer
1	Yieh Phui	979,452	11.05	None	Yieh Phui	909,969	9.35	None	Yieh Phui	227,486	10.17	None
	Others	7,886,175	88.95		Others	8,825,592	90.65		Others	2,008,305	89.83	
	Total net sales	8,865,627	100.00		Total net sales	9,735,561	100.00		Total net sales	2,235,791	100.00	

Description of change: Customers were not significantly changed in either of the most recent two years.

(V) An indication of the production volume for the 2 most recent fiscal years:

Unit: Tons; NT$1,000

Production volume and value / Major Products	2021			2022		
	Production Capacity	Production Volume	Value	Production capacity	Production Volume	Production Value
Coatings	128,000	111,557	7,101,116	128,000	110,028	8,414,904
Coating Engineering	—	—	323,671	—	—	619,640
Total	128,000	111,557	7,424,787	128,000	110,028	9,034,544

(VI) Sales volume of the most recent two years:

Unit: Tons; NT$1,000

Sales volume and value / Major Products	2021				2022			
	Domestic sale		Overseas		Domestic		Overseas	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Coatings	98,362	8,456,928	2,580	85,028	95,216	9,019,715	1,759	96,206
Coating Engineering	—	323,671	—	—	—	619,640	—	—
Total	98,362	8,780,599	2,580	85,028	95,216	9,639,355	1,759	96,206

III. Information on in-service Employees

Year		2021	2022	Year-to-date through March 31, 2023
Number of employees	Direct labor	272	261	264
	Indirect labor	735	750	742
	Total	1,007	1,011	1,006

Average service tenure		8.87	9.24	9.28
Average age		40.96	41.68	42.03
Education degree dispersion rate (Note)	PhD	0.31%	0.31%	0.31%
	Master degree	9.55%	10.18%	10.48%
	College	47.35%	47.87%	47.90%
	Senior high	33.44%	32.92%	32.70%
	Below senior	9.35%	8.72%	8.61%
	Total	100.00%	100.00%	100.00%

Note: Excluding foreign workers.

IV. Information on environmental expenditure: any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

(I)In 2022 and in the current year up to the publication date of this annual report, the loss and penalties suffered by the Company as a result of polluting the air totaled NT$654,000; a description thereof is given as follows:

Violation	Air Pollution Control Act	Waste Disposal Act
Disposal date	October 18, 2022	September 27, 2022
Disposition reference numbers	Kaohsiung EPA Air Pollution Discipline No. 20-111-100016	Kaohsiung EPA Waste Pollution Discipline No. 40-111-080026 No. 40-111-080027 No. 40-111-080028 No. 40-111-080029 No. 40-111-080030
Violated clause	Article 20, Paragraph 1 of the Air Pollution Control Act	Subparagraph 1, Paragraph 1 of Article 31 of the Waste Disposal Act Subparagraph 2, Paragraph 1 of Article 31 of the Waste Disposal Act; Paragraph 1 of Article 36 of the Waste Disposal Act Paragraph 2 of Article 36 of the Waste Disposal Act Paragraph 2 of Article 37 of the Waste Disposal Act
Violation content	The inspection of emission pipes (P141) of stationary air pollution sources in the chemicals manufacturing process (M14) found the concentration of unusual smell pollutants was 5,500, breaching	Waste solvents (C-0301) from cleaning of mixers were treated in-house with waste solvent recyclers, without reporting in the waste disposal plan. Meanwhile, the storage sites were inconsistent with

	the maximum value of 1,000 (for pipes below 18 meters in height) for stationary air pollution sources set by the Standards for Air Pollutant Emission from Stationary Pollution Sourcesandin violation of Paragraph 1 of Article 20 of the Air Pollution Control Act.	the site drawings in the waste disposal plan. The storage locations for waste paint dust (D-1701), inorganic sludges (D-0902) and waste fiber blends (D-0899) were inconsistent with the factory drawings of the waste disposal plan. This was a violation of Subparagraph 1, Paragraph 1 of Article 31 of the Waste Disposal Act. There were outputs from containers for chemicals (B-0399) and the input wastes 380011 were cleaned and treated in-house, without reporting the actual outputs online, storage, and internal treatment status and without providing details on the consumption of inputs for wastes cleaning and treatment. Waste solvents (C-0301) from cleaning mixers were treated in-house with waste solvent recyclers, without reporting the outputs, storage, and internal treatment status online. This was a violation of Subparagraph 2, Paragraph 1 of Article 31 of the Waste Disposal Act. Waste solvents (C-0301) were retained in iron barrels, without labeling the company name, storage dates, ingredients, and markings as hazardous industrial wastes. Some C-0301 wastes were stored in the open, without obvious warnings in red fonts with black frames and in a white background. This was a violation of Paragraph 1 of Article 36 of the Waste Disposal Act and Subparagraph 2 of Paragraph 1, Article 7, and Subparagraph 2 and Subparagraph 4 of Paragraph 1, Article 11 under the Methods and Facilities Standards for the Storage,

		Clearance, and Disposal of Industrial Waste. Waste paint dust (D-1701), inorganic sludges (D-0902), and waste fiber blends (D-0899) were stored in the open without Chinese labels and were not kept clean and tidy. This was a violation of Paragraph 1 of Article 36 of the Waste Disposal Act and Subparagraph 2 and Subparagraph 4 of Paragraph 1, Article 6 and Subparagraph 1 of Paragraph 1, Article 10 under the Methods and Facilities Standards for the Storage, Clearance, and Disposal of Industrial Waste. As B-0399 was intermediately treated by cleaning, inspections every six months were required on treated wastes. However, these inspections were not conducted. This was a violation of Paragraph 2 of Article 37 of the Waste Disposal Act and Subparagraph 2, Paragraph 1 of Article 4 under the Regulations Governing Inspections, Recording and Management of Hazardous Industrial Wastes.
Disposition content	Penalties of NT$450,000.	Penalties of NT$204,000.

(II) The measures adopted by the Company for dealing with industrial waste, air pollutant emission reduction, and waste water discharge in the future are as follows:

1. Seek more appropriate method for disposal of the Company's general industrial waste and hazardous industrial waste; such method must comply with environmental protection laws and regulations, so as to reduce waste, thus costs.
2. Optimize the wastewater treatment system; the quality of the treated wastewater can be much lower than the wastewater control standard in the industrial park.
3. Continuously update and improve the efficiency of air pollution control equipment to ensure the availability of control equipment in each production facility.
4. Continue to extend or renew the air pollution source operation permit for each manufacturing process, waste disposal plans, and the waste water discharge permit.
5. Turn to low-emission fuels to reduce air pollutant emission from the source.
6. Improve the fire safety measures in premises where public hazardous substances are present, to lower the safety and health risk and fire risk.
7. Additionally install a set of boitrickling filter systems to reduce VOCs.
8. Continue to implement the ISO 14001 management system to achieve the goal of pollution

reduction and continuous improvement, enhance the Company's image, and strengthen its international competitiveness.

(III) Expected environmental expenditures in the following three years

Unit: NT$1,000

Year	2023	2024	2025
Expected expenditure	20,000	20,000	20,000
Environmental protection and control measures and expenditures	1. Pay mandated air pollution fees. 2. Share the cost of pollution prevention and control facilities in statutory special industrial zones. 3. Fees for renewing the air pollution permit and related pollution control. 4. Expenditures for continuous maintenance of air pollution control equipment. 5. Expenditures for volunteering to enhance the measures for inspection and monitoring of air pollution, wastewater, and waste. 6. Waste disposal charges. 7. Continue to implement ISO14001 and ISO45001 management systems to ensure employees' health and enhance products' international competitiveness.	1. Pay mandated air pollution fees. 2. Share the cost of pollution prevention and control facilities in statutory special industrial zones. 3. Fees for renewing the air pollution permit and related pollution control. 4. Expenditures for continuous maintenance of air pollution control equipment. 5. Expenditures for volunteering to enhance the measures for inspection and monitoring of air pollution, wastewater, and waste. 6. Waste disposal charges. 7. Continue to implement ISO14001 and ISO45001 management systems to ensure employees' health and enhance products' international competitiveness.	1. Pay mandated air pollution fees. 2. Share the cost of pollution prevention and control facilities in statutory special industrial zones. 3. Fees for renewing the air pollution permit and related pollution control. 4. Expenditures for continuous maintenance of air pollution control equipment. 5. Expenditures for volunteering to enhance the measures for inspection and monitoring of air pollution, wastewater, and waste. 6. Waste disposal charges. 7. Continue to implement ISO14001 and ISO45001 management systems to ensure employees' health and enhance products' international competitiveness.

(IV) Effect of improvement:

1. Continued improvement and optimization of waste water treatment procedures, to reduce the concentration of waste water emissions and achieve the quality of treated waste water to a level better than before the industrial zone standards.
2. Maintenance, on a timely basis, of air pollution permits for the whole factory, waste disposal plans, certificates related to toxic chemicals, and licenses regarding waste water to be consistent with the current statues and compliant with relevant laws and regulations.
3. Fully improve the capability to locally gather and treat VOCs in production premises in support of the government's policy to reduce air pollutant emissions, thereby improving the

operation environment for employees and reducing air pollutant emissions. in doing so, the Company will continue to reduce the emissions of air pollutants and VOCs.

4. Lower health and safety risk and fire risk in the factory.
5. Continue to implement ISO14001 management system and obtain a Green Mark for products, thereby increasing products' international competitiveness and polishing corporate image.

V. Labor Relations

(I) List any employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests: Employees who have served the Company for a certain period of time are entitled to the Company's benefit items.

1. Employee benefit measures:

(1) Employee bonus

To motivate employees to jointly create profits, if the Company has earnings in the final account in any given year, such earnings will be used to compensate for losses in prior years and provide legal reserves in the first place as required, and then an amount of compensation equal to 1%~5% of the remaining earnings before tax will be distributed as bonus to all employees.

(2). Education and training:

By referring to the annual business policy, the Company sets annual education and training goals and plans; it also provides in-service employees with job-related education and training at irregular intervals, so as to cultivate their awareness of duties in order to improve work efficiency. Onsite personnel are also trained on the operation of each machine and equipment, so as to protect their personal safety at work. Employee education and training in 2022 costed NT$1,570 thousand and was participated by 764 people.

(3) Employee labor insurance/health insurance/group insurance

Employees are provided with labor insurance and health insurance as required by government regulations, covered by group insurance on their first day of work, and entitled to insurance claims according to applicable laws and regulations.

(4) Staff uniforms; monetary gift for wedding; condolence money for funeral; year-end party; ghost festival dinner party; and employee health check. .

(5) Employee Benefit Committee

A. As required by law, the Company has set up the Employee Benefit Committee, which is responsible for coordinating employee benefit events and appropriating benefit funds to fund the events.
B. Subsidies for wedding, funeral, and company trip
C. Other benefits: Proper gifts are given to employees on the Spring Festival, Dragon Boat Festival, Mid-Autumn Festival, and their birthday; scholarship for children is also provided.

2. Retirement system:

The Company's Retirement Reserves Supervisory Committee was established on November 28, 1986; committee members were elected anew on June 3, 1994, with the election results reported to Kaohsiung's Labor Bureau via the official letter titled Kaohsiung Labor Bureau (II) No.8345 for future reference. For the services years in or before 1987, the Company contributes retirement reserves annually in an amount equal to 4% of an employee's annual salary in accordance with the labor retirement scheme approved by the competent authority. For the service years in or after 1988, the Company applies the Labor Standards Act and contributes labor retirement reserves in an amount equal to an approved percentage of employees' monthly salary to a dedicated account with the Bank of Taiwan. The retirement scheme fully complies with the Labor Standards Act.

The Labor Pension Act was enforced on July 1, 2005. The Company consulted all employees about their intention as required. For those opted for the new scheme, 6% of the monetary interval to which their monthly salary falls will be deposited to their personal account; for those opted for the old scheme, retirement reserves in the amount computed based on the approved contribution percentage will be contributed to the bank account with the Bank of Taiwan. The new scheme applies to employees who started working in the factory on or after July 1, 2005.

3. Employee-employer agreement:

Since the Company acts in full compliance with laws and regulations and maintains employee-employer relations, the employee-employer relations have been harmonious.

(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes:

Since the Company always attaches great importance to employee benefits and emphasizes two-way communication with employees, the employee-employer relations have been harmonious. Therefore, there was no loss arising from labor disputes in the most recent year. Labor disputes are averted because the Company upholds the objective of reciprocal benefits between employees and employers.

VI. Cybersecurity Management:

I. Describe the cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management structure

The Company's Information Office supervisor is responsible for planning and executing information security measures. The Internal Control and Cyber Security Operation Regulations were also formulated to protect data access safety and document and equipment safety. A test is also performed by internal auditors to ensure effective operation of the cyber security system.

2. Cyber security policy

The Company abides by the Cyber Security Operation Regulations it formulated, and further formulates personal data protection regulation by reference to laws and regulations. The Company also pays due attention to information security regulatory framework so as to comply with the security policy.

3. Specific management project

Procedures	Key points
Program and data access control	˙Set up the hierarchy of authority for approving program access; maintain complete access record. ˙User data access control. ˙Control of programmers access to resources.
Control of data import and export	˙Data export record and back-up management ˙Regularly check the integrity of the stored file and data. ˙Control of export of confidential or sensitive information.
Control of data processing	˙Control of employees' login user name and password. ˙ The password of a system for which a terminated employee is responsible should be updated or deleted.
Computer document compilation control	˙Record of trainings for new employees and user units; cyber security awareness session. ˙Software and hardware maintenance, purchase, and retirement record and approval control.
Security control of files and equipment	˙Assign individual password to each sensitive and important file. ˙The power supply system must be equipped with uninterruptible power supply equipment and a voltage

	stabilizer. ˙Set up safeguard measures for internet-based file servers.

4. Investments in resources for cyber security management
   (1) Human resources: Personnel in the Information Office are responsible for planning and promoting the policy on cybersecurity management. The Administrative Department is responsible for organizing cybersecurity education and trainings for employees and safeguarding data safety.
   (2) Information security equipment: access control, password management, backup system, anti-virus software, and mail filtering management.
   (3) Control the access to server rooms and enhance the uninterrupted power supply system.

II. List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber-security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: No such situation.

VII. Important contracts

Item No.	Type of contract	Party	Contract start date and end date	Main content	Restrictive clauses
1	Construction contract	Powerchip Semiconductor Manufacturing Corp.	2022.01~2023.03	Fire retardant paints for steel structure of Tongluo Fab P5 (construction services)	None
2	Construction contract	Powerchip Semiconductor Manufacturing Corp.	2022.01~2023.03	Fire retardant paints for steel structure of Tongluo Fab P5 (materials)	None
3	Construction contract	EVERGREEN STEEL CORPORATION	2022.01~2023.03	Construction of PXMART's additional facilities in Wuqi District, Taichung	None
4	Construction contract	Chun Yuan Steel Industry Co., Ltd Taiwan	2022.03~2023.12	Construction of TSMC's F14P Fab B in Tainan Science Park	None
5	Construction contract	China Steel Structure Co., Ltd.	2022.10~2024.05	TSMC's FAB22 P1 FAB-A in Houjin	None
6	Construction contract	China Steel Structure Co., Ltd.	2022.03~2023.12	BI10034-CHG5 COMMON SUPPORT Construction	None

VI. Overview of Financial Status

I. Condensed balance sheet and comprehensive income statement for the most recent 5 years

(I) Condensed balance sheet and comprehensive income statement

1. Condensed Balance Sheets --Consolidated

Unit: NT$1,000

Item		Financial information for the most recent 5 years 2018	2019	2020	2021	2022	Financial information for the current year up to March 31, 2023
Current assets		7,064,576	6,690,567	7,013,383	7,261,067	7,332,211	7,266,288
Property, plant and equipment		1,971,391	2,362,057	2,550,550	3,220,135	3,324,419	3,331,815
Intangible assets		8,428	6,282	5,578	4,729	5,070	4,864
Other assets		990,025	719,791	716,615	751,862	755,791	763,773
Total Assets		10,034,420	9,778,697	10,286,126	11,237,793	11,417,491	11,366,740
Current liabilities	Before distribution	1,292,139	1,089,797	1,253,484	1,829,159	Not yet distributed	Not yet distributed
	After distribution	1,859,139	1,608,197	1,820,484	2,396,159	Not yet distributed	Not yet distributed
Non-current liabilities		307,269	276,021	269,452	191,193	194,682	144,977
Total Liabilities	Before distribution	1,599,408	1,365,818	1,522,936	2,020,352	1,844,292	1,555,251
	After distribution	2,166,408	1,884,218	2,089,936	2,587,352	Not yet distributed	Not yet distributed
Equity attributable to shareholders of parent company		8,435,012	8,412,879	8,763,190	9,217,441	9,573,199	9,811,489
Capital stock		1,620,000	1,620,000	1,620,000	1,620,000	1,620,000	1,620,000
Capital surplus		109,071	109,152	109,193	109,328	109,380	109,380
Retained earnings	Before distribution	7,003,484	7,126,652	7,439,923	7,787,843	8,038,361	8,249,071
	After distribution	6,436,484	6,608,252	6,872,923	7,220,843	Not yet distributed	Not yet distributed
Other equity		(297,543)	(442,925)	(405,926)	(299,730)	(194,542)	(166,962)
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total equity	Before distribution	8,435,012	8,412,879	8,763,190	9,217,441	9,573,199	9,811,489
	After distribution	7,868,012	7,894,479	8,196,190	8,650,441	Not yet distributed	Not yet distributed

Note 1: The financial data stated above were attested or reviewed by CPAs.

Note 2: The Company's earnings distribution proposal for 2022 is pending resolution by the Shareholders Meeting.

2. Condensed Statement of Comprehensive Income -- Consolidated

Unit: NT$1,000

Item	Financial information for the most recent 5 years 2018	2019	2020	2021	2022	Financial information for the current year up to March 31, 2023
Operating revenue	8,041,875	7,940,129	7,987,996	8,865,627	9,735,561	2,463,271
Operating gross profit	1,918,598	1,967,397	2,117,893	2,238,032	2,157,306	578,950
Operating profits or losses	743,610	787,233	977,719	1,002,843	869,476	262,225
Non-operating income and expenses	141,747	66,250	64,188	61,223	170,400	5,308
Net profits before tax	885,357	853,483	1,041,907	1,064,066	1,039,876	267,533
Net profits for the period from continuing operations	746,095	682,792	830,516	882,167	814,474	210,710
Losses from discontinued operations	0	0	0	0	0	0
Net profits (losses) for the period	746,095	682,792	830,516	882,167	814,474	210,710

Other comprehensive income (net after tax) for the period	(12,943)	(138,006)	38,154	138,949	108,232	27,580
Total comprehensive income for the period	733,152	544,786	868,670	1,021,116	922,706	238,290
Net profits attributable to shareholders of parent company	746,095	682,792	830,516	882,167	814,474	210,710
Net profits attributable to non-controlling interests	0	0	0	0	0	0
Total comprehensive income attributable to shareholders of parent company	733,152	544,786	868,670	1,021,116	922,706	238,290
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share	4.61	4.21	5.13	5.45	5.03	1.30

Note: The financial data stated above were attested or reviewed by CPAs.

3. Condensed Balance Sheets -- Parent Company Only

Unit: NT$1,000

Item \ Year		Financial information for the most recent 5 years				
		2018	2019	2020	2021	2022
Current assets		4,612,436	4,134,675	4,436,051	4,962,065	4,981,546
Property, plant and equipment		1,389,425	1,342,413	1,288,866	1,525,242	1,523,788
Intangible assets		7,331	5,497	5,031	4,132	4,614
Other assets		3,856,242	4,108,957	4,307,394	4,471,796	4,565,789
Total Assets		9,865,434	9,591,542	10,037,342	10,963,235	11,075,737
Current liabilities	Before distribution	1,126,803	908,022	1,007,962	1,557,455	1,343,845
	After distribution	1,693,803	1,426,422	1,574,962	2,124,455	Not yet distributed
Non-current liabilities		303,619	270,641	266,190	188,339	158,693
Total Liabilities	Before distribution	1,430,422	1,178,663	1,274,152	1,745,794	1,502,538
	After distribution	1,997,422	1,697,063	1,841,152	2,312,794	Not yet distributed
Equity attributable to shareholders of parent company		8,435,012	8,412,879	8,763,190	9,217,441	9,573,199
Capital stock		1,620,000	1,620,000	1,620,000	1,620,000	1,620,000
Capital surplus		109,071	109,152	109,193	109,328	109,380
Retained earnings	Before distribution	7,003,484	7,126,652	7,439,923	7,787,843	8,038,361
	After distribution	7,570,484	6,608,252	6,872,923	7,220,843	Not yet distributed
Other equity		(297,543)	(442,925)	(405,926)	(299,730)	(194,542)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	8,435,012	8,412,879	8,763,190	9,217,441	9,573,199
	After distribution	7,868,012	7,894,479	8,196,190	8,650,441	Not yet distributed

Note: The financial data stated above were attested by CPAs.

4. Condensed Statement of Comprehensive Income -- Parent Company Only

Unit: NT$1,000

Year	Financial information for the most recent 5 years

Item	2018	2019	2020	2021	2022
Operating revenue	6,384,850	6,195,690	6,356,238	6,869,869	7,685,292
Operating gross profit	1,462,818	1,483,310	1,622,692	1,741,607	1,629,162
Operating profits or losses	567,762	600,309	764,640	817,054	733,451
Non-operating income and expenses	272,679	206,916	241,071	208,780	274,770
Net profits before tax	840,441	807,225	1,005,711	1,025,834	1,008,221
Net profits for the period from continuing operations	746,095	682,792	830,516	882,167	814,474
Losses from discontinued operations	0	0	0	0	0
Net profits (losses) for the period	746,095	682,792	830,516	882,167	814,474
Other comprehensive income (net after tax) for the period	(12,943)	(138,006)	38,154	138,949	108,232
Total comprehensive income for the period	733,152	544,786	868,670	1,021,116	922,706
Net profits attributable to shareholders of parent company	746,095	682,792	830,516	882,167	814,474
Net profits attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to shareholders of parent company	733,152	544,786	868,670	1,021,116	922,706
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share	4.61	4.21	5.13	5.45	5.03

Note: The financial data stated above were attested by CPAs.

(II) Names and opinions of attesting CPAs for the past five years:

Year	Name of Accounting Firm	Name of attesting CPAs	Audit opinion
2018	Wisdom Professional Certified Public Accountant	Ke Tsung-Li; Chen Wen-Da	Unqualified opinion
2019	Deloitte & Touche Taiwan	Kuo Li-Yuan; Hsu Jui-Hsuan	An unqualified opinion and Other Matter paragraphs
2020	Deloitte & Touche Taiwan	Kuo Li-Yuan; Hsu Jui-Hsuan	Unqualified opinion
2021	Deloitte & Touche Taiwan	Kuo Li-Yuan; Hsu Jui-Hsuan	Unqualified opinion
2022	Deloitte & Touche Taiwan	Kuo Li-Yuan; Hsu Jui-Hsuan	Unqualified opinion
2023 Q1	Deloitte & Touche Taiwan	Kuo Li-Yuan; Hsu Jui-Hsuan	Review report with an unqualified opinion

II. Financial analysis for the most recent 5 years

(I) Financial Analysis -- Consolidated

Year (Note 1) / Analysis item (Note3)		Financial analysis for the most recent 5 years					Year-to-date through March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Finan	Debt to assets ratio	15.94	13.97	14.81	17.98	16.15	13.68

cial structure (%)	Ratio of long-term capital to property, plant, and equipment	443.46	367.85	354.14	292.18	293.82	298.83
Solvency %	Current ratio	546.73	613.93	559.51	396.96	444.48	515.24
	Quick ratio	368.88	425.04	402.99	254.64	283.41	340.44
	Interests coverage multiplier	16705.85	2378.39	9738.45	1069.34	348.90	726.02
Operating performance	Accounts receivable turnover rate (times)	3.82	3.64	3.71	3.91	3.85	0.96
	Average collection days	96	100	98	93	95	93
	Inventory turnover rate (times)	2.80	2.70	2.86	2.88	2.78	0.71
	Accounts payable turnover rate (times)	7.32	7.75	8.35	7.62	7.65	2.06
	Average sales days	130	135	127	127	131	128
	Property, plant and equipment turnover rate (times)	3.91	3.22	2.99	2.65	2.74	0.70
	Total assets turnover rate (times)	0.77	0.77	0.76	0.79	0.80	0.20
Profitability	Return on assets (%)	7.49	6.90	8.28	8.20	7.21	1.85
	Return on equity (%)	8.93	8.11	9.67	9.81	8.67	2.17
	Net profits before tax to paid-in capital (%)	54.65	52.68	64.32	65.68	64.19	16.51
	Net profit margin (%)	9.28	8.60	10.40	9.95	8.37	8.55
	Earnings per share (NT$)	4.61	4.21	5.13	5.45	5.03	1.30
Cash flow	Cash flow ratio (%)	21.69	81.64	99.10	24.37	35.20	31.61
	Cash flow adequacy ratio (%)	94.84	87.03	80.81	54.70	59.80	77.29
	Cash reinvestment ratio (%)	(3.10)	3.47	7.42	(1.19)	0.13	4.07
Leverage	Operating leverage	0.31	0.87	0.84	0.48	0.10	0.93
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

A description of significant changes in any financial ratio in the most recent 2 years (changes reaching 20% or more)
1. Decrease in interest coverage multiplier: Mainly due to an increase in interest expenses.
2. Increase in the cash flow ratio: due to the 30.28% increase of net cash flows from operating activities and the 9.82% reduction of current liabilities.
3. Increase in the cash reinvestment ratio: due to the 30.28% increase of net cash flows from operating activities and the 5.78% increase of property, plant and equipment.
4. Reduction in the operating leverage: due to the 15.15% increase in variable costs and expenses.

(II) Financial Analysis -- Parent Company Only

Analysis item (Note3) / Year (Note 1)		Financial analysis for the most recent 5 years				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt to assets ratio	14.50	12.29	12.69	15.92	13.57
	Ratio of long-term capital to property, plant, and equipment	628.94	646.86	700.57	616.67	638.66
Solvency %	Current ratio	409.34	455.35	440.10	318.60	370.69
	Quick ratio	268.00	300.34	312.29	200.33	243.44
	Interests coverage multiplier	35019.38	2382.19	10477.16	1034.07	567.42
Operating perfor	Accounts receivable turnover rate (times)	3.89	3.81	4.09	4.14	3.96
	Average collection days	94	96	89	88	92

mance	Inventory turnover rate (times)	3.18	3.03	3.34	3.16	3.19
	Accounts payable turnover rate (times)	6.83	7.13	8.60	7.12	7.03
	Average sales days	115	121	109	116	115
	Property, plant and equipment turnover rate (times)	4.36	4.37	4.66	4.29	4.64
	Total assets turnover rate (times)	0.62	0.60	0.61	0.62	0.64
Profitability	Return on assets (%)	7.64	7.02	8.46	8.41	7.40
	Return on equity (%)	8.93	8.11	9.67	9.81	8.67
	Net profits before tax to paid-in capital (%)	51.88	49.83	62.08	63.32	62.24
	Net profit margin (%)	11.69	11.02	13.07	12.84	10.60
	Earnings per share (NT$)	4.61	4.21	5.13	5.45	5.03
Cash flow	Cash flow ratio (%)	22.65	76.24	92.01	22.66	35.08
	Cash flow adequacy ratio (%)	89.15	85.77	84.13	60.11	66.25
	Cash reinvestment ratio (%)	(3.45)	1.39	4.34	(2.17)	0.93
Leverage	Operating leverage	0.44	0.99	0.97	0.65	0.44
	Financial leverage	1.00	1.00	1.00	1.00	1.00

A description of significant changes in any financial ratio in the most recent 2 years (changes reaching 20% or more)

1. Increase in the quick ratio: primarily due to the 8.25% reduction of inventory and the 13.72% reduction of current liabilities.
2. Decrease in interest coverage multiplier: Mainly due to an increase in interest expenses.
3. Increase in the cashflow ratio: due to the 33.55% increase of net cash flows from operating activities and the 13.72% reduction of current liabilities during the year
4. Increase in the cash reinvestment ratio: due to the 33.55% increase of net cash flows from operating activities and the 4.27% increase in property, plant, and equipment.
5. Decrease in operating leverage: Mainly due to the increase in variable costs and expenses by 24.10%.

Note 1: The financial statements for the most recent 5 years have been audited and attested by CPAs.

Note 2: The financial statements for the three months ended March 31, 2023 were reviewed by CPAs.

Note 3: Formulas used for calculation of figures in this table are as follows:

1. Financial structure
   (1) Debt to assets ratio = total liabilities/total assets
   (2) Ratio of long-term capital to property, plant, and equipment = (total equity + non-current liabilities)/net property, plant, and equipment.
2. Solvency
   (1) Current ratio = current assets/current liabilities
   (2) Quick ratio = (current assets - inventory - prepaid expenses)/current liabilities
   (3) Interest coverage multiplier = net profits before tax and interest expense/interest expense for the period
3. Operating performance
   (1) Receivables (including accounts receivable and notes receivable due to business operations) turnover = Net sales / the balance of average receivables of different periods (including accounts receivable and notes receivable due to business operations)
   (2) Average collection days = 365/accounts receivable turnover rate
   (3) Inventory turnover rate = costs of goods sold/average inventory
   (4) Payables (including accounts payables and notes payable due to business operation) turnover = Cost of goods sold / the balance of average payables of different periods (including accounts payables and notes payable due to business operation)
   (5) Average sales days = 365/inventory turnover rate
   (6) Property, plant, and equipment turnover rate = net sales/average property, plant, and equipment
   (7) Total assets turnover rate = net sales/average total assets
4. Profitability
   (1) Return on assets = [net profits after tax + interest expense x (1 - tax rate)]/average total assets
   (2) Return on equity = net profits after tax/average total equity
   (3) Net profit margin = net profits after tax/net sales
   (4) Earnings per share = (net profits attributable to shareholders of the parent - preferred stock dividend)/weighted average number of shares outstanding
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities/current liabilities.
   (2) Cash flow adequacy ratio = sum of net cash flow from operating activities for the most recent 5 years /

sum of capital expenditures, inventory additions, and cash dividend for the most recent 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 capitals).

6. Leverage:

(1) Operating leverage = (Net operating income - Variable operating costs and expenses) / Operating profit

(2) Financial leverage = operating profits / (operating profits - interest expense).

III. Audit committee review of the most recent annual financial report: Please see page 95.

IV. Financial statements for the most recent year: Please refer to Attachment 1.

V. Parent company only financial statements for the most recent fiscal year audited and certified by certified public accountants: Please see Attachment 2.

VI. If the company or its affiliates have experienced financial difficulties in the most recent year or during the current year up to the date of publication of the annual report, their effects on the company's financial status shall be disclosed: None.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Audit Committee Review Report

The parent company only financial statements and consolidated financial statements for 2022 prepared by the Board of Directors have been audited by CPA Kuo Li-Yuan and CPA Hsu Jui-Hsuan from Deloitte & Touche. The Audit Committee has reviewed the said Business Report, financial statements, and earnings distribution proposal, and did not find any non-compliance. Therefore, we have prepared this report according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your review.

To

YUNG CHI PAINT & VARNISH MFG. CO., LTD General Shareholders Meeting

Audit Committee Convener: ______________

Chan Chin-Yi

March 16, 2023

Seven. Review and analysis of financial position and financial performance and risks

I. Financial position

Comparison of Financial Position

Unit: NT$1,000

Item \ Year	2022	2021	Changes	
			Amount	%
Current assets	7,332,211	7,261,067	71,144	0.98
Property, plant and equipment	3,324,419	3,220,135	104,284	3.24
Intangible assets	5,070	4,729	341	7.21
Other assets	755,791	751,862	3,929	0.52
Total Assets	11,417,491	11,237,793	179,698	1.60
Current liabilities	1,649,610	1,829,159	(179,549)	(9.82)
Non-current liabilities	194,682	191,193	3,489	1.82
Total Liabilities	1,844,292	2,020,352	(176,060)	(8.71)
Share capital	1,620,000	1,620,000	—	—
Capital surplus	109,380	109,328	52	0.05
Retained earnings	8,038,361	7,787,843	250,518	3.22
Other equity	(194,542)	(299,730)	105,188	35.09
Treasury stock	—	—	—	—
Non-controlling interests	—	—	—	—
Total shareholders' equity	9,573,199	9,217,441	355,758	3.86
Major causes of materials changes (i.e., changes reaching 20% or more): 1. Increase in other equity: primarily due to increased adjustment in the translation of overseas operations as a result of exchange rate fluctuations.				

II. Financial performance

(I) Main reasons for any material change in operating revenues, operating profit, or pre-tax profit during the past 2 fiscal years

Unit: NT$1,000

Item \ Year	2022	2021	Changes	
			Amount	%
Net revenue	9,735,561	8,865,627	869,934	9.81
Operating gross profit	2,157,306	2,238,032	(80,726)	(3.61)
Operating expenses	1,287,830	1,235,189	52,641	4.26
Operating profit	869,476	1,002,843	(133,367)	(13.30)
Non-operating income and expenses	170,400	61,223	109,177	178.33
Net profits before tax	1,039,876	1,064,066	(24,190)	(2.27)
Income tax expense	225,402	181,899	43,503	23.92
Net profits for the period	814,474	882,167	(67,693)	(7.67)
Major causes of materials changes (i.e., changes reaching 20% or more): 1. Increase of non-operating income and expense: primarily due to the increase of exchange gains by NT$87,370 thousand and the gain from disposal of property by NT$39,259 thousand				

(II) Sales volume forecast and the basis therefor

After accounting for the operational status in 2022 and assessment of the development trend of the coatings market in the future, the Company forecast coatings sales in 2023 to be 90,071 tons, a slight dip from 98,666 tons, the actually sold volume in 2022. Construction revenue is influenced by construction progress and the volume of undertaken projects, and is forecast to be no significantly different in 2023 from 2022.

(III) Effect upon the company's financial operations as well as measures to be taken in response

The Company and subsidiaries have a sound financial structure and will spare no effort in developing markets. Therefore, no significant operational change is expected.

III. Cash flow

(I) Liquidity analysis in the most recent two years:

Item \ Year	2022	2021	Increase (decrease) ratio (%)	Description
Cash flow ratio (%)	35.20	24.37	44.44	1
Cash flow adequacy ratio	59.80	54.70	9.32	
Cash reinvestment ratio	0.13	(1.19)	110.92	2

1. Decrease in cash flow ratio: Primarily due to the 30.28% increase of net cash flows from operating activities and the 9.82% reduction of current liabilities.
2. Increase in the cash reinvestment ratio: due to the 30.28% increase of net cash flows from operating activities.

(II) Liquidity analysis for the coming year:

Unit: NT$1,000

Opening Balance	Cash flow from operating activities	Cash outflow for the year	Amount of cash surplus (shortfall)	Remedy for estimated cash shortfalls	
				Investment plan	Financing plan
1,504,433	491,937	992,560	1,003,810	–	–

1. Analysis of the changes in cash flows in 2023:
   （1） Operating activities: Mainly derived from operating activities and estimated to generate a net cash inflow of NT$491,937 thousand.
   （2） Investing and financing activities: Mainly due to expected addition of factories and equipment and distribution of cash dividend; expected to generate a net cash outflow of NT$992,560 thousand.
2. The Company and subsidiaries do not expect an occurrence of a cash shortfall in the coming year.

IV. Effect upon financial operations of any major capital expenditures during the most recent fiscal year:

(I) Capital expenditures in 2022 were for equipment replacement, maintenance, and repair at different factories and the purchase of machinery for YUNG CHI Jiaxing factory.

(II) Expected benefits:

The Group invested in China to improve group production capacity synergy, and spared no effort in research and development and innovation, hoping to create a new era for the Group as a whole.

V. Investment policy for the most recent year, the main reasons for profit or loss, improvement plan, and investment plan for the coming year

(I) Investment policy for the most recent year:

The Company’s investment in China, Vietnam, Malaysia, and the US is made mainly via overseas holdings companies, hoping to reap greater profits by expanding the sales market.

(II) Reasons for profit or loss:

1. The Company's investment in YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD. generated operating profits, leading to recognition of investment gains in the amount of NT$175,263 thousand.
2. The Company's investment in YUNG CHI PAINT & VARNISH MFG. (Vietnam) CO., LTD. generated operating profits, leading to recognition of investment gains in the amount of NT$30,133 thousand.
3. The Company's investment in PPG YUNG CHI COATINGS CO., LTD. generated an investment gain of NT$1,464 thousand.
4. The Company invested in YUNG CHI PAINT & VARNISH MFG. (Malaysia) CO., LTD. Although operating revenue grew, fixed expenditures stayed high, leading to recognition of an investment loss of NT$20,998 thousand.
5. The Company's investment in CONTINENTAL COATINGS, Inc. in the US generated profits, leading to recognition of an investment gain of NT$11,319 thousand.
6. The Company recognized an investment loss of NT$658 thousand for its indirect investment in TLT ENGINEERING SDN.BHD..
7. YUNG CHI PAINT & VARNISH MFG. (Jiaxing) CO., LTD. invested by the Company was put into production in 2022. Since the business performance has yet to emerge, the Company recognized an investment loss of NT$53,435 thousand.
8. Improvement plan:
   (1) YUNG CHI PAINT & VARNISH MFG. (Malaysia) CO., LTD has seen a growing operating revenue, although fixed operating expenses cannot be reduced yet. In the future, the Company will strive to increase operating revenue to lower losses.
   (2) YUNG CHI PAINT & VARNISH MFG. (Jiaxing) CO., LTD. will actively expand markets in the hope to increase operating revenue.
9. Investment plan for the following year: Aside from improving the operating efficiency of investees, the Company will focus mainly on developing its core business in the short term.

VI. Analysis of risks

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

1. Interest rate changes
   (1) Impact on the Company's operating revenue and profits.

   The Group's interest rate risk mainly comes from bank deposits and repo bonds, by which the interest income generated would be impacted if interest rate changes. The Group does not expect to be significantly impacted by interest rate change.

   (2) Concrete response measures

   The Company's financial assets exposed to interest rate risk are mainly time deposit and repo bonds, which mainly bear a fixed interest rate or a floating interest rate and have short period of maturity time. Therefore, interest rate changes are not expected to generate material impact on the Company.
2. Interest rate changes

   The Group is exposed to the risk of exchange rate changes because it participates in purchase or sale transactions denominated in a currency other than its functional currency. The sensitivity analysis based on the assumption that USD appreciates or depreciates against TWD by 1% is used to report on the risk of exchange rate changes to major management.

   Exchange gains in 2022 accounted for 0.74% of the Company's revenue and 6.95% of profit before tax, respectively. Exchange rate changes do not have a significant influence on the Company's revenues and profits. In addition, the Company mitigates exchange losses with multiple transactions of small values. In addition, in terms of foreign exchange control, the Company adopts a stable and conservative principle; responsible supervisors are required to pay attention at all times and financial personnel are responsible for collecting foreign exchange rate information on a daily basis, so as to fully grasp any exchange rate changes.

3. Inflation
   (1) Analysis of impact on the company:
       Currently the world economy features a mild inflationary trend. However, the inflation did not result in any significant impact on the Company and subsidiaries.
   (2) Concrete response measures
       The Company and subsidiaries always attend to any price changes in the raw materials market, and keeps good interaction with suppliers so as to grasp raw materials price trend, thereby mitigating the risk of a price hike.

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

1. The Company and subsidiaries did not engage in any high-risk or highly-leveraged investment or transactions.
2. Loaning of funds and making or endorsements and guarantees made by the Company or subsidiaries are carried out in strict adherence to its “Regulations Governing Loaning of Funds” and “Regulations for Endorsement and Guarantee, Liability Commitment, and Contingency”.

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

1. Future research and development plan:
   (I) To develop low-odor cold plastic road marking paint.
   (II) To develop fast-drying acrylic floor coating paint.
   (III) To develop high strength spray polyurea.
   (IV) To develop water-based inorganic coating materials.
   (V) To develop baking paint for solar panel brackets.
2. Expected R&D expenses: NT$217,432 thousand.

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

By consulting professional units like the legal affairs unit and accounting unit, the Company provided assessment and recommendations and plan response measures to comply with the regulatory framework and reduce the impact on the Company’s financial and business affairs.

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

Major products of the Company and subsidiaries are coatings. Although coatings are a mature industry with low entry barriers, the Company’s strong R&D lineup is capable of developing production process that can improve product quality and technology every year. Therefore, technological and industrial changes do not effect any material impact on the Company’s financial and business affairs. The Company also adjusts business policy in a timely manner by continuously attending to any changes in the coatings industry.

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

The Company always upholds an ethical and practical business philosophy, delivering a corporate image that it conveys benefits on society and fulfills its corporate social responsibilities.

(VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: No such situation.

(VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken:

The Company constructed the factory of YUNG CHI PAINT & VARNISH MFG. (Jiaxing) CO., LTD through investment in strict adherence to the Chinese government's environmental protection laws and regulations. The factory expansion this time had been carefully assessed for any investment benefits and possible risks; the assessment results had been submitted to the Board of Directors, which decided to fund the capital expenditure with own funds.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken: No such situation.

(X) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: No such situation.

(XI) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: No such situation.

(XII) Litigious and non-litigious matters: None.

(XIII) Other important risks, and mitigation measures being or to be taken:

Cyber security risk assessment and response measures:

The Company's Information Office is responsible for planning and executing information security measures. The Internal Control and Cyber Security Operation Regulations were also formulated and an audit is carried out periodically. All important data are backed up to ensure data integrity. An information security test was also carried out and no item posing material operating risks was found.

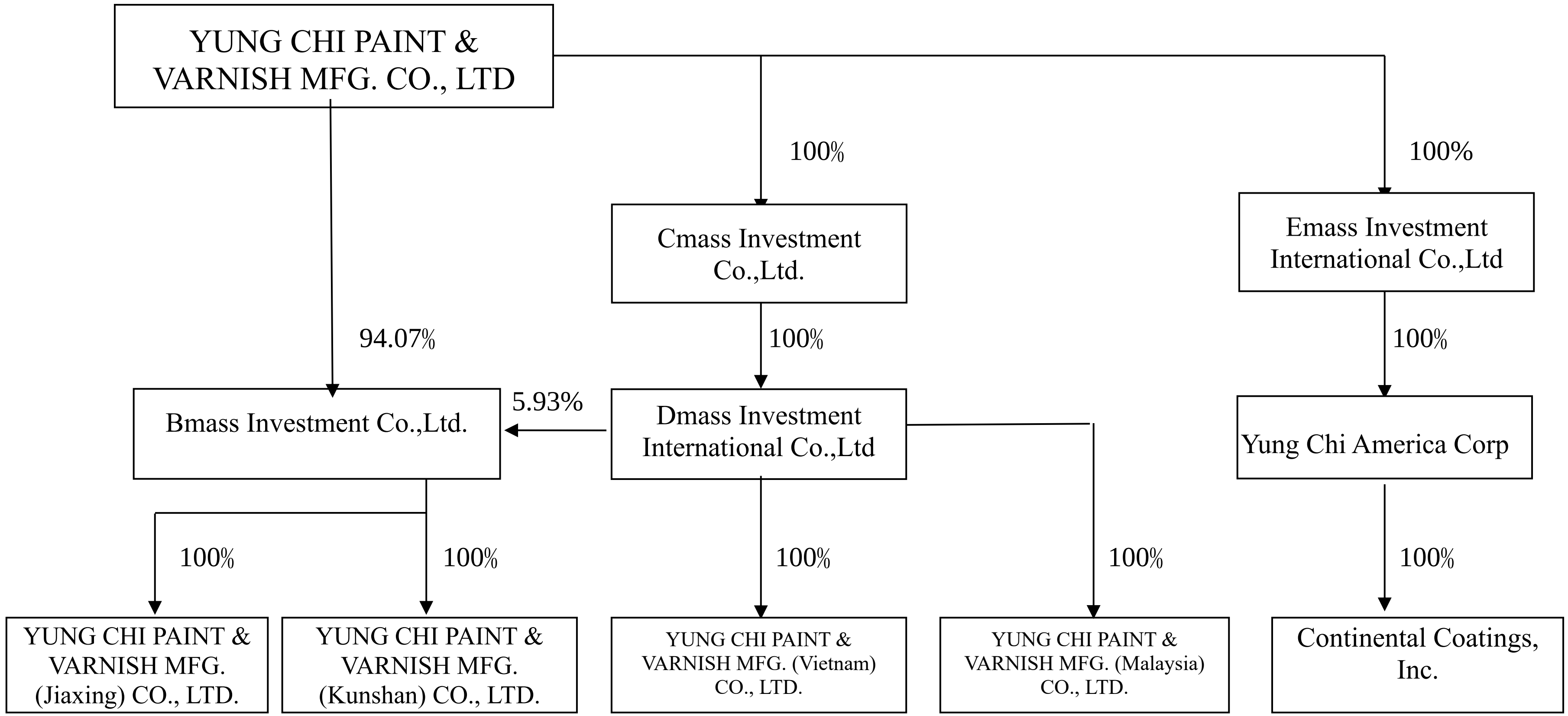
VII. Other important matters: None.

Eight. Special Items

I. Information on affiliates

(I) Consolidated business report of affiliates:

1. Organizational chart of affiliates



2. Basic information on affiliates:

Unit: NT$1,000

Company name	Establishment Date	Address	Paid-in capital	Paid-in capital
Bmass Investment Co.,Ltd.	1999.10.29	P.O.Box 957,Offshore Incorporation Centre, Road Town,Tortola,British Virgin Islands	NT$ 790,602 (US$17,768 thousand)	Professional investment
Cmass Investment Co.,Ltd.	2005.02.17	P.O.Box 217,Offshore Chambers Apia, Samoa..	NT$ 755,921 (US$23,800 thousand)	Professional investment
Dmass Investment International Co.,Ltd.	2005.02.17	P.O.Box 217,Offshore Chambers Apia, Samoa	NT$ 755,921 (US$23,800 thousand)	Professional investment
Emass Investment International Co.,Ltd.	2012.07.13	P.O.Box 217,Offshore Chambers Apia, Samoa	NT$ 858,390 (US$28,000 thousand)	Professional investment
YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	1996.12.10	No. 1 Yongji Road, Zhangpu Town, Kunshan City, Jiangsu Province	NT$493,722 (US$15,000 thousand)	Manufacture and sale of paints and undertaking of coating and painting engineering projects.
YUNG CHI PAINT & VARNISH MFG. (Jiaxing) CO., LTD.	2017.11.16	Room 201-11, No. 1817, Haigang Avenue, Xitangqiao Street, Haiyan County, Jiaxing City, Zhejiang Province	NT$ 1,517,013 (US$50,000 thousand)	Manufacture and sale of paints and undertaking of coating and painting engineering projects.
YUNG CHI PAINT & VARNISH MFG. (Vietnam) CO., LTD.	2005.04.11	Bien Hoa City, Dong Nai Province, Vietnam Amata Industrial Park	NT$ 488,081 (US$15,000 thousand)	Manufacture and sale of paints and undertaking of coating and painting engineering projects.
YUNG CHI PAINT & VARNISH MFG. (Malaysia) CO., LTD.	2008.04.28	Malacca, Malaysia Tangga Batu Industrial Park	NT$ 383,127 (US$12,700 thousand)	Manufacture and sale of paints
YUNG CHI AMERICA CORP.	2012.06.30	10938 BEECH AVE FONTANA, CA 92337	NT$ 858,390 (US$28,000 thousand)	Professional investment
CONTINENTAL COATINGS, INC.	2012.11.23	10938 BEECH AVE FONTANA, CA 92337	NT$ 507,554 (US$16,304 thousand)	Sale and processing of paints

3. Information on the same shareholder of affiliates presumed to have a relationship of control or subordination: No such situation.

4. Summary description of the business activities of affiliates as a whole

Company name	Business sectors covered by their business activities	Division of labor where business activities intersect
YUNG CHI PAINT & VARNISH MFG. CO., LTD	Manufacture and sale of paints and coatings and undertaking of painting projects	None
Bmass Investment Co.,Ltd.	Professional investment	None
Cmass Investment Co.,Ltd.	Professional investment	None
Dmass Investment International Co.,Ltd.	Professional investment	None
Emass Investment International Co.,Ltd.	Professional investment	None
YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	None
YUNG CHI PAINT & VARNISH MFG. (Jiaxing) CO., LTD.	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	None
YUNG CHI PAINT & VARNISH MFG. (Vietnam) CO., LTD.	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	None
YUNG CHI PAINT & VARNISH MFG. (Malaysia) CO., LTD.	Manufacture and sale of paints	None
YUNG CHI AMERICA CORP.	Professional investment	None
CONTINENTAL COATINGS, INC.	Sale and processing of paints	None

5. Information on directors, supervisors, and presidents of affiliate companies:

Company name	Title	Name or Representative	Shareholding	
			Number of shares/capital contribution	Shareholding/capital contribution percentage
Bmass Investment Co.,Ltd.	Director	Chang Te-Jen	NT$790,602 thousand	100%
Cmass Investment Co.,Ltd.	Director	Chang Te-Sheng	NT$755,921 thousand	100%
Dmass Investment International Co.,Ltd.	Director	Chang Te-Sheng	NT$755,921 thousand	100%
Emass Investment International Co.,Ltd.	Director	Chang Te-Hsiung	NT$858,390 thousand	100%
YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	Chairperson	Chang Feng-Li	NT$493,722 thousand	100%
YUNG CHI PAINT & VARNISH MFG. (Jiaxing) CO., LTD.	Chairperson	Chang Feng-Yu	NT$1,517,013 thousand	100%
YUNG CHI PAINT & VARNISH MFG. (Vietnam) CO., LTD.	Chairperson	Chang Te-Hsiung	NT$488,081 thousand	100%
YUNG CHI PAINT & VARNISH MFG. (Malaysia) CO., LTD.	Chairperson	Chang Te-Hsien	NT$383,127 thousand	100%

YUNG CHI AMERICA CORP.	Director	Tseng Shih-Yu	NT$858,390 thousand	100%
CONTINENTAL COATINGS, INC.	Chairperson	Tseng Shih-Yu	NT$507,554 thousand	100%

6. Overview of the business operations of each affiliate:

Year: 2022;Unit: NT$1,000

Company name	Amount of Capital	Total Assets	Total liabilities	Net Value	Operating revenue	Operating profit	Net profit or loss for the current period (after tax)	Earnings (losses) per share (NT$) (after taxes)
Bmass Investment Co.,Ltd.	790,602	2,959,935	0	2,959,935	0	0	121,852	7.22
Cmass Investment Co.,Ltd.	755,921	782,058	0	782,058	0	0	16,361	0.69
Dmass Investment International Co.,Ltd.	755,921	781,632	0	781,632	0	(2)	16,361	0.69
Emass Investment International Co.,Ltd.	858,390	610,623	0	610,623	0	0	5,006	0.23
YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	493,722	1,762,824	235,528	1,527,296	1,666,286	185,345	175,263	0.00
YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Jiaxing)	1,517,013	1,486,867	57,767	1,429,100	10,698	(61,627)	(53,435)	0.00
YUNG CHI PAINT & VARNISH MFG. (Vietnam) CO., LTD.	488,081	429,355	30,407	398,948	308,677	27,038	30,133	0.00
YUNG CHI PAINT & VARNISH MFG. (Malaysia) CO., LTD.	383,127	214,998	23,578	191,420	61,207	(20,393)	(20,998)	(0.50)
YUNG CHI AMERICA CORP.	858,390	615,175	4,553	610,622	667	(9,061)	5,006	(3.96)
CONTINENTAL COATINGS, INC.	507,554	570,396	271,902	298,494	717,549	14,725	11,319	1.28

(II) Representation letter of Consolidated Financial Statements of Affiliates: Please refer to Attachment 1 - Consolidated Financial Statements.

(III) Affiliate report: Affiliate report is prepared by subordinate companies. According to regulations, the Company may elect not to compile the affiliate report.

II. Status of private placement of securities during the most recent fiscal year or up to the date of publication of the annual report: None.

III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or up to the date of publication of the annual report: None.

IV. Other matters that require additional explanation: None.

Nine. Any events in the most recent year and the current year up to the publication date of this annual report that materially affect shareholders' equity or the price of securities as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act.

None

Attachment 1
Financial statement for the most recent fiscal year

Stock Code:1726

YUNG CHI PAINT & VARNISH MFG. CO., LTD
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS WITH REPORT OF INDEPENDENT AUDITORS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Address: No. 26, Yanhai 3rd Rd., Xiaogang Dist., Kaohsiung City
Tel: (07)871-3181

§Table of Contents§

Declaration of Consolidated Financial Statements of Affiliated Companies

Considering that the companies to be included in the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" were the same as those to be included into the consolidated financial statements of the parent and subsidiaries under IFRS 10 in 2022 (from January 1, 2022 through December 31, 2022) and the related information to be disclosed in the consolidated financial statements of affiliates were already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

In witness thereof, the Declaration is hereby presented.

Company Name: YUNG CHI PAINT & VARNISH MFG. CO., LTD

Responsible person: Chang Te-Jen

March 16, 2023

Independent Auditors' Report

To YUNG CHI PAINT & VARNISH MFG. CO., LTD:

Audit opinion

We have audited the consolidated balance sheet of YUNG CHI PAINT & VARNISH MFG. CO., LTD ("YUNG CHI" hereinafter) and its subsidiaries as at December 31, 2022 and 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flow for the period from January 1 through December 31, 2022 and 2021, and the notes to the consolidated financial statements (including the summary of significant accounting policies).

In our opinion, the said consolidated financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC interpretations that were approved and promulgated by the Financial Supervisory Commission (FSC), and thus presented fairly, in all material aspects, the consolidated financial position of YUNG CHI and its subsidiaries as of December 31, 2022 and 2021, and the consolidated financial performance and cash flows for the period from January 1 through December 31, 2022 and 2021.

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards. 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 were independent of YUNG CHI and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and fulfilled all other responsibilities thereunder. 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 that, in our professional judgment, were of utmost significance in our audit of the consolidated financial statements of YUNG CHI and its subsidiaries 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 issues.

Key audit matters for the consolidated financial statements of YUNG CHI and its subsidiaries for the year ended December 31, 2022 are stated as follows:

Revenue recognition

YUNG CHI and its subsidiaries mainly engage in manufacture and sale of paints and coating materials and the undertaking of painting engineering work, of which the manufacture and sale of paints and coating materials accounts for more than 90% of annual operating revenue. Since revenue recognition is something whose default setting carries significant risks, and which fluctuates along with market demand changes and is of concern to users of the financial statements, we have identified the revenue from specific customers and the sale of specific paints and coating materials as the key audit matter. For the accounting policy regarding sales revenue, see Note IV of this consolidated financial statements.

We also performed the following key audit procedures:

I. Understood and tested the design of the internal control over the sales cycle, as well as the effectiveness of implementation thereof.

II. Checked relevant documents to see whether the control over products has indeed transferred and performance obligations fulfilled; tested the collection cycle to see whether revenues have indeed occurred.

III. Examined significant sales return after the reporting date to verify the authenticity of sales revenue recognized before the balance sheet date.

Other Matters

YUNG CHI has prepared the parent company only financial statements for the years ended December 31, 2022 and 2021, for which we have issued an audit report containing an unqualified opinion for reference.

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

The management was responsible for fairly presenting these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC interpretations, and SIC interpretations that were approved and promulgated by the Financial Supervisory Commission, and for maintaining the necessary internal control related to the preparation of these consolidated financial statements to ensure that these consolidated financial statements were free of material misstatements, whether due to fraud or errors.

In preparing the consolidated financial statements, management is responsible for assessing the ability of YUNG CHI and its subsidiaries 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 YUNG CHI and its subsidiaries or to cease operations or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the financial reporting process of YUNG CHI and its subsidiaries.

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 auditing standards will always detect a material misstatement when it exists in these consolidated financial statements. Misstatements can arise from fraud or error. Misstatements 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 auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also conduct the following tasks:

I. 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.

II. 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 internal control of YUNG CHI and its subsidiaries.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

IV. 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 ability of YUNG CHI and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

V. 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.

VI. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within YUNG CHI and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit for the Group. 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 consolidated financial statements of YUNG CHI and its subsidiaries for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche Taiwan

CPA: Kuo Li-Yuan

CPA: Hsu Jui-Hsuan

Serial number of the official approval letter from the Securities and Futures Commission
Tai-Tsai-Cheng-Liu-Zi No. 0920123784

Serial number of the official approval letter from the Financial Supervisory Commission
Jin-Guan-Zheng-Shen-Zi #1020025513

March 16, 2023

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Consolidated Balance Sheets

As of December 31, 2022 and 2021

Unit: NT$1,000

Code	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note 6)	$ 1,504,433	13	$ 1,264,134	10
1110	Financial assets at fair value through profit or loss (Notes 4 and 7)	-	-	260,533	2
1120	Financial assets at fair value through other comprehensive income (Notes 4 and 8)	384,288	3	416,835	4
1140	Contract assets (Note 22)	95,555	1	115,979	1
1150	Notes receivable, net (Note 9)	612,957	5	508,895	5
1160	Notes receivable - related parties (Notes 9 and 28)	58,079	1	43,760	-
1170	Accounts receivable, net (Note 9)	1,891,633	17	1,664,570	15
1180	Accounts receivable - related parties (Notes 9 and 28)	101,005	1	174,725	2
1200	Other receivables (Notes 9 and 28)	23,827	-	36,971	-
130X	Inventories (Notes 4, and 10)	2,569,810	23	2,502,731	22
1476	Other financial assets (Note 11)	3,373	-	171,414	2
1479	Other current assets	87,251	1	100,520	1
11XX	Total Current Assets	7,332,211	65	7,261,067	64
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Notes 4 and 8)	75,480	1	78,971	1
1550	Investments accounted for using equity method (Notes 4 and 13)	35,844	-	33,182	-
1600	Property, plant, and equipment (Notes 4, 14, and 29)	3,324,419	29	3,220,135	29
1755	Right-of-use assets (Notes 4 and 15)	338,841	3	309,994	3
1760	Investment property (Notes 4 and 16)	205,384	2	207,072	2
1780	Intangible assets (Note 4)	5,070	-	4,729	-
1840	Deferred income tax assets (Note 24)	51,048	-	61,604	1
1915	Equipment prepayments	27,297	-	32,229	-
1920	Guarantee deposits paid	20,129	-	20,225	-
1980	Other financial assets (Notes 11 and 29)	1,768	-	8,585	-
15XX	Total Non-current Assets	4,085,280	35	3,976,726	36
1XXX	Total Assets	$11,417,491	100	$11,237,793	100

Code	Liabilities and Stockholders' Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities				
2100	Short-term borrowings (Note 17 and 29)	$ 1,078	-	$ 10,533	-
2130	Contract liabilities (Note 22)	55,286	1	23,388	-
2150	Notes payable	23,600	-	31,035	-
2170	Accounts payable	844,591	7	942,664	9
2200	Other payables (Notes 18 and 28)	544,730	5	652,109	6
2230	Current income tax liabilities (Notes 24)	116,190	1	111,922	1
2280	Lease liability (Notes 4, 15, and 28)	18,176	-	7,922	-
2365	Refund liabilities	45,005	-	47,358	-
2399	Other current liabilities	954	-	2,228	-
21XX	Total Current Liabilities	1,649,610	14	1,829,159	16
	Non-current liabilities				
2550	Provisions (Notes 4 and 19)	15,022	-	29,266	1
2570	Deferred income tax liabilities (Notes 24)	127,778	1	116,303	1
2580	Lease liability (Notes 4, 15, and 28)	33,280	1	8,230	-
2640	Net defined benefit liability (Notes 4 and 20)	9,262	-	28,893	-
2645	Guarantee deposit received	9,340	-	8,501	-
25XX	Total Non-current Liabilities	194,682	2	191,193	2
2XXX	Total liabilities	1,844,292	16	2,020,352	18
	Equity attributable to owners of the Company (Note 21)				
3110	Capital stock	1,620,000	14	1,620,000	15
3200	Capital surplus	109,380	1	109,328	1
	Retained earnings				
3310	Legal reserve	1,917,371	17	1,825,879	16
3320	Special reserve	490,499	5	492,801	4
3350	Unappropriated earnings	5,630,491	49	5,469,163	49
3300	Total retained earnings	8,038,361	71	7,787,843	69
3400	Other equity	(194,542)	(2)	(299,730)	(3)
3XXX	Total stockholders' equity	9,573,199	84	9,217,441	82
3X2X	Total Liabilities and Equity	$11,417,491	100	$11,237,793	100

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

Chairperson: Chang Te-Jen Manager: Chen Hung-Wei Accounting Manager: Chen Hsi-Hui

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NT$1,000, except earnings per share

Code		2022 Amount	2022 %	2021 Amount	2021 %
	Operating revenue (Notes 4, 22, and 28)				
4100	Goods sales revenue	$ 9,115,921	94	$ 8,541,956	96
4520	Construction revenue	619,640	6	323,671	4
4000	Total operating revenue	9,735,561	100	8,865,627	100
	Operating cost (Notes 10, 23, and 28)				
5110	Sales cost	7,041,601	72	6,336,477	72
5520	Construction cost	536,654	6	291,118	3
5000	Total operating cost	7,578,255	78	6,627,595	75
5900	Operating gross profit	2,157,306	22	2,238,032	25
	Operating expenses (Notes 9, 23, and 28)				
6100	Marketing expenses	647,449	7	646,547	7
6200	General and administrative expenses	394,693	4	321,529	4
6300	R&D expense	245,613	2	255,481	3
6450	Loss on expected credit impairment	75	-	11,632	-
6000	Total operating expenses	1,287,830	13	1,235,189	14
6900	Operating Income	869,476	9	1,002,843	11
	Non-operating income and expenses (Notes 23 and 28)				
7100	Income from interests	8,088	-	12,264	-
7010	Other income	45,407	1	61,003	1
7020	Other gains and losses	119,088	1	(10,684)	-
7050	Financial cost	(2,989)	-	(996)	-
7060	Share of profit or loss of associates accounted for using equity method (Note 13)	806	-	(364)	-
7000	Total non-operating income and expenses	170,400	2	61,223	1
7900	Net profits before tax	1,039,876	11	1,064,066	12
7950	Income tax expenses (Notes 4 and 24)	225,402	3	181,899	2
8200	Net profit in the current year	814,474	8	882,167	10
	Other comprehensive income (Notes 20, 21, and 24)				
8310	Items that will not be reclassified to profit or loss				
8311	Re-measurement of defined benefit plans	3,805	-	40,941	-
8316	Unrealized valuation gains or losses on investment in equity instruments at fair value through other comprehensive income	(36,077)	-	159,060	2
8349	Income tax expenses related to items that will not be reclassified	(761)	-	(8,188)	-
8360	Items that will be reclassified to profit or loss				
8361	Exchange differences arising in the translation of foreign operations	141,265	1	(52,864)	-
8300	Other comprehensive income (net after tax) for the year	108,232	1	138,949	2
8500	Total comprehensive income for the year	$ 922,706	9	$ 1,021,116	12
8600	Net income attributable to:				
8610	Owners of the Company	$ 814,474		$ 882,167	
8700	Total comprehensive income attributable to:				
8710	Owners of the Company	$ 922,706		$ 1,021,116	
	Earnings per share (Note 25)				

9710	Basic	$ 5.03	$ 5.45
9810	Diluted	$ 5.02	$ 5.44

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

Chairperson: Chang Te-Jen Manager: Chen Hung-Wei Accounting Manager: Chen Hsi-Hui

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Consolidated Statement of Changes in Equity

January 1 through December 31, 2022 and 2021

Unit: NT$1,000

Code		Equity attributable to owners of the Company									
				Retained earnings				Other equity			
		Capital stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Exchange differences arising in the translation of foreign operations	Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income	Total	Total stockholders' equity
A1	Balance as of January 1, 2021	$1,620,000	$ 109,193	$1,742,712	$ 492,801	$5,204,410	$7,439,923	($ 364,926)	($ 41,000)	($ 405,926)	$8,763,190
	Earnings allocation and distribution for 2020 (Note 21)										
B1	Legal reserve	-	-	83,167	-	(83,167)	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(567,000)	(567,000)	-	-	-	(567,000)
C3	Amount from donation	-	135	-	-	-	-	-	-	-	135
D1	Net profit for 2021	-	-	-	-	882,167	882,167	-	-	-	882,167
D3	Other comprehensive income (loss) after tax for 2021	-	-	-	-	32,753	32,753	(52,864)	159,060	106,196	138,949
D5	Total comprehensive income for 2021	-	-	-	-	914,920	914,920	(52,864)	159,060	106,196	1,021,116
Z1	Balance as of December 31, 2021	1,620,000	109,328	1,825,879	492,801	5,469,163	7,787,843	(417,790)	118,060	(299,730)	$9,217,441
	Earnings allocation and distribution for 2021 (Note 21)										
B1	Legal reserve	-	-	91,492	-	(91,492)	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(567,000)	(567,000)	-	-	-	(567,000)
B17	Reversal of special reserves	-	-	-	(2,302)	2,302	-	-	-	-	-
C3	Amount from donation	-	52	-	-	-	-	-	-	-	52
D1	Net profit for 2022	-	-	-	-	814,474	814,474	-	-	-	814,474
D3	Other comprehensive income (loss) after tax for 2022	-	-	-	-	3,044	3,044	141,265	(36,077)	105,188	108,232
D5	Total comprehensive income for 2022	-	-	-	-	817,518	817,518	141,265	(36,077)	105,188	922,706
Z1	Balance as of December 31, 2022	$1,620,000	$ 109,380	$1,917,371	$ 490,499	$5,630,491	$8,038,361	($ 276,525)	$ 81,983	($ 194,542)	$9,573,199

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

Chairperson: Chang Te-Jen Manager: Chen Hung-Wei Accounting Manager: Chen Hsi-Hui

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Consolidated Statement of Cash Flow

January 1 through December 31, 2022 and 2021

Unit: NT$1,000

Code		2022	2021
	Cash flow from operating activities		
A10000	Pre-tax profit for the year	$1,039,876	$1,064,066
A20010	Income expenses		
A20100	Depreciation	185,401	156,758
A20200	Amortization	1,416	1,507
A20300	Loss on expected credit impairment	75	11,632
A20400	Gains on financial assets at fair value through profit or loss	(13,618)	(11,207)
A20900	Financial cost	2,989	996
A21200	Income from interests	(8,088)	(12,264)
A21300	Dividend income	(19,650)	(17,246)
A22300	Share of profit or loss of associates accounted for using equity method	(806)	364
A22500	Gain on disposal and retirement of property, plant, and equipment	(39,465)	(206)
A23700	Loss (reversal gains) on inventory devaluation	(28,668)	14,600
A29900	Provisions reversed	(14,191)	(12,200)
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	20,424	19,425
A31130	Notes receivable	(106,440)	5,491
A31140	Notes receivable - related parties	(14,611)	(44,538)
A31150	Accounts receivable	(226,916)	(156,099)
A31160	Accounts receivable - related parties	75,225	(62,242)
A31180	Other receivables	13,376	490
A31200	Inventories	(41,290)	(624,186)
A31240	Other current assets	13,248	(30,803)
A32125	Contract liabilities	31,898	(1,373)
A32130	Notes payable	(7,435)	7,567
A32150	Accounts payable	(98,073)	276,088
A32180	Other accounts payable	10,853	57,377
A32200	Provisions	(53)	-
A32230	Other current liabilities	(1,274)	535
A32240	Net defined benefit liabilities	(15,826)	(19,047)
A32990	Refund liabilities	(2,353)	5,025

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(Continued)

Code		2022	2021
A33000	Cash flow from operating activities	$ 756,024	$ 630,510
A33100	Interest received	7,856	12,856
A33200	Dividends received	19,650	17,246
A33300	Interest paid	(3,029)	(495)
A33500	Income taxes paid	(199,864)	(214,441)
AAAA	Net cash generated by operating activities	580,637	445,676
	Cash Flow from Investing Activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(42,000)
B00100	Acquisition of financial assets at fair value through profit or loss	(1,832,783)	(1,726,193)
B00200	Disposal of financial assets at fair value through profit or loss	2,113,509	2,243,179
B02700	Acquisition of property, plant and equipment	(223,728)	(797,589)
B02800	Proceeds from disposal or property, plant and equipment	51,240	363
B03800	Decrease (Increase) in guarantee deposit paid	96	(541)
B04500	Acquisition of intangible assets	(1,724)	(416)
B06600	Decrease in other financial assets	174,858	185,241
BBBB	Net cash inflow (outflow) from investing activities	281,468	(137,956)
	Cash Flow from Financing Activities		
C00100	Increase (Decrease) in short-term borrowings	(9,455)	5,757
C03100	Increase in guarantee deposit received	839	573
C03700	Decrease (increase) in other payables	(100,000)	200,000
C04020	Repayment of principal of lease liabilities	(15,045)	(7,961)
C04400	Decrease in other non-current liabilities	-	(170)
C04500	Cash dividends paid	(567,000)	(567,000)
C09900	Refund of shareholder unclaimed dividends	52	135
CCCC	Net cash used in financing activities	(690,609)	(368,666)
DDDD	Effects of exchange rate changes on cash and cash equivalents	68,803	(27,615)
EEEE	Increase (decrease) in cash and cash equivalents	240,299	(88,561)
E00100	Cash and cash equivalents - beginning of year	1,264,134	1,352,695
E00200	Cash and cash equivalents - end of year	$1,504,433	$1,264,134

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

Chairperson: Chang Te-Jen Manager: Chen Hung-Wei Accounting Manager: Chen Hsi-Hui

I. Company History

Founded in May 1957 in Kaohsiung, YUNG CHI PAINT & VARNISH MFG. CO., LTD (the "Company" hereinafter) is mainly engaged in the manufacture and sale of paints and coatings and the undertaking of painting projects.

The Company's shares began trading on Taiwan Stock Exchange in September 2000.

The consolidated financial statements are stated in the functional currency of the Company, which is New Taiwan Dollars.

II. Date and procedures of approval of the financial statements

The consolidated financial statements were approved at the Board meeting on March 16, 2023.

III. Application of New Standards, Amendments, and Interpretations

(I) First application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations (IFRIC), and SIC interpretations (SIC) (hereinafter collectively referred to as "IFRSs") approved and promulgated by the Financial Supervisory Commission (hereinafter referred to as "FSC")

The application of the amended IFRSs approved and promulgated by the Financial Supervisory Commission won't cause any significant changes to the accounting policy of the Company and its subsidiaries.

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

Application of New Standards, Amendments, and Interpretations	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)

Application of New Standards, Amendments, and Interpretations	Effective Date Announced by IASB
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 shall apply to the annual reporting period beginning on or after January 1, 2023.

Note 2: The amendments shall apply to the changes to the accounting estimates or policies occurring during the annual reporting period beginning on or after January 1, 2023.

Note 3: This amendment requires entities to recognize a deferred tax liability for the temporary difference associated with lease and decommissioning obligations that arise on January 1, 2022 and is applicable to all transactions occurred after such date.

As of the date when the consolidated financial statements were approved by the Board of Directors, the Company and subsidiaries assessed the said amended standards and interpretations and found them to have no significant effects on their financial position and financial performance.

(III) IFRSs issued by the IASB but not yet approved and promulgated by the FSC

Application of New Standards, Amendments, and Interpretations	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
Amendments to IFRS 16, Lease Liability in a Sale and Leaseback	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17, "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2024

Amendments to IAS 1, Non-current Liabilities with Covenants	January 1, 2024

Note 1: Unless otherwise specified, the above new / amended / revised standards and interpretations are effective for annual periods beginning on or after the specified dates.

Note 2: A seller-lessee is required to retrospectively apply the amendments to IFRS 16 to any leaseback transactions arising after the date of initial application of IFRS 16.

Up to the date when the consolidated financial statements were approved by the Board of Directors, the Company and subsidiaries assessed the effects of the said amendments to the standards and interpretations on their financial position and performance on a continuous basis. The relevant effects will be disclosed after the assessment.

IV. Summary of significant accounting policies

(I) Compliance statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs approved and promulgated by the FSC.

(II) Basis of preparation

Except for the financial instruments measured at fair value and the net defined benefit liabilities recognized at the present value of defined benefit obligations less the fair value of the plan assets, the consolidated financial statements were prepared on the basis of historical cost.

Fair value measurements are classified into Level 1, 2, and 3 based on the degree to which an input is observable and the significance of the input:

1. Level 1 inputs: The quoted price in an active market for identical assets or liabilities that is accessible on the measurement date (before adjustment).
2. Level 2 inputs: Other than quoted prices included in Level 1, the

inputs that are observable for assets or liabilities directly (i.e. the price) or indirectly (i.e. inferred from the price).

3. Level 3 inputs: The inputs that are not observable for assets or liabilities.

(III) Criteria for classification of assets and liabilities as current or non-current

Current assets include:

1. Assets that are held mainly for trading purposes;
2. assets expected to be realized within 12 months after the balance sheet date; and
3. cash or cash equivalents (excluding those that are restricted for being used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities that are held mainly for trading purposes;
2. liabilities that will be settled within 12 months after the balance sheet date; and
3. liabilities whose due date cannot be unconditionally extended to more than 12 months after the balance sheet date.

Assets or liabilities that are not the above-mentioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

(IV) Basis of consolidation

Entities covered by the consolidated financial statements include the Company and the entities controlled by the Company (i.e., subsidiaries).

The consolidated statement of comprehensive income includes the operating profit or loss of subsidiaries, both acquired and disposed of, for the period starting from the acquisition date or ending on the disposal date. The financial statements of the subsidiaries are adjusted to have their accounting policies be consistent with those of Company. All the transactions, account balances, profits, and expenses/losses between entities are eliminated during preparation of the consolidated financial statements.

For details of subsidiaries, shareholding percentage in them, and their business activities, refer to Note 12 and Appendix Tables 8 and 9.

(V) Foreign currency

Entities preparing their own financial statements translated the transactions denominated in currencies other than their functional currency (i.e., foreign currencies) into their functional currency by applying the exchange rate prevailing on the transaction date.

Monetary items in foreign currencies are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from settlement or translation of the monetary items are recognized in the profit or loss of the period.

Non-monetary items in foreign currencies measured at fair value are translated at the exchange rate prevailing on the date the fair value was determined. The exchange differences resulting therefrom are recognized in profit or loss of the period, or in other comprehensive income when changes in fair value of such items were designated to be recognized in other comprehensive income.

Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate on the date of transaction and are not retranslated.

During preparation of the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including the subsidiaries of associates of which the countries they operate or the currencies they use are different from those of the Group) are translated into NTD at the exchange rate prevailing on each balance sheet date. The income and expense items are translated at the average exchange rate of the period, and the exchange differences resulting therefrom are recognized in other comprehensive income.

(VI) Inventories

Inventories include raw materials, materials, finished goods, and products. Inventories are measured at the lower of cost and net realizable value. Cost and net realizable values are compared on an item by item basis, except inventories of the same category. Net realizable value refers to the estimated selling price in a normal situation less the estimated cost needed to complete the sale. The weighted average method is used to calculate the inventory cost.

(VII) Investment in associates

An associate (i.e., affiliate) refers to a company over which the Group has a significant influence and which is not a subsidiary or joint venture.

The Group accounts for its equity in an associate using the equity method.Under the equity method, the investment in associates is initially recognized at its costs and the amount of increase or decrease in the book value of such investment after the date of acquisition depends on the profits distributed and the Group's shares of profit/loss and other comprehensive income in the associates and joint ventures. In addition, changes to the Group's equity in the associates are recognized based on our shareholding ratio.

When the Group does not subscribe to new shares issued by associates based on its shareholding ratio, resulting in changes in the shareholding ratio and thus the net equity value of investment, the Group accounts for such changes by adjusting capital reserves - changes in the net equity of associates recognized under the equity method and investments under equity method. However, if subscription or acquisition of the shares is not based on the shareholding ratio, leading to a decrease in the Group's ownership equity in the associates, the amounts related to the associate in other comprehensive income are reclassified according to the percentage of such decrease and treated with the same accounting treatment basis as the one which the associates' direct disposal of relevant assets or liabilities shall be in accordance with. If the said adjustment shall be debited to capital reserves, and the balance of capital reserves arising from investment under equity method is insufficient to be offset, the difference is debited to retained earnings.

When the Group's share of loss in associates equals or exceeds its share of profit in the associates, the Group does not recognize further losses. The Group recognizes additional losses and liabilities only when any legal obligation or constructive obligation is incurred or the Group made payment on behalf of the associates.

For impairment evaluation, the Group tests the entire investment (including goodwill) book value for impairment as a single asset by comparing the recoverable amount and book value of the investment. Any recognized impairment loss is also part of the investment book value. Any reversal of the impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increased.

On the date when the Group's investment ceases to be considered as an associate, the Group ceases to account for it using equity method and measures the Group's retained interest in it at fair value; the differences between the fair value, disposal consideration, and the investment's book value on the date when it ceases to be accounted for using the equity method are recognized in profit or loss. The amounts in relation to the associate that are recognized in the Group's other comprehensive income are accounted for on the same basis as if related assets or liabilities were disposed of by the associate.

(VIII) Property, plant and equipment

Property, plant, and equipment are initially recognized at cost and subsequently at cost net of accumulated depreciation.

Property, plant, and equipment under construction are measured at cost. Costs comprise professional service fees and borrowing costs eligible for capitalization. Such assets are measured at the lower of costs and net realizable value before reaching the condition of intended use; disposal proceeds and costs thereof are recognized in profit or loss. Upon completion and reaching the intended use status, such assets are classified to proper categories of property, plant, and equipment and depreciated.

Except own land, which is not depreciated, each significant part of the property, plants, and equipment is separately depreciated on the straight-line basis over their useful life. The Group reviews the estimated useful life, residual value, and method of depreciation at least once before the end of each year and prospectively recognizes the effect from changes in accounting estimates.

When property, plant, and equipment is disposed of, the difference between the net disposal proceeds and the asset book value is recognized in profit or loss.

(IX) Investment property

Investment property is property held to earn rentals or for capital appreciation or both.

Property, plant, and equipment are initially recognized at cost (including transaction cost) and subsequently at cost net of accumulated depreciation and accumulated impairment. Investment property is depreciated on a straight line basis.

When investment property is disposed of, the difference between the net disposal proceeds and the asset book value is recognized in profit or loss.

(X) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently at cost less accumulated amortization. Intangible assets are amortized on the straight-line basis over their useful life. The Group reviews the estimated useful life, residual value, and method of amortization at least once before the end of each year and prospectively recognizes the effects of changes in accounting estimates.

(XI) Impairments of property, plant, and equipment, right-of-use assets, investment property, and intangible assets

The Group assesses whether there are any signs indicating that any property, plant, and equipment, right-of-use assets, investment property, or intangible assets might be impaired on each balance sheet date. If any such indication exists, then the asset's recoverable amount is estimated. When the recoverable amount of individual assets cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong. Corporate assets are allocated on a reasonable and consistent basis to individual cash-generating units.

The recoverable amount is the higher of the fair value less costs of sale and the value in use. When the recoverable amount of any individual assets or cash-generating units is less than the book value, the book value of the individual assets or cash-generating units is adjusted down to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is reversed subsequently, the book value of the asset or cash-generating unit is adjusted up to the revised recoverable amount. However, the increased book value shall not exceed the book value that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years. The reversal of the impairment loss is recognized in profit or loss.

(XII) Financial instruments

Financial assets and financial liabilities are initially recognized in the consolidated balance sheet when the Group becomes a party to the financial instrument contract.

Financial assets or financial liabilities other than those measured at fair value through profit or loss are initially recognized at the fair value plus the transaction costs that can be directly attributed to acquisition or issuance of such financial assets or liabilities. Any transaction cost directly attributable to the acquisition or issuance of the financial assets or financial liabilities measured at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

The arms-length transactions of financial assets are recognized and derecognized using the transaction date accounting method.

(1) Type of measurement

The Group's financial assets include financial assets measured at fair value through profit or loss, investment in equity instrument measured at fair value through other comprehensive income, and financial assets measured at amortized cost.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets mandatorily designated to be measured at fair value through profit or loss, including financial assets not eligible to be classified as financial assets measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value; any gain or loss on their remeasurement is recognized in other gains and losses. For the method for determining fair value, refer to Note 27.

B. Investment in equity instruments at fair value through other comprehensive income

At initial recognition, the Group may make an irrevocable election to measure the investment in equity instruments that are held not for trading, that are not recognized by the acquirer in a business merger, and that have no consideration, at fair value through other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity. When the investment is disposed of, the accumulated gains and losses are transferred to retained earnings and not reclassified to profit or loss.

The dividends derived from investment in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the Group's right to receive dividends is determined, except under the circumstance that such dividends apparently represent a partial return of the investment cost.

C. Financial assets at amortized cost

When the Group's invested financial assets meet both of the following two conditions, they are classified as financial assets measured at amortized cost:

a. The financial assets are held within a business model whose objective is collecting contractual cash flows; and
b. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, the financial assets measured at amortized cost (including cash and cash equivalents, net accounts and notes receivables [including those due from related parties], other receivables, guarantee deposit paid, and other financial assets) are measured at the amortized cost equal to the total book value determined under the effective interest method less any impairment losses, and any gain or loss from foreign currency translation is recognized in profit or loss.

Interest income is calculated as the effective interest rate times the total book value of financial assets.

Financial assets are deemed to be credit-impaired upon the occurrence of significant financial difficulties confronting the issuer or debtor; default; the circumstance that the debtor is likely to file for bankruptcy or other financial reorganization; or the disappearance of an active market for the financial assets as a result of financial difficulties.

Cash equivalents include time deposits and repo bonds that are highly liquid, readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value, and that mature within three months after the acquisition date; cash equivalents are used to meet short-term cash commitments.

(2) Impairment of financial assets and contract assets

The Group assesses impairment losses on the financial assets measured at amortized cost (including receivables) and contract assets based on the expected credit losses on each balance sheet date.

Loss allowance for receivables is recognized based on the lifetime expected credit losses. The Group first assess whether the credit risk on other financial assets significantly has increased after the initial recognition. When the increase is not significant, the loss allowance for the financial assets is recognized at the 12-month expected credit losses; when the increase is significant, the loss allowance is recognized at the lifetime expected credit losses.

Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight. 12-

month expected credit losses represent the expected credit losses on financial instruments from any potential default within 12 months after the reporting date. Lifetime expected credit losses represent the expected credit losses on financial instruments from any potential default during the expected lifetime.

For the purpose of internal credit risk management, financial assets are deemed to be defaulted on when internal or external information indicates that it's impossible for the debtor to settle the debt, without consideration of the collateral held:

The impairment loss on all financial assets is deducted from the book value of the financial assets through their allowance account.

(3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred to other entities.

For derecognition of the entire financial assets measured at amortized cost, the differences between the book value and the received consideration are recognized in profit or loss. For derecognition of the entire investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instruments

Equity instruments issued by the Group are recognized as the amount of consideration received, less the direct cost of issuance.

3. Financial liabilities

(1) Subsequent measurement

All of the Group's financial liabilities are measured at amortized cost using the effective interest method.

(2) Derecognition of financial liabilities

When derecognizing a financial liability, the difference between the book value and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(XIII) Provisions

The amount of provisions recognized is the best estimate of expenditures requisite for settling obligations on the balance sheet date, taking into account the risks and uncertainties associated with the obligations. Provisions are measured at the discounted value of the estimated cash flows requisite for settling obligations.

(XIV) Revenue recognition

After identifying the performance obligations under a contract with customers, the Group allocates the transaction price to each performance obligation and recognizes the allocated amount as revenue after the underlying performance obligation is fulfilled.

1. Revenue from sale of goods

Sales revenue is recognized when the Group transfers the goods to customers as pledged and thus fulfills its performance obligations.

Sales revenue is measured at the fair value of the consideration received or paid, less any estimated customer returns, discounts, and other similar allowances.

The significant financial components of the transaction price of the Group's contracts of which the interval between transfer of the promised goods or services and payment by the customer is expected to be less than 12 months are not adjusted. Before the

Group fulfills its performance obligations, the prepayments for products to be sold are recognized as contract liabilities.

2. Construction revenue

The Group recognizes revenue from construction painting projects over time. Since the cost invested in construction is directly related to the completion of performance obligation, the Group estimates the percentage of completion at the ratio of the actually invested cost to the estimated total cost. The Group recognizes contract assets over the construction progress, and transfers them to accounts receivable upon issuance of an invoice. If the construction proceeds received exceed the recognized amount, the difference is recognized as a contract liability. A portion of the project price retained by customers as per contractual terms is meant to ensure that the Group completes all of its performance obligations, and is recognized as a contract asset before the Group does so.

(XV) Lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease.For a contract comprising lease and non-lease components, the Group accounts for such components separately by allocating the contract consideration to each of them.

1. The Group is a lessor.

Leases whose contractual terms stipulate transfer of almost or all of the risks and rewards incidental to the ownership of the underlying assets to the lessee are classified as a finance lease. Otherwise they are classified as an operating lease.

Under an operating lease, lease payments less any lease incentives are recognized as revenue on a straight line basis over the lease term. The original direct costs associated with acquisition of an operating lease are added to the book value of the underlying assets and then recognized as expense over the lease term.

Variable rentals of a lease agreement that do not depend on an index or a rate are recognized as revenue in the period in which they occur.

2. The Group is a lessee.

When the Company is a lessee, the lease payment from the leases of low-value underlying assets to which the exemption of recognition is applied and short-term lease is recognized in expenses on the straight-line basis over the lease term, while right-of-use assets and lease liabilities with respect to other leases are recognized on the lease commencement date.

The right-of-use assets are initially measured at cost (including the initial recognized amount of lease liabilities), and subsequently measured at the cost net of accumulated depreciation and accumulated impairment losses, adjusted for remeasurements of lease liabilities. Right-of-use assets are separately presented in the consolidated balance sheet.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

Lease liabilities are initially measured at the present value of lease payment. If the interest rate implicit in a lease can be readily determined, the lease payments are discounted at the interest rate. When such interest rate cannot be readily determined, the lessee's incremental borrowing rate of interest is used.

Subsequently, the lease liabilities are measured at amortized cost under the effective interest method, and the interest expenses are amortized over the lease term. When future lease payments change as a result of a change in the lease term, or in the index or rate on which lease payments depend, the Group re-measures the lease liabilities and adjusts the right-of-use assets accordingly.

However, the residual remeasurements are recognized in profit or loss when the book value of right-of-use assets is reduced to zero. Lease liabilities are separately presented in the consolidated balance sheet.

Variable rentals of a lease agreement that do not depend on an index or a rate are recognized as expense in the period in which they occur.

(XVI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid in exchange for the services to be provided by the employees.

2. Post-employment benefit

The pension contributed under the Defined Contribution Pension Plan is recognized in expenses during the period when employees provide services.

Defined benefit costs (including service cost, net interest, and remeasurements) under the Defined Benefit Pension Plan are calculated actuarially using the projected unit credit method. Service costs and net interest on net defined benefit liabilities are recognized as employee benefit expenses when they are incurred. Remeasurements are recognized in other comprehensive income and presented in retained earnings when they occurred, and are not reclassified to profit or loss in subsequent periods.

Net defined benefit liabilities are the shortfall of contributions to the Defined Benefit Pension Plan. Net defined benefits shall not exceed the present value of refunds from the plan or reductions in future contributions to the plan.

(XVII) Income tax

Tax expenses are the total of current income tax and deferred income tax.

1. Current income tax

    The Group uses the laws and regulations promulgated by each tax jurisdiction to calculate taxable income (loss), thus income tax payable (recoverable) for the current period.

    The additional income tax on undistributed earnings that is calculated according to the Income Tax Act of the Republic of China is recognized in the year when the related resolution is made at the shareholders' meeting.

    The adjustments to the income tax payable in the previous year are recognized in the current income tax.

2. Deferred income tax

    Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities and the tax basis for calculation of taxable income.

    Deferred income tax liabilities are generally recognized based on all taxable temporary differences; deferred income tax assets are recognized when taxable income sufficiently enough to offset the deductible temporary differences is highly likely in the future.

    The book value of deferred income tax assets is reviewed at each balance sheet date. When any of the deferred income tax assets is not likely to have adequate taxable income necessary for the recovery of all or part of the assets anymore, the book value thereof is reduced. Those that are not originally recognized in deferred income tax assets are reviewed at each balance sheet date. When any of those is likely to generate taxable income necessary for the recovery of all or part of the assets in the future, the book value thereof is increased.

    Deferred income tax assets and liabilities are measured at the tax rate of the period in which the liabilities or assets are expected to be settled or realized. The tax rate is subject to the tax rate and tax law legislated or substantively legislated on the balance sheet date. The deferred income tax liabilities and assets are measured to reflect the tax consequences on the balance sheet date arising from the method that the Group expects to use to recover or settle the book value of the liabilities and assets.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in profit or loss; in other comprehensive income if they are initially designated to be recognized in other comprehensive income; or in equity if they are initially designated to be recognized directly in equity.

V. Significant Accounting Judgments, Assumptions, and Major Sources of Estimation Uncertainty

For adoption of the accounting policies, the Group, based on historical experience and other relevant factors, must make judgments, estimates, and assumptions related to the information that cannot be readily acquired from other sources. The actual results may differ from those estimates.

The management will continue to review estimates and fundamental assumptions. When the changes in the estimates only affect the current period, they are recognized in the period in which they are made; when the changes in the estimates affect the current and future periods at the same time, they are recognized in the period in which they are made and in future periods.

Assumptions, and Major Sources of Estimation Uncertainty

Deferred income tax

Since the taxable temporary difference related to the investment in overseas subsidiaries is unlikely to be realized in the foreseeable future, no deferred income tax liability is recognized. Income tax expenses will be recognized in the year overseas subsidiaries wire back their earnings. On December 31, 2022 and 2021, the tax effects arising from the Company’s not recognizing deferred income tax liabilities for the gains on investment in overseas subsidiaries were NT$331,159 thousand and NT$319,214 thousand, respectively.

VI. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and working capital	$ 1,783	$ 1,538
Bank check and demand deposit	1,304,539	988,184
Cash equivalents (investment whose initial maturity date will be due within 3 months)		
Time deposits in banks	106,131	218,945
Bonds with repurchase agreement	91,980	55,467
	$1,504,433	$1,264,134

VII. Financial instruments at fair value through profit or loss

	December 31, 2022	December 31, 2021
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss		
Fund beneficiary certificates	$ -	$ -
Financial investment with floating yields	-	260,533
	$ -	$260,533

VIII. Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Current		
TWSE-listed stocks	$384,288	$416,835
Non-current		
Domestic stock traded on the emerging stock market	$ 30,769	$ -
Domestic shares not traded on an exchange or OTC	29,456	67,975
Foreign shares not traded on an exchange or OTC	15,255	10,996
	$ 75,480	$ 78,971

Since the Group holds the said equity instrument investment not for trading or gaining profits in the short term, the Group elects to designate them to be measured at fair value through other comprehensive income.

IX. Notes receivable (including those due from related parties); accounts receivable (including those due from related parties); and other receivables

(I) Notes receivable and accounts receivable (including overdue receivables)

	December 31, 2022	December 31, 2021
Notes receivable (including those due from related parties)		
Measured at amortized cost		
Arising from operating activities	$ 678,970	$ 557,919
Less: loss allowance	7,934	5,264
	$ 671,036	$ 552,655
Accounts receivable (including those due from related parties)		
Measured at amortized cost		
Total book value	$2,056,378	$1,910,115
Less: loss allowance	63,740	70,820
	$1,992,638	$1,839,295
Overdue receivables		
Total book value	$ 13,228	$ 15,554
Less: loss allowance	13,228	15,554
	$ -	$ -

The credit period provided by the Group to customers averages about 90 days to 100 days; receivables do not accrue interest. To mitigate credit risk, the Group has a dedicated team be responsible for determining the credit limits, approving credit lending, and executing other monitoring procedures, so as to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of receivables on the balance sheet date so as to ensure that appropriate impairment loss has been recognized for uncollectible receivables.

The Group recognizes the allowance for receivables based on the lifetime ECL, which is calculated using the provision matrix, taking into account a customer's historical default record and current financial standing and the industrial and economic conditions. According to the Group's historical credit loss record, the loss patterns do not differ among different customer bases, so the provision matrix does not look into individual customer bases but instead estimates the ECL rate based on the number of days past due of receivables.

When there is any evidence showing that the trading counterparty is facing serious financial difficulties and the Group cannot estimate a reasonable recoverable amount, the Group transfers the receivables to overdue receivables while providing sufficient loss allowance. When it is sure that the receivables cannot be recovered, the Group directly writes off related receivables, but will continue recourse activities. Any recovered amount through the recourse activities is recognized in profit or loss.

The loss allowance the Group recognized for receivables based on the provision matrix is as follows:

December 31, 2022

	Not past due	1～90 days past due	91～270 days past due	271～630 days past due	More than 630 days past due	Individual identification	Total
ECL rate (%)	2	2	10	30	100	100	
Total book value	$ 2,479,111	$ 163,822	$ 37,028	$ 49,548	$ 16,530	$ 2,537	$ 2,748,576
Loss allowance	(43,991)	(3,276)	(3,703)	(14,865)	(16,530)	(2,537)	(84,902)
Amortized cost	$ 2,435,120	$ 160,546	$ 33,325	$ 34,683	$ -	$ -	$ 2,663,674

December 31, 2021

	Not past due	1～90 days past due	91～270 days past due	271～630 days past due	More than 630 days past due	Individual identification	Total
ECL rate (%)	2	2	10	30	100	100	
Total book value	$ 2,247,716	$ 131,673	$ 31,039	$ 37,666	$ 22,448	$ 13,046	$ 2,483,588
Loss allowance	(39,107)	(2,633)	(3,104)	(11,300)	(22,448)	(13,046)	(91,638)
Amortized cost	$ 2,208,609	$ 129,040	$ 27,935	$ 26,366	$ -	$ -	$ 2,391,950

Movements in the loss allowance for receivables are as follows:

	2022	2021
Balance - beginning of period	$ 91,638	$ 80,245
Provided in the current year	75	11,632
Written off in the current year	(7,774)	(24)
Recovery of doubtful accounts written off	20	-
Net exchange differences	943	(215)
Balance - end of year	$ 84,902	$ 91,638

(II) Other receivables

The Group recognizes the loss allowance for other receivables based on the lifetime ECL. As at December 31, 2022 and 2021, there were no overdue other receivables; accordingly, there was no balance of loss allowance based on our assessment.

X. Inventories

	December 31, 2022	December 31, 2021
Finished-goods	$ 755,145	$ 693,745
Products	23,024	18,989
Raw materials	$1,683,841	$1,724,883
Materials	17,418	16,614
Inventory in transit	90,382	48,500
	$2,569,810	$2,502,731

In 2022 and 2021, the cost of goods sold related to inventories was NT$7,041,601 thousand and NT$6,336,477 thousand, respectively, including inventory valuation gain of NT$28,668 thousand and inventory valuation loss of NT$14,600 thousand, respectively. Inventory reversal gains are primarily due to destocking of inventories.

XI. Other financial assets

	December 31, 2022	December 31, 2021
Current		
Time deposits whose original maturity date is more than three months apart	$ 3,373	$ 171,414
Non-current		
Time deposits pledged	$ 1,768	$ 8,585

For information on pledged financial assets, see Note 29.

XII. Subsidiary

Entities in the consolidated financial statements are as follows:

Name of investor	Name of subsidiary	Main business activities	Ownership interests and voting rights in percentage terms (%) December 31, 2022	Ownership interests and voting rights in percentage terms (%) December 31, 2021	Description
The Company	Bmass Investment Co., Ltd (Bmass)	Professional investment company	100	100	
	Cmass Investment Co., Ltd (Cmass)	Professional investment company	100	100	
	Emass Investment International Co., Ltd (Emass)	Professional investment company	100	100	
Bmass	YUNG CHI PAINT & VARNISH MFG. (Kunshan) Co., Ltd. (YUNG CHI Kunshan)	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	100	100	
	YUNG CHI PAINT & VARNISH MFG. (Jiaxing) CO., LTD. (YUNG CHI Jiaxing)	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	100	100	
Cmass	Dmass Investment International Co., Ltd (Dmass)	Professional investment company	100	100	
Emass	Yung Chi America Corp. (YUNG CHI USA)	Professional investment company	100	100	
Dmass	YUNG CHI PAINT & VARNISH MFG. (Vietnam) CO., LTD. (YUNG CHI Vietnam)	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	100	100	
	YUNG CHI PAINT & VARNISH MFG. (Malaysia) CO., LTD. (YUNG CHI Malaysia)	Manufacture and sale of paints	100	100	
YUNG CHI USA	Continental Coatings, Inc.	Sale and processing of paints	100	100	

XIII. Investments accounted for using equity method

	December 31, 2022	December 31, 2021
Individually insignificant associate	$ 35,844	$ 33,182

Summary information on individually insignificant associates

	2022	2021
The Group's share		
Net profit (loss) for the year	$ 806	($ 364)
Other comprehensive income	-	-
Total comprehensive income	$ 806	($ 364)

The Group's investments accounted for using the equity method as at December 31, 2022 and 2021 were recognized and disclosed based on the investees' financial statements for the same period that were not audited by CPAs. However, the Group's management does not think that using the said investees' financial statements not audited by CPAs will effect any material effects.

XIV. Property, plant and equipment

2022

Cost	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Other facilities	Unfinished construction and equipment pending acceptance	Total
Balance as of January 1, 2022	$ 1,053,251	$ 1,877,106	$ 1,049,054	$ 84,099	$ 233,086	$ 412,914	$ 4,709,510
Increase	-	356	123,058	8,920	27,547	50,587	210,468
Disposal	(10,473)	-	(8,527)	-	(5,627)	-	(24,627)
Reclassification	-	-	74	-	(74)	-	-
Net exchange differences	8,126	48,925	16,929	1,276	4,273	6,869	86,398
Balance as of December 31, 2022	$ 1,050,904	$ 1,926,387	$ 1,180,588	$ 94,295	$ 259,205	$ 470,370	$ 4,981,749

Accumulated depreciation	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Other facilities	Unfinished construction and equipment pending acceptance	Total
Balance as of January 1, 2022	$ -	$ 450,505	$ 795,296	$ 68,922	$ 174,652	$ -	$ 1,489,375
Depreciation	-	57,577	66,807	5,872	25,902	-	156,158
Disposal	-	-	(7,266)	-	(5,586)	-	(12,852)
Reclassification	-	-	74	-	(74)	-	-
Net exchange differences	-	7,701	13,126	1,074	2,748	-	24,649
Balance as of December 31, 2022	$ -	$ 515,783	$ 868,037	$ 75,868	$ 197,642	$ -	$ 1,657,330
Net amount on December 31, 2022	$ 1,050,904	$ 1,410,604	$ 312,551	$ 18,427	$ 61,563	$ 470,370	$ 3,324,419

2021

Cost	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Other facilities	Unfinished construction and equipment pending acceptance	Total
Balance as of January 1, 2021	$ 785,210	$ 1,153,276	$ 1,032,099	$ 82,975	$ 229,282	$ 654,362	$ 3,937,204
Increase	270,187	738,027	41,331	4,340	13,676	(236,881)	830,680
Disposal	-	-	(18,053)	(2,698)	(8,774)	-	(29,525)
Net exchange differences	(2,146)	(14,197)	(6,323)	(518)	(1,098)	(4,567)	(28,849)
Balance as of December 31, 2021	$ 1,053,251	$ 1,877,106	$ 1,049,054	$ 84,099	$ 233,086	$ 412,914	$ 4,709,510

Accumulated depreciation	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Other facilities	Unfinished construction and equipment pending acceptance	Total
Balance as of January 1, 2021	$ -	$ 406,030	$ 754,865	$ 66,444	$ 159,315	$ -	$ 1,386,654
Depreciation	-	46,690	62,904	5,569	24,655	-	139,818
Disposal	-	-	(18,023)	(2,657)	(8,688)	-	(29,368)
Reclassification	-	-	(41)	(17)	58	-	-
Net exchange differences	-	(2,215)	(4,409)	(417)	(688)	-	(7,729)
Balance as of December 31, 2021	$ -	$ 450,505	$ 795,296	$ 68,922	$ 174,652	$ -	$ 1,489,375
Net amount on December 31, 2021	$ 1,053,251	$ 1,426,601	$ 253,758	$ 15,177	$ 58,434	$ 412,914	$ 3,220,135

The Group's property, plant, and equipment were depreciated on a straight line basis over the following useful lives:

Buildings and structures	5~55 years
Machinery and equipment	2~25 years
Transportation equipment	5~40 years
Other facilities	3~40 years

For the amount of property, plant, and equipment pledged as borrowing collateral by the Group, see Note 29.

XV. Lease agreement

(I) Right-of-use assets

	December 31, 2022	December 31, 2021
Book value of right-of-use assets		
Land	$ 293,034	$ 294,041
Buildings	43,870	14,263
Transportation equipment	1,937	1,690
	$ 338,841	$ 309,994

	2022	2021
Increase in right-of-use assets	$ 48,353	$ 1,667

Depreciation expenses - Right-of-use assets		
Land	$ 7,308	$ 7,109
Buildings	19,121	7,132
Transportation equipment	1,126	1,012
	$ 27,555	$ 15,253

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	$ 18,176	$ 7,922
Non-current	$ 33,280	$ 8,230

The discount rates (%) for lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Buildings	2.625	2.625
Transportation equipment	2.625	2.625

(III) Material lease activities and terms

The Group leased land and buildings from others and used them as plants, operating premises, and shipping hubs, with a lease term of 3~50 years. The Group did not have an option to buy the land and buildings underlying the lease at the termination of the lease period.

The Group leased transportation equipment for use in business travel; the lease period was between 2 to 3 years. There was no contractual term which grants the Group the right to renew the lease or buy the underlying assets at the expiration of the lease term.

(IV) Other lease information

For the agreement under which the Group leases out investment property recognized as an operating lease, see Note 16.

	2022	2021
Short-term lease expense	$ 6,743	$ 6,747
Low-value asset lease expense	$ 725	$ 1,809
Total cash outflow from leases	$ 23,966	$ 17,009

For employee dormitory lease qualified as a short-term lease and the lease of office accessories like photocopiers that qualifies as a lease whose underlying assets are of low value, the Group applies the recognition exemption to them, and does not recognize any right-of-use assets or lease liability for them.

(XVI) Investment property

2022

	Land	Buildings and structures	Total
Cost			
Balance as of January 1, 2022 and December 31, 2022	$299,901	$ 84,640	$384,541
Accumulated depreciation and impairment			
Balance as of January 1, 2022	$137,822	$ 39,647	$177,469
Depreciation	-	1,688	1,688
Balance as of December 31, 2022	$137,822	$ 41,335	$179,157
Net amount on December 31, 2022	$162,079	$ 43,305	$205,384

2021

Cost	Land	Buildings and structures	Total
Balance as of January 1, 2021 and December 31, 2021	$299,901	$ 84,640	$384,541
Accumulated depreciation and impairment			
Balance as of January 1, 2021	$137,822	$ 37,960	$175,782
Depreciation	-	1,687	1,687
Balance as of December 31, 2021	$137,822	$ 39,647	$177,469
Net amount on December 31, 2021	$162,079	$ 44,993	$207,072

The lease term of an investment property lease is between 1 and 5 years; the lessee does not have the option to purchase the investment property at the termination of the lease term.

Total future lease payments to be generated from investment property recognized as an operating lease is as follows:

	December 31, 2022	December 31, 2021
Year 1	$ 3,903	$ 4,010
Year 2	205	1,662
Year 3	111	111
Year 4	-	111
	$ 4,219	$ 5,894

Buildings and structures recognized as investment property are depreciated on a straight line basis over their useful lives (15 to 50 years).

Their fair value stood at NT$637,281 thousand on both December 31, 2022 and December 31, 2021. The fair value of investment property is assessed by referencing independent property appraisers' appraisal arrived at by using Level 3 fair value inputs, and by referencing the value derived using direct capitalization method and the comparable method that looks into the transaction price of similar properties on the market. The significant unobservable input used, the capitalization rate of profits, was 1.50% in both years.

XVII. Short-term borrowings

	December 31, 2022	December 31, 2021
Secured loans		
Loan against L/C - settled before interest accrual	$ 1,078	$ 10,533

XVIII. Other accounts payable

	December 31, 2022	December 31, 2021
Salary and bonus payable	$161,371	$149,009
Financing facilities payable (Note 28)	100,000	200,000
Construction and equipment payable	48,052	66,244
Business tax payable	44,252	17,227
Advertising expenditure payable	22,782	67,718
Employee and director compensation payable	22,495	22,088
Others	145,778	129,823
	$544,730	$652,109

XIX. Provisions

	December 31, 2022	December 31, 2021
Non-current		
Construction warranty	$ 15,022	$ 29,266

The provisions for construction warranty are the present value of the management's best estimate of outflow of future economic benefits arising from the warranty obligations; such estimate is estimated based on historical warranty experience.

XX. Post-employment benefit plan

(I) Defined contribution plan

The pension system that is specified in the "Labor Pension Act" and adopted by the Company is the defined contribution pension plan managed by the government. A pension equal to 6% of employee's monthly wage shall be contributed to the personal labor pension account with the Bureau of Labor Insurance.

Subsidiaries within the boundary of China contribute a certain percentage of employees' salary, as required by local laws, to relevant government agencies to be deposited under an employee's dedicated account.

The scheme in which subsidiaries in other foreign countries make pension contributions as required by local laws is a defined pension contribution plan.

(II) Defined benefit plan

The pension system under our country's Labor Standards Act applicable to the Company is a defined benefit plan. Payment of employee pension is calculated based on an employee's service years and the average of their salaries over the 6 months before their approved retirement date. The Company appropriates a certain percentage of the total monthly wage of an employee as the pension and remits the amount to the Retirement Reserves Supervisory Committee, which will deposit the amount in a dedicated account under its name with the Bank of Taiwan. Before the end of each year, if the assessed balance in the account is inadequate to make a full payment of pensions to the employees who may meet the retirement conditions in the next year, the Company will make up the difference in one appropriation before the end of March in the following year. The account is managed by the Bureau of Labor Funds, Ministry of Labor, so the Company does not have the right to influence the investment management strategies.

The amounts of the defined benefit plan included in the consolidated balance sheet are listed as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$325,327	$330,740
Fair value of plan assets	(316,065)	(301,847)
Net defined benefit liabilities	$ 9,262	$ 28,893

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance as of January 1, 2022	$330,740	($301,847)	$ 28,893
Financial cost			
Current service cost	1,626	-	1,626
Interest expenses (income)	2,039	(1,908)	131
Recognized in profit or loss	3,665	(1,908)	1,757
Remeasurements			
Return on plan assets (excluding the amount included in net interest)	-	(23,905)	(23,905)
Actuarial loss - change in financial assumption	8,845	-	8,845
Actuarial loss - experience adjustment	$ 11,255	$ -	$ 11,255
Recognized in other comprehensive income	20,100	(23,905)	(3,805)
Contribution by employer	-	(17,583)	(17,583)
Payment of benefits	(29,178)	29,178	-
	(29,178)	11,595	(17,583)
December 31, 2022	$325,327	($316,065)	$ 9,262

Balance as of January 1, 2021	$381,693	($292,812)	$ 88,881
Financial cost			
Current service cost	2,435	-	2,435
Interest expenses (income)	1,120	(883)	237
Recognized in profit or loss	3,555	(883)	2,672
Remeasurements			
Return on plan assets (excluding the amount included in net interest)	-	(4,413)	(4,413)
Actuarial gain - change in financial assumption	(7,818)	-	(7,818)
Actuarial gain - change in demographic assumption	364	-	364
Actuarial gain - experience adjustment	(29,074)	-	(29,074)
Recognized in other comprehensive income	(36,528)	(4,413)	(40,941)
Contribution by employer	-	(21,719)	(21,719)
Payment of benefits	(17,980)	17,980	-
	(17,980)	(3,739)	(21,719)
December 31, 2021	$330,740	($301,847)	$ 28,893

The amount of defined benefit plan recognized in P/L is summarized by category as follows:

	2022	2021
Operating cost	$ 708	$ 1,074
Operating expenses	1,049	1,598
	$ 1,757	$ 2,672

The Company is exposed to the following risks due to the pension system under the "Labor Standards Act":

1. Investment risk

   The Bureau of Labor Funds, Ministry of Labor separately has invested the labor pension fund in domestic (foreign) equity and debt securities, and bank deposits. The investment is conducted at the discretion of the Bureau or under the mandated management. However, the profit generated from the Company's plan assets shall be no less than the profit that would have been yielded had the interest rate for 2-year time deposits with local banks were applied in calculation.

2. Interest rate risk

   A decrease in the interest rates of government bonds leads to an increase in the present value of the defined benefit obligation, and the return on debt investment of the plan assets will be increased accordingly. The effect of both on the net defined benefit liabilities may be partially offset against each other.

3. Salary risk

   Since the present value of defined benefit obligation is calculated based on future salary of plan participants, the present value of the defined benefit obligation would be increased by an increase in the plan participants' salary.

The Company's present value of the defined benefit obligation was calculated actuarially by a qualified actuary. The major assumptions on the date of measurement are as follows:

	December 31, 2022	December 31, 2021
Discount rate (%)	1.20	0.65
Rate of expected salary increase (%)	3.00	2.00

If there was any reasonably possible change to the major actuarial assumptions separately, the resulting increase (decrease) in the present value of the defined benefit obligation in the situation where all the other assumptions remained the same is as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	(\$ 5,115)	(\$ 5,458)
Decrease by 0.25%	\$ 5,257	\$ 5,615

Rate of expected salary increase		
Increase by 0.25%	$ 5,151	$ 5,526
Decrease by 0.25%	($ 5,039)	($ 5,399)

Since the actuarial assumptions might be correlated to each other and it is unlikely that a single assumption changes alone, the aforesaid sensitivity analysis might not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2022	December 31, 2021
Expected contribution within 1 year	$ 17,229	$ 17,633
Average maturity of defined benefit obligations	6 years	6 years

XXI. Equity

(I) Capital stock

	December 31, 2022	December 31, 2021
Authorized shares (in thousand shares)	180,000	180,000
Authorized capital	$1,800,000	$1,800,000
Number of issued shares fully paid (in thousand shares)	162,000	162,000
Issued capital	$1,620,000	$1,620,000

A share of issued common stock had a par value of NTD10 and was entitled to one voting right and dividends.

(II) Capital surplus

	December 31, 2022	December 31, 2021
Available for makeup of loss, distribution of cash dividends, or transfer into capital (Note)		
Additional paid-in capital	$106,385	$106,385

Only available for makeup of loss		
Asset disposal gain	2,612	2,612
Others	383	331
	$109,380	$109,328

Note: These capital reserves may be used to make up losses, to distribute cash dividends, or to be transferred into the capital if the Company is not in the red. However, the amount of the transfer into the capital shall be limited to a certain percentage of the paid-in capital in every year.

(III) Retained earnings and dividend policy

According to the dividend policy prescribed in the Company's Articles of Incorporation, in the event of surplus earnings after closing of annual accounts, due taxes shall be paid in accordance with the law, and losses incurred in previous years shall be compensated for. Upon completion of the preceding actions, 10% of the remainder surplus shall be allocated as legal reserves. The remainder may be set aside as special reserves, or the previous recognized special reserves may be reversed, in accordance with laws and regulations. If there is remainder surplus, the Board of Directors shall draft a surplus distribution proposal regarding the remainder of the surplus as well as accumulated undistributed surplus, and shall submit the distribution proposal to the Shareholders Meeting for approval.

Considering capital expenditure needs and a sound financial planning requisite for sustainable development, the Company shall distribute no less than 50% of the annual earnings as shareholder dividends in principle. The Company may distribute dividends in cash or in shares. Considering the Company's growth rate and capital expenditure status, the Company shall distribute earnings more in cash than in shares; the cash dividends distributed shall not be less than 60% of total dividends distributed in the given year.

Legal reserves may be used to make up for losses. Where the

Company does not sustain loss, the part of the legal reserves that exceeds the total paid-in capital by no greater than 25% may be appropriated as capital or distributed in cash.

The earnings distribution proposal for 2021 and 2020 that was approved at the General Shareholders Meeting in June 2022 and July 2021, respectively, and the dividends per share are as follows:

	Earnings Distribution Proposal		Dividend per share	
	2021	2020	2021	2020
Legal reserve	$ 91,492	$ 83,167		
Cash dividends	567,000	567,000	$ 3.5	$ 3.5

The earnings distribution proposal for 2022 drafted at the Board of Directors meeting in March 2023 is as follows:

	Earnings Distribution Proposal	Dividend per share
Legal reserve	$ 81,982	
Cash dividends	567,000	$ 3.5

The Earnings Distribution Proposal for 2022 is pending a resolution from the General Shareholders Meeting to be held in June 2023.

(IV) Special reserve

	2022	2021
Balance - beginning of period	$492,801	$492,801
Reversal of special reserves - Disposal of property, plant, and equipment	(2,302)	-
Balance - end of year	$490,499	$492,801

(V) Other equity

1. Exchange differences arising in the translation of foreign operations

	2022	2021
Balance - beginning of period	($417,790)	($364,926)

Exchange difference arising from translation of the net assets of foreign operations	141,265	(52,864)
Balance - end of year	($276,525)	($417,790)

2. Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income

	2022	2021
Balance - beginning of period	$118,060	($ 41,000)
Tax incurred in the year		
Equity instrument - unrealized gains or losses	(36,077)	159,060
Balance - end of year	$ 81,983	$118,060

XXII. Operating revenue

(I) Customer contract revenue breakdown

2022

	Paint Business Department	Coating Engineering Department	Total
Type of product or service			
Product sales revenue	$ 9,115,921	$ -	$ 9,115,921
Construction revenue	-	619,640	619,640
	$ 9,115,921	$ 619,640	$ 9,735,561
Primary regional markets			
Taiwan	$ 6,348,237	$ 619,640	$ 6,967,877
China	1,602,451	-	1,602,451
Others	1,165,233	-	1,165,233
	$ 9,115,921	$ 619,640	$ 9,735,561
Revenue recognition time point			
At a point in time	$ 9,115,921	$ -	$ 9,115,921
Fulfilled as time elapses	-	619,640	619,640
	$ 9,115,921	$ 619,640	$ 9,735,561

2021

	Paint Business Department	Coating Engineering Department	Total
Type of product or service			
Product sales revenue	$ 8,541,956	$ -	$ 8,541,956
Construction revenue	-	323,671	323,671
	$ 8,541,956	$ 323,671	$ 8,865,627
Primary regional markets			
Taiwan	$ 6,067,090	$ 323,671	$ 6,390,761
China	1,587,818	-	1,587,818
Others	887,048	-	887,048
	$ 8,541,956	$ 323,671	$ 8,865,627
Revenue recognition time point			
At a point in time	$ 8,541,956	$ -	$ 8,541,956
Fulfilled as time elapses	-	323,671	323,671
	$ 8,541,956	$ 323,671	$ 8,865,627

(II) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable and accounts receivable	$ 2,663,674	$ 2,391,950	$ 2,145,979
Contract assets			
Coating Engineering	$ 95,555	$ 115,979	$ 135,404
Contract liabilities			
Coating Engineering	$ 54,043	$ 21,380	$ 20,599
Product sales	1,243	2,008	4,162
	$ 55,286	$ 23,388	$ 24,761

Changes in contract assets and contract liabilities mainly come from the difference between the points in time when the Company fulfills obligations and when customers make payments.

(III) Customer contracts outstanding

As of December 31, 2022 and 2021, transaction price allocated to unfulfilled performance obligation was NT$466,970 thousand and

NT$723,098 thousand, respectively. The Company will recognized it as construction revenue when construction items are completed; such revenue is expected to be recognized in 1 to 2 years.

XXIII. Net profits before tax

(I) Income from interest

	2022	2021
Bank deposit	$ 7,452	$ 11,478
Others	636	786
	$ 8,088	$ 12,264

(II) Other income

	2022	2021
Lease income	$ 9,497	$ 9,094
Dividend income	19,650	17,246
Others	16,260	34,663
	$ 45,407	$ 61,003

(III) Other gains and losses

	2022	2021
Net foreign exchange gain (loss)	$ 72,258	($ 15,112)
Gain on disposal or property, plant and equipment	$ 39,465	$ 206
Gains on financial assets at fair value through profit or loss	13,618	11,207
Others	(6,253)	(6,985)
	$119,088	($ 10,684)

(IV) Financial cost

	2022	2021
Financial cost		
Interest on bank borrowings	$ -	$ 3
Interest on financing facilities	1,536	501
Interest on lease liabilities	1,453	492
	$2,989	$ 996

(V) Depreciation and amortization

	2022	2021
Property, plant and equipment	$156,158	$139,818
Right-of-use assets	27,555	15,253
Investment property	1,688	1,687
Intangible assets	$ 1,395	$ 1,262
Other current assets	21	245
	$186,817	$158,265
Summary of depreciation by function		
Operating cost	$ 65,929	$ 62,286
Operating expenses	117,784	92,785
Others	1,688	1,687
	$185,401	$156,758
Summary of amortization by function		
Operating cost	$ 5	$ 12
Operating expenses	1,411	1,495
	$ 1,416	$ 1,507

(VI) Employee benefit expenses

	2022	2021
Short-term employee benefits		
Salary	$797,361	$734,163
Labor insurance and health insurance	49,126	47,168
Others	45,948	42,544
	$892,435	$823,875
Post-employment benefit		
Defined contribution plan	25,999	23,006
Defined benefit plan	1,757	2,672

	27,756	25,678
	$920,191	$849,553

Summary by function		
Operating cost	$364,736	$338,205
Operating expenses	555,455	511,348
	$920,191	$849,553

(VII) Employee/director/supervisor compensation

According to its Articles of Incorporations, the Company shall take the pre-tax profits inclusive of employee and director compensation and director/supervisor compensation and allocate 1% ~ 5% of such profits as employee compensation and no greater than 0.5% as director/supervisor compensation. The Board of Directors meetings in March 2023 and 2022 resolved on the employee compensation and director/supervisor compensation estimated for 2022 and 2021, respectively - shown as follows:

	2022	2021
Employee remuneration	$ 19,392	$ 18,996
Director/supervisor compensation	3,103	3,092

Any amount that changes after the approval and publication date of the annual consolidated financial statements is accounted for as changes in accounting estimates, and will be adjusted and recognized in the following year.

The actually distributed amount of employee compensation and director/supervisor compensation for 2021 and 2020 is the same as the amount recognized in the consolidated financial statements for 2021 and 2020.

The information about compensation to employees and directors/supervisors determined by the Board of Directors may be viewed at TWSE's Market Observation Post System (MOPS).

XXIV. Income tax

(I) Income tax recognized in profit or loss

	2022	2021
Current income tax		
Tax incurred in the year	$200,357	$198,431
Additional levy on undistributed earnings	10,821	7,575
Adjustments for the previous year	(7,046)	(26,640)
Deferred income tax		
Tax incurred in the year	(17,949)	2,772
Adjustments for the previous year	39,219	(239)
	$225,402	$181,899

Reconciliation of accounting income and income tax is as follows:

	2022	2021
Net profits before tax	$ 1,039,876	$ 1,064,066
Income tax expense derived from applying the pre-tax profit to the statutory tax rate	$ 211,602	$ 211,973
Permanent differences	(16,539)	763
Deductible temporary differences not approved	($ 36)	$ 1,037
Land value increment tax	1,581	-
Additional levy on undistributed earnings	10,821	7,575

Investment tax credits generated in the current year	(14,200)	(12,570)
Adjustments for the previous year	32,173	(26,879)
	$ 225,402	$ 181,899

The profit-seeking enterprise income tax applicable to the Company is 20% and the applicable tax rate on the Company's unappropriated earnings is 5%. The tax incurred by subsidiaries is calculated based on the applicable tax rate in the country where they operate.

(II) Income tax expense recognized in OCI

	2022	2021
Generated in current year - defined benefit plan remeasurements	$ 761	$ 8,188

(III) Current income tax liabilities

	December 31, 2022	December 31, 2021
Current income tax liabilities		
Income tax payable	$116,190	$111,922

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

	Balance - beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Balance - end of year
Deferred income tax assets				
Temporary differences				
Defined benefit pension plan	$ 5,779	($ 3,166)	($ 761)	$ 1,852
Unrealized loss on inventory devaluation	22,040	(3,957)	-	18,083

Unrealized impairment loss	11,870	-	-	11,870
Deferred tax credit for construction structure cost	5,806	(209)	-	5,597
Unrealized allowance	7,618	(2,159)	-	5,459
Unrealized damages	508	-	-	508
Others	7,983	(304)	-	7,679
	$ 61,604	($ 9,795)	($ 761)	$ 51,048
Deferred income tax liabilities				
Temporary differences				
Land value increment tax	$ 83,601	($ 823)	$ -	$ 82,778
Overseas investment gain	32,702	12,298	-	45,000
	$116,303	$ 11,475	$ -	$127,778

2021

	Balance - beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Balance - end of year
Deferred income tax assets				
Temporary differences				
Defined benefit pension plan	$ 17,776	($ 3,809)	($ 8,188)	$ 5,779
Unrealized loss on inventory devaluation	19,964	2,076	-	22,040
Unrealized impairment loss	11,870	-	-	11,870
Deferred tax credit for construction structure cost	6,015	(209)	-	5,806
Unrealized allowance	6,550	1,068	-	7,618
Unrealized damages	508	-	-	508
Others	9,642	(1,659)	-	7,983
	$ 72,325	($ 2,533)	($ 8,188)	$ 61,604

Deferred income tax liabilities				
Temporary differences				
Land value increment tax	$ 83,601	$ -	$ -	$ 83,601
Overseas investment gain	32,702	-	-	32,702
	$116,303	$ -	$ -	$116,303

(V) Deductible temporary difference for which no deferred income tax asset is not recognized on the consolidated balance sheet.

	December 31, 2022	December 31, 2021
Deductible temporary difference - asset impairment loss	$ 71,330	$ 75,667

(VI) Total amount of temporary difference which is related to investment and for which no deferred income tax liability is recognized

As of December 31, 2022 and 2021, taxable temporary difference which is related to investment in subsidiaries or associates and for which no deferred tax liability is recognized was NT$1,655,793 thousand and NT$1,596,071 thousand, respectively.

(VII) Authorization of income tax

The Company's profit-seeking enterprise income tax returns have been approved by competent tax authorities through 2019; subsidiaries have paid their income tax through 2021 in full to competent local tax authorities.

XXV. Earnings per share

The earnings and the weighted average number of common shares used for calculating earnings per share are as follows:

Net profit in the current year

	2022	2021
Net profit attributable to owners of the Company	$814,474	$882,167

Shares

Unit: 1,000 shares

	2022	2021
Weighted average number of common shares used for calculating basic earnings per share	162,000	162,000
Plus: Potential common shares that are dilutive - employee compensation	328	313
Weighted average number of shares used for calculating diluted earnings per share	162,328	162,313

Where the Company may elect to distribute employee remuneration in shares or in cash, when calculating the diluted EPS, the Company assumes that all employee remuneration is distributed in shares and counts the potentially dilutive common shares - when deemed dilutive - in the weighted average number of shares outstanding. The Group continues to consider the dilutive effect of such potentially delusive common shares when calculating the dilutive EPS before the number of share dividends is to be resolved on in the following year.

XXVI. Capital risk management

Capital management by the Group is to optimize debt and equity balance to effectively use capital and ensure smooth operations of each entity. The overall strategy of the Group doesn't change. Since the Group's capital structure is composed of net liability and equity, it does not have to comply with other external capital requirement.

XXVII. Financial instruments

(I) Fair value information－financial instruments not measured at fair value

The book value of the Group's financial instruments not measured at fair value, e.g., cash and cash equivalents, receivables, and payables, is a reasonable approximation of fair value.

(II) Fair value information－financial instruments measured at fair value on a recurring basis

1. Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Financial assets at fair value through other comprehensive income				
TWSE-listed stocks	$384,288	$ -	$ -	$384,288
Domestic stock traded on the emerging stock market	30,769	-	-	30,769
Domestic shares not traded on an exchange or OTC	-	-	29,456	29,456
Foreign shares not traded on an exchange or OTC	-	-	15,255	15,255
	$415,057	$ -	$ 44,711	$459,768
December 31, 2021				
Financial assets at fair value through profit or loss				
Financial investment with floating yields	$ -	$ -	$260,533	$260,533
Financial assets at fair value through other comprehensive income				
TWSE-listed stocks	$416,835	$ -	$ -	$416,835

Domestic shares not traded on an exchange or OTC	-	-	67,975	67,975
Foreign shares not traded on an exchange or OTC	-	-	10,996	10,996
	$416,835	$ -	$ 78,971	$495,806

There was no transfer between Level 1 and Level 2 fair value measurement in 2022 and 2021.

2. Reconciliation of the financial assets measured at Level 3 fair value

	Financial assets at fair value through profit or loss	
	2022	2021
Balance - beginning of period	$ 260,533	$ 424,125
Purchase	1,732,783	1,183,037
Disposal	(2,013,364)	(1,355,571)
Recognized in profit or loss	13,473	10,501
Net exchange differences	6,575	(1,559)
Balance - end of year	$ -	$ 260,533

	Financial assets at fair value through other comprehensive income	
	2022	2021
Balance - beginning of period	$ 78,971	$ 39,871
Addition	-	42,000
Transfer from Level 3	(30,769)	-
Recognized in other comprehensive income	(3,530)	(2,890)
Net exchange differences	39	(10)
Balance - end of year	$ 44,711	$ 78,971

3. Level 3 fair value valuation techniques and inputs

The fair value of investment products are estimated by referencing the contract's expected earnings yield; the fair value of unlisted shares are estimated based on the company's net worth.

(III) Type of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at fair value through profit or loss	$ -	$ 260,533
Financial assets at fair value through other comprehensive income - Equity instrument investment	459,768	495,806
Financial assets at amortized cost (Note 1)	4,217,204	3,893,279
Financial liabilities		
Measured at amortized cost (Note 2)	1,468,344	1,692,200

Note 1: The balance includes financial assets measured at amortized cost, e.g., cash and cash equivalents, other financial assets, notes receivable (including those due from related parties), accounts receivable (including those due from related parties), other receivables, and guarantee deposit paid.

Note 2: The balance included the financial liabilities measured at amortized cost such as short-term borrowings, notes payable, accounts payable, other payables, refund liabilities, and guarantee deposits received.

(IV) Financial risk management purpose and policy

The Group's financial risk management objectives are to manage the market risk, credit risk, and liquidity risk arising from operations. We also identify, measure, and manage the said risks according to our policy and risk preference, and seek to reduce the potentially adverse impact on the Group's financial position and financial performance.

The Group has put the said financial risk management policy in writing based on applicable regulations. Risk management work is carried out through close collaboration between the Group's business units and financial department, which are responsible for identifying, assessing, and avoiding financial risks and implementing the policy approved by the Board of Directors.

1. Market risk

(1) Exchange rate risk

The Group is exposed to the risk of exchange rate changes because it participates in purchase or sale transactions denominated in a currency other than its functional currency.

For the book value of the Group's monetary financial assets and monetary financial liabilities denominated in a currency other than the functional currency on the balance sheet date, refer to Note 31.

The Group is affected primarily by fluctuation in the exchange rate of USD. Below is a sensitivity analysis of the scenarios in which the exchange rate of each functional currency against each relevant foreign currency increases or decrease by 1%. The 1% represents the Group's assessment of a reasonable range of exchange rate change.

The sensitivity analysis includes only the foreign currency monetary items still outstanding on the balance sheet date. Scenario 1 as described in the following table represents the Group's profit or loss had each functional currency appreciated by 1% against USD. Scenario 2 as described in the following table represents the Group's profit or loss had each functional currency depreciated by 1% against the USD.

	Effect of USD currency (Note)	
	2022	2021
Scenario 1 - Pre-tax profit or loss	($ 3,630)	($ 6,148)
Scenario 2 - Pre-tax profit or loss	3,630	6,148

Note: Mainly comes from cash and cash equivalents, receivables, other receivables, other financial assets, short-term borrowings, and payables which were still outstanding on the balance sheet date and for which no cash flow hedge is purchased.

(2) Interest rate risk

The Group's interest rate risk mainly comes from bank deposits and repo bonds, by which the interest income generated would be impacted if interest rate changes. The Group does not expect to be significantly impacted by interest rate change.

(3) Other price risk

The Group is exposed to the risk of equity price change because it invests in domestic and foreign listed and unlisted shares, and floating-rate investment products.

If equity price goes down/up 1%, the pre-tax profit for 2021 will go down/up NT$2,605 thousand due to changes in the fair value of financial assets at fair value through profit or loss, and other comprehensive income for 2022 and 2021 will go down/up NT$4,598 thousand and NT$4,958 thousand, respectively, due to changes in the fair value of financial assets measured at fair value through other comprehensive income.

2. Credit risk

Credit risk refers to the risk of financial loss from the failure of customers or financial instrument counterparties to fulfill their obligations, and mainly comes from the Group's bank deposits, other financial instruments, and the receivables due from customers that are generated from operations,

Operations manage customer credit risk based on the Group's customer credit risk management policy, procedures, and control. Such assessment accounts for the customer's financial condition, past transaction record, current economic environment, and the Group's internal credit rating. In addition, where appropriate, the Group uses some credit enhancement (e.g., trade advance, asset as collateral, etc.) to reduce the credit risk from certain customers.

The Group was not exposed to significant credit risk from a single customer, except those stated below. The balance of customer receivables indicative of a credit concentration risk is as follows:

Customer name	December 31, 2022	December 31, 2021
Yieh Phui Group	$407,662	$387,585

The financial department manages the credit risk accompanying bank deposits and other financial instruments according to the Group's policy. The Group's counterparties are all creditable banks, posing insignificant concern over default.

3. Liquidity risk

The Group's financial department monitors the forecast of the Group's liquidity needs to ensure that sufficient fund is available to meet operational needs, and maintains an amount of committed loan that is sufficient and left intact, at all times. As of December 31, 2022 and 2021, the amount of the Group's committed loans which have yet to be drawn on was NT$1,470,878 thousand and NT$1,237,769 thousand, respectively.

The remaining contractual maturity analysis for non-derivative financial liabilities was compiled based on the undiscounted cash flows from financial liabilities (including principal and estimated interest) on the earliest date on which the Group will be demanded to pay. Therefore, the bank loans which the Group is able to pay in full immediately if so demanded are listed in the earliest interval in the following table, without factoring in the chance of banks' immediate execution of the right. The maturity analysis for other non-derivative financial liabilities was compiled based on the repayment date specified on the ontract.

	Within 1 year	1~5 years	More than 5 years	Total
December 31, 2022				
Non-derivative financial liabilities				
Non interest bearing debt	$1,357,465	$ 9,340	$ -	$1,366,805
Floating rate liability	1,078	-	-	1,078
Fixed rate liability	100,461	-	-	100,461
Lease liabilities	21,935	35,430	-	57,365
	$1,480,939	$ 44,770	$ -	$1,525,709
December 31, 2021				
Non-derivative financial liabilities				
Non interest bearing debt	$1,472,665	$ 8,501	$ -	$1,481,166
Floating rate liability	10,533	-	-	10,533
Fixed rate liability	200,501	-	-	200,501
Lease liabilities	8,202	8,307	-	16,509
	$1,691,901	$ 16,808	$ -	$1,708,709

XXVIII. Related Party Transactions

Name of related party	Relationship with the Company
Sheng Yu Steel Co., Ltd.	The Company assumes the key management role in other company.
Yong Ying Investment Co., Ltd.	Substantive related party
Jieyou Industrial Co., Ltd.	Substantive related party
Sanxiangmin Co., Ltd.	Substantive related party
JAUH - HSING ENTERPRISE CO., LTD.	Substantive related party
Yung Yu Paint Shop	Substantive related party
YUNG FEW PAINT CO., LTD.	Substantive related party
PPG Yung Chi Coating Co., Ltd.	Associate
TLT Engineering Sdn Bhd	Associate
Chang Te-Hsiung	Member of the Company's key management
Chang Te-Jen	Member of the Company's key management
Chang Te-Sheng	Member of the Company's key management
Chang Te-Hsien	Member of the Company's key management

Transactions between the Group and related parties are as follows:

(I) Operating revenue

General ledger account	Type of related party	2022	2021
Goods sales revenue	The Company assumes the key management role in other company	$410,842	$518,497
	Substantive related party	140,368	128,541
		$551,210	$647,038

Terms for sale to related parties are the same as those for an arm's length transaction.

(II) Receivables due from related parties

General ledger account	Type of related party	December 31, 2022	December 31, 2021
Notes and Accounts receivables	The Company assumes the key management role in other company	$ 77,899	$150,338
	Substantive related party	81,185	68,147
		$159,084	$218,485
Other receivables	Substantive related party	$ 116	$ 132

(III) Payables due to related parties (excluding financing facilities)

General ledger account	Type of related party	December 31, 2022	December 31, 2021
Other payables	Substantive related party	$1,103	$ 2,984

The outstanding balance of the payables due to related parties was not secured against collateral.

(IV) Joint suretyship:

Joint surety for short-term borrowings as of December 31, 2022 and 2021 was provided by the key management.

(V) Other related party transactions

1. Financing facility

   In September 2022 and October 2021, the Company took out an unsecured financing facility from a substantive related party; the annual interest rate thereof was 1.40% and 0.995%, respectively, which was calculated based on the interest rate of the financing facilities taken out by the Company from financial institutions. As of December 31, 2022 and 2021, financing facility payable and interest payable (presented under other payables) were NT$100,000 thousand and NT$461 thousand, and NT$200,000 thousand and NT$501 thousand, respectively. The interest expense recognized for 2022 and 2021 was NT$1,488 thousand and NT$501 thousand, respectively.

2. Lease agreements

   The Company leased operational premises and shipping hubs from substantive related parties and members of the Company's key management. The lease term was 3 years and the rental, which was negotiated upon by referencing the rental charged in nearby areas, did not differ significantly from general lease terms and conditions. Lease liabilities recognized by the Company for said leases amounted to NT$7,318 thousand and NT$14,448 thousand as of December 31, 2022 and 2021, respectively.

3. Lease agreements

   Subsidiaries leased warehouses and plants to associates under an operating lease; the lease term was three years and three months, and the rental was agreed upon by referencing the rentals charged in nearby areas. There were no similar transactions with other related parties for comparison. Lease income recognized in 2022 and 2021 was NT$4,122 thousand and NT$3,891 thousand, respectively.

4. Commissioned processing fee

The Group's fire resistance coating materials are processed by a substantive related party on a commission basis. The said expenses for 2022 and 2021 amounted to NT$21,454 thousand and NT$19,629 thousand, respectively. There was no transaction between the Company and other related parties which is similar enough for comparison.

(VI) Remuneration to key management

	2022	2021
Short-term employee benefits	$ 27,207	$ 26,319
Post-employment benefit	686	665
	$ 27,893	$ 26,984

XXIX. Pledged and Mortgaged Assets

The following assets were provided as collateral for short-term borrowings or guarantee for construction warranty or L/C issuance:

	December 31, 2022	December 31, 2021
Property, plant and equipment - net	$363,074	$364,912
Other financial assets - time deposit	1,768	8,585
	$364,842	$373,497

XXX. Material contingent liabilities and unrecognized contractual commitments

As of December 31, 2022, the Group had the following material commitments yet to be fulfilled:

(I) The L/Cs issued for purchase of materials but not used amounted to about NT$24,998 thousand.

(II) The guarantee letter issued by financial institutions for performance of construction contractual obligations amounted to about NT$42,623 thousand.

(III) The unfulfilled obligations under construction contracts undertaken amounted to about NT$466,970 thousand.

(IV) A portion, about NT$45,984 thousand, of the price of executed contracts to purchase or build property, plant, and equipment has yet to be recognized.

XXXI. Information on foreign currency assets and liabilities with significant effects

The information below is an aggregate amount by foreign currency that is not a functional currency of entities of the Group. The exchange rate disclosed is the exchange rate used to convert the foreign currency into a functional currency. Information on foreign currency assets and liabilities with significant effects is as follows:

Unit: In thousand foreign currency; exchange rate: dollars

	Foreign currency	Exchange rate		Book value
December 31, 2022				
Foreign currency assets				
Monetary items				
USD	$ 13,230	30.66	(USD:TWD)	$ 405,624
CNY	15,212	4.383	(CNY:TWD)	66,674
Foreign currency liabilities				
Monetary items				
USD	1,019	30.76	(USD:TWD)	31,348
December 31, 2021				
Foreign currency assets				
Monetary items				
USD	16,704	27.63	(USD:TWD)	461,529
USD	4,085	6.3757	(USD:CNY)	112,879
USD	5,126	22,680	(USD:VND)	141,637
CNY	13,645	4.319	(CNY:TWD)	58,931
Foreign currency liabilities				
Monetary items				
USD	2,297	27.73	(USD:TWD)	63,706

The Group's net foreign currency exchange gain and loss (including realized and unrealized loss) for 2022 and 2021 totaled NT$72,258 thousand in gains and NT$15,112 thousand in losses, respectively.

XXXII. Supplementary Disclosures

(I) Significant Transactions and (II) Information on Investees

1. Loaning of funds to others: None. Appendix Table 1
2. Making endorsements/guarantees for others: Appendix Table 2.
3. Marketable securities held at the end of year (excluding investment in subsidiaries and associates): Appendix Table 3
4. Accumulated purchase or sale of the same marketable securities reaching NT$300 million or 20% of paid-in capital or more: Appendix Table 4.
5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
7. Purchase or sale of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Appendix Table 5.
8. Receivables due from related parties reaching NT$100 million or 20% of paid-in capital or more: Appendix Table 6.
9. Engagement in derivatives trading: None.
10. Others: The business relationship and major transactions between the parent company and its subsidiaries and among subsidiaries and the amounts thereof: Appendix Table 7.
11. Information on investees: Appendix Table 8.

(III) Information on Investments in Mainland China

1. Name of investees in China; major business activities; paid-in capital; investment method; inward and outward remittance; shareholding percentage; investment gains or losses; book value of investments at the end of year; investment gain (loss) remitted back; and limit on the amount of investment in China: Appendix Table 9.

2. Major transactions made with China investees through a third region, either directly or indirectly, and the price, payment terms, and unrealized gains or losses thereof:

(1) Purchase amount and the percentage thereof, and balance of related payables and the percentage thereof at the end of year

The purchase amount made by the Company from the subsidiary YUNG CHI Kunshan in 2022 was as follows:

	Purchase amount	Payables at the end of year
YUNG CHI Kunshan	$ 95,789	$ 1,955

The price of goods purchased by the Company from YUNG CHI Kunshan is formulated by referencing the market price; the average credit period is about three months after acceptance of goods or receipt of required payment requisition documents. Such amount was written off during the preparation of the consolidated financial statements.

(2) Sales amount and the percentage thereof, and balance of related receivables and the percentage thereof at the end of year

The amount of sales made by the Company to the subsidiary YUNG CHI Kunshan in 2022 was as follows:

	Sales amount	Accounts receivable at the end of year
YUNG CHI Kunshan	$138,705	$ 30,870

The price of goods sold by the Company to YUNG CHI Kunshan is set by using the cost-plus pricing approach; the average credit period is about 90 days to 100 days. The unrealized sales gain of NT$2,061 thousand arising from the Company's sale of goods to YUNG CHI Kunshan as of

December 31, 2022 was already written off when compiling the consolidated financial statements.

(3) Asset transaction price and the amount of gain or loss arising therefrom: None.

(4) The balance and purpose of endorsements and guarantees made for notes, or collateral provided, at the end of the year: None.

(5) Financing facilities in terms of maximum balance, year-end balance, interest interval, and total interest in the same year: None.

(6) Transactions significantly affected the profit or loss or financial position in the current year

The Company's 2022 purchase of materials on behalf of YUNG CHI Kunshan is as follows; such amount was written off during the preparation of the consolidated financial statements:

	Transaction content	Transaction price	Other receivables at the end of year
YUNG CHI Kunshan	Purchase of material on behalf of another party	$ 93,145	$ 12,832

(IV) Major shareholders: Name of major shareholders with a 5% or more stake in the Company, and the number and percentage of shares the person holds: Appendix Table 10.

XXXIII. Segment Information

Information provided for the operating decision makers to allocate resources and evaluate segment performance focuses on the type of products or services delivered or provided. The reportable segments of the Group are as follows:

. Paint Business Department — mainly engaged in the manufacture and sale of various paint products.

. Coating Engineering Department— engaged in the business of painting projects and structural coating or restoration.

(I) Segment revenue and operating outcome

The revenue and operational outcome of the Group are analyzed by reportable segment as follows:

2022	Paint Business Department	Coating Engineering	Reconciliation and write-off	Consolidation
Revenue from external customers	$ 9,115,921	$ 619,640	$ -	$ 9,735,561
Inter-segment revenue	714,815	-	(714,815)	-
Segment revenue	$ 9,830,736	$ 619,640	($ 714,815)	$ 9,735,561
Segment gross profit	$ 2,074,320	$ 82,986		$ 2,157,306
Operating expenses				(1,287,830)
Income from interests				8,088
Other income				45,407
Other gains and losses				119,088
Financial cost				(2,989)
Share of profit or loss of associates accounted for using equity method				806
Net profits before tax				$ 1,039,876

2021	Paint Business Department	Coating Engineering	Reconciliation and write-off	Consolidation
Revenue from external customers	$ 8,541,956	$ 323,671	$ -	$ 8,865,627
Inter-segment revenue	461,966	-	(461,966)	-
Segment revenue	$ 9,003,922	$ 323,671	($ 461,966)	$ 8,865,627
Segment gross profit	$ 2,205,479	$ 32,553		$ 2,238,032
Operating expenses				(1,235,189)
Income from interests				12,264
Other income				61,003
Other gains and losses				(10,684)
Financial cost				(996)
Share of profit or loss of associates accounted for using equity method				(364)
Net profits before tax				$ 1,064,066

Segment profit means the profit earned by each segment. Such measurements serve as a basis for main operational decision makers to allocate resources to segments and evaluate their performance.

(II) Geographic information

Below is the information about the Group's revenue from external customers by operation base and the Group's non-current assets by the region where the asset is in:

	Revenue from external customers		Non-current assets	
	2022	2021	2022 December 31	2021 December 31
Taiwan	$ 6,967,877	$ 6,390,761	$ 1,770,058	$ 1,784,628
China	1,602,451	1,587,818	1,578,506	1,492,153
Others	1,165,233	887,048	552,447	497,378
	$ 9,735,561	$ 8,865,627	$ 3,901,011	$ 3,774,159

Non-current assets do not include financial instruments, investments accounted for using equity method, and deferred income tax assets.

(III) Information on major customers

	2022		2021	
	Amount	Ratio to operating revenue (%)	Amount	Ratio to operating revenue (%)
Group A	$909,969	9	$979,452	11

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Loans to others

January 1 through December 31, 2022

Appendix Table 1 Unit: NT$1,000

No.	Lending company	Borrowing company	Financial account	Whether a related party or not	Maximum balance during the period	Balance, end of period	Drawdown	Interest rate range (%)	Nature of loaning of funds	Business transaction amount	Reasons for the need of short-term financing	Appropriated provisions	Collateral		Limit of loans to a single borrower (Note 1)	Limit of total loaning of funds (Note 1)	Remarks
													Name	Value			
1	YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	YUNG CHI PAINT & VARNISH MFG. (Jiaxing) CO., LTD.	Other receivables	Yes	$ 179,831	$ 179,831	$ -	4.35	Short-term financing fund	$ -	Working capital	$ -	None	$ -	$ 558,275	$ 558,275	Note2

Note 1: According to the “Regulations Governing Loaning of Funds” of YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD., the amount of intra-group loaning of funds made by an individual group entity or all group entities must not exceed 100% of the Company’s paid-in capital.

Note 2: Written off during compiling the consolidated financial statements.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Making endorsements/guarantees for others

January 1 through December 31, 2022

Appendix Table 2

Unit: NT$1,000

No.	Endorser/guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship (Note 1)	Limit on endorsement/ guarantees provided for a single party (Note 2)	Maximum balance for the year	Ending balance	Drawdown	Amount of endorsement/ guarantees collateralized with properties	Ratio of accumulated endorsement/ guarantee to net equity per latest financial statement (%)	Highest limit (Note 2)	Guarantee provided by parent company to subsidiary	Guarantee provided by subsidiary to a parent company	Guarantee provided to entities in Mainland China	Remarks
0	The Company	REULE ENTERPRISE CO., LTD.	1	$324,000	$ 10,774	$ 10,774	$ -	$ -	0.11	$648,000	N	N	N	
0	The Company	Twinahead International Material Co., Ltd.	1	324,000	76,932	33,290	-	-	0.35	648,000	N	N	N	
0	The Company	Yongzhen Industrial Co., Ltd.	1	324,000	26,496	-	-	-	-	648,000	N	N	N	
0	The Company	Superkuma International Co., Ltd.	1	324,000	126,000	126,000	-	-	1.32	648,000	N	N	N	
0	The Company	Jusheng Co., Ltd.	1	324,000	82,248	31,835	-	-	0.33	648,000	N	N	N	
0	The Company	Chief-Go Co., Ltd.	1	324,000	99,786	99,786	-	-	1.04	648,000	N	N	N	
0	The Company	Quan Shao Industrial Co., Ltd.	1	324,000	24,302	24,302	-	-	0.25	648,000	N	N	N	
0	The Company	Quan Cheng Industrial Co., Ltd.	1	324,000	7,560	7,560	-	-	0.08	648,000	N	N	N	
0	The Company	Quan Young Engineering Co., Ltd.	1	324,000	6,326	6,326	-	-	0.07	648,000	N	N	N	

Note 1: Companies with which the Company transacts.

Note 2: This is in accordance with the Company's Regulations for Making of Endorsements and Guarantees, which cap the Company's provision of endorsement and guarantee at 40% of the Company's paid-in capital, and which also cap the Company's provision of endorsement and guarantee for a single enterprise at 20% of the Company's paid-in capital.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Marketable Securities Held at the End of Period

December 31, 2022.

Appendix Table 3

Unit: NT$ thousand, unless otherwise stated

Investor	Type and name of marketable securities	Relationship with the securities issuer	General ledger account	End of year				Remarks
				Shares/units	Book value	Shareholding Percentage (%)	Fair value	
The Company	Common shares							
	Sheng Yu Steel Co., Ltd.	The Company assumes the key management role in other company.	Financial assets at fair value through other comprehensive income - current	3,668,477	$ 89,878	1.14	$ 89,878	
	China Steel Structure Co., Ltd.		Financial assets at fair value through other comprehensive income - current	4,990,000	294,410	2.50	294,410	
					$384,288		$384,288	
	Common shares							
	CANDO		Financial assets at fair value through other comprehensive income - non-current	3,520,359	$ -	0.90	$ -	Note1
	Hua Nan Investment Co., Ltd.		Financial assets at fair value through other comprehensive income - non-current	85,887	-	15.85	-	Note2
	JONG SHYN SHIPBUILDING CO., LTD.		Financial assets at fair value through other comprehensive income - non-current	346,500	30,769	0.48	30,769	
	STEEL UNION International Investment and Development Co., Ltd.		Financial assets at fair value through other comprehensive income - non-current	1,000,000	15,105	2.04	15,105	
	SHIN CHOU ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - non-current	2,850,000	18,615	15.00	18,615	

	ASIA HEPATO GENE CO.		Financial assets at fair value through other comprehensive income - non-current	333,250	2,242	3.84	2,242	
	RISING CHEMICAL CO., LTD.		Financial assets at fair value through other comprehensive income - non-current	1,080,000	8,599	5.14	8,599	
					$ 75,330		$ 75,330	
Dmass Investment International Co., Ltd	Common shares							
	SELATAN COATING & INSULATION SDN.BHD		Financial assets at fair value through other comprehensive income - non-current	50,000	$ 150	10.00	$ 150	

Note 1: Declared bankrupted by the bank.

Note 2: Suspended operations.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Accumulated purchase or sale of the same marketable securities reaching NT$300 million or 20% of paid-in capital or more

January 1 through December 31, 2022

Appendix Table 4

Unit: NT$ thousand, unless otherwise stated

Buyer or seller	Securities type	Securities name	General ledger account	Transaction counterparty	Relationship	Beginning of year		Purchase (Note)		Sale				End of year	
						Shares	Amount	Shares	Amount	Shares	Selling price	book value	Disposal gain (loss)	Shares	Amount
YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	Financial investment with floating yields	Kunshan Rural Commercial Bank	Financial assets at fair value through profit or loss - Current	Not a related party	None	-	$ 260,533	-	$ 1,739,358	-	$ 2,013,364	$ 1,999,891	$ 13,473	-	$ -

Note: Purchase amount this year, including considerations and valuation gain or loss.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Purchase or sale of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

January 1 through December 31, 2022

Appendix Table 5

Unit: NT$ thousand, unless otherwise stated

Purchase from (sale to)	Transaction counterparty	Relationship	Transaction details				Occurrence of transaction terms other than those for an arms-length transaction and reasons therefor		Notes/Accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Ratio to total purchase (sales) (%)	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivable (payable)	
The Company	Sheng Yu Steel Co., Ltd.	The Company assumes the key management role in other company.	Sales	$410,842	4.22	The credit periods average 90 days to 100 days.	$ -	-	$ 77,899	2.92	-
	Continental Coatings, Inc.	Subsidiary	Sales	387,389	3.98	The credit periods average 90 days to 100 days.	-	-	185,951	6.98	Note
	YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	Subsidiary	Sales	138,705	1.42	The credit periods average 90 days to 100 days.	-	-	30,870	1.16	Note
	YUNG FEW PAINT CO., LTD.	Substantive related party	Sales	139,315	1.43	The credit periods average 90 days to 180 days.	-	-	81,047	3.04	-

Note: Written off during compiling the consolidated financial statements.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Receivables due from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2022

Appendix Table 6

Unit: NT$ thousand, unless otherwise stated

Company from which receivables are due	Transaction counterparty	Relationship	Balance of receivables due from related parties	Turnover rate	Overdue receivables due from related parties		Receivables due from related party that were recovered after the reporting period	Appropriated allowance for bad debt
					Amount	Handling method		
The Company	Continental Coatings, Inc.	Subsidiary	$ 186,055 (Notes 1 and 2)	3.16	$ -	-	$ 41,145	$ -

Note 1: Including accounts receivable of NT$185,951 thousand and other receivables of NT$104 thousand. The turnover rate is not applicable to other receivables, which were excluded from calculation.

Note 2: Written off during compiling the consolidated financial statements.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

The business relationship and major transactions between the parent company and its subsidiaries

January 1 through December 31, 2022

Appendix Table 7

Unit: NT$ thousand, unless otherwise stated

No.	Company name	Counterparty	Relationship with the company	Transaction details			
				General ledger account	Amount	Transaction terms	Ratio to consolidated total operating revenues or total assets (%)
0	The Company	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Kunshan)	Parent company to subsidiary	Sales	$ 138,705	The credit periods average 90 days to 100 days.	1.42
0	The Company	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Kunshan)	Parent company to subsidiary	Accounts receivable	30,870	The credit periods average 90 days to 100 days.	0.27
0	The Company	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Kunshan)	Parent company to subsidiary	Other receivables	12,832	The credit periods average 90 days to 100 days.	0.11
0	The Company	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Kunshan)	Parent company to subsidiary	Purchase	95,789	The credit periods average 60 days to 90 days.	0.98
0	The Company	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Vietnam)	Parent company to subsidiary	Sales	57,186	The credit periods average 90 days to 100 days.	0.59
0	The Company	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Vietnam)	Parent company to subsidiary	Accounts receivable	9,700	The credit periods average 90 days to 100 days.	0.08
0	The Company	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Malaysia)	Parent company to subsidiary	Sales	11,466	The credit periods average 90 days to 100 days.	0.12
0	The Company	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Malaysia)	Parent company to subsidiary	Accounts receivable	5,646	The credit periods average 90 days to 100 days.	0.05
0	The Company	Continental Coatings, Inc.	Parent company to subsidiary	Sales	387,389	The credit periods average 90 days to 100 days.	3.98
0	The Company	Continental Coatings, Inc.	Parent company to subsidiary	Accounts receivable	185,951	The credit periods average 90 days to 100 days.	1.63

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Information on investees

January 1 through December 31, 2022

Appendix Table 8

Unit: NT$ thousand, unless otherwise stated

Name of investor	Investee	Region	Main business line	Original investment amount		Shares held at the period-end			Net profit (loss) of investee in the year	Investment gains (losses) recognized in the year	Remarks
				End of year	End of the previous year	Shares	Percentage (%)	Book value			
The Company	Bmass Investment Co., Ltd	British Virgin Islands	Professional investment company	652,182	652,182	16,714,658	94	2,782,350	121,852	114,626	Subsidiary (Note)
The Company	Cmass Investment Co., Ltd	Samoa	Professional investment company	755,921	755,921	23,800,000	100	780,876	16,361	16,361	Subsidiary (Note)
The Company	Emass Investment International Co., Ltd	Samoa	Professional investment company	858,390	858,390	22,020,000	100	588,014	5,006	5,006	Subsidiary (Note)
The Company	PPG Yung Chi Coatings Co., Ltd	Vietnam	Paint and pigments manufacture	30,797	30,797	-	35	26,843	4,183	1,464	Associate
Cmass Investment Co., Ltd	Dmass Investment International Co., Ltd	Samoa	Professional investment company	755,921	755,921	23,800,000	100	781,632	16,361	16,361	Subsidiary (Note)
Emass Investment International Co., Ltd	Yung Chi America Corp	USA	Professional investment company	858,390	858,390	2,202,000	100	610,623	5,006	5,006	Subsidiary (Note)
Yung Chi America Corp	Continental Coatings, Inc.	USA	Sale and processing of paints	507,554	507,554	10,736,000	100	298,494	11,319	11,319	Subsidiary (Note)
Dmass Investment International Co., Ltd	Bmass Investment Co., Ltd	British Virgin Islands	Professional investment company	138,420	138,420	1,053,408	6	175,524	121,852	7,226	Subsidiary (Note)
Dmass Investment International Co., Ltd	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Vietnam)	Vietnam	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	488,081	488,081	-	100	398,948	30,133	30,133	Subsidiary (Note)
Dmass Investment International Co., Ltd	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Malaysia)	Malaysia	Manufacture and sale of paints	383,127	367,682	44,552,170	100	191,420	(20,998)	(20,998)	Subsidiary (Note)
YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Malaysia)	TLT Engineering Sdn Bhd	Malaysia	Thermal insulation and painting projects	16,011	16,011	1,960,000	49	9,001	(1,343)	(658)	Associate

Note: Written off during compiling the consolidated financial statements.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Information on Investments in Mainland China

January 1 through December 31, 2022

Appendix Table 9

Unit: NT$ thousand, unless otherwise stated

Investee in Mainland China	Main business line	Paid-in Capital	Method of investment	Accumulated amount of investments from Taiwan at the beginning of current year	Amount of investments remitted or recovered in current year		Accumulated amount of investments from Taiwan at the end of current year	Profit (loss) of investee in the current year (Note 1)	The Company's shareholding of direct or indirect investment	Investment gains of losses recognized in the year (losses)	Investment book value at the end of the year	Profit received from investments as of the end of current year	Remarks
					Outflow	Inflow							
YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Kunshan)	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	$ 493,722	Investment in China through a company in a third region	$ 483,140	$ -	$ -	$ 483,140	$ 175,263	100.00	$ 175,263	$ 1,527,296	$ 1,164,396	Note5
YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Jiaxing)	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	1,517,013	Investment in China through a company in a third region	158,460	-	-	158,460	(53,435)	100.00	(53,435)	1,429,100	-	Note5

Name of investor	Accumulated amount of investments from Taiwan to Mainland China at the end of current period (Note 2)	Investment amount approved by the Investment Review Committee, MOEA (Note 3)	Limit on the Company's investment in China (Note 4)
The Company	$ 652,182	$ 1,134,420	$ 5,743,919

Note 1: The investment gain or loss is recognized based on the Taiwan parent's financial statements audited and attested by CPAs.

Note 2: The accumulated investment amount remitted from Taiwan to Bmass at the end of this year was US$20,132 thousand, but the amount actually invested in YUNG CHI Kunshan and YUNG CHI Jiaxing by Bmass was US$14,687 thousand and US$ 5,132 thousand, respectively.

Note 3: This is the amount converted using the exchange rates at the end of December 2022.

Note 4: Calculated by the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" promulgated by the Investment Review Committee on August 29, 2008: Net worth $9,573,199×60%＝$5,743,919

Note 5: Written off during compiling the consolidated financial statements.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Information on Major Shareholders

December 31, 2022

Appendix Table 10

Name of major shareholder	shares	
	Number of shares held (shares)	Shareholding percentage
Yong Ying Investment Co., Ltd.	36,698,653	22.65%
Chang Te-Hsiung	12,248,846	7.56%
CTBC Bank as the custodian of the dedicated investment account of MasterLink Securities (Hong Kong)	12,167,000	7.51%
Chang Te-Jen	11,529,971	7.11%
Chang Te-Sheng	10,365,996	6.39%
Huang Hsiang-Hui	9,336,101	5.76%

Attachment 2
Parent company only financial statements for the most recent fiscal year audited and certified by certified public accountants

Stock Code:1726

YUNG CHI PAINT & VARNISH MFG. CO., LTD

PARENT COMPANY ONLY
FINANCIAL STATEMENTS WITH REPORT OF INDEPENDENT AUDITORS
FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021

Address: No. 26, Yanhai 3rd Rd., Xiaogang Dist.,Kaohsiung City

Tel: (07)871-3181

§Table of Contents§

Independent Auditors' Report

To YUNG CHI PAINT & VARNISH MFG. CO., LTD:

Audit opinion

We have audited the parent company only balance sheet of YUNG CHI PAINT & VARNISH MFG. CO., LTD (YUNG CHI) as of December 31, 2022 and 2021, and the parent company only statement of comprehensive income, parent company only statement of changes in equity, and parent company only statement of cash flows for the period from January 1 through December 31, 2022 and 2021, and the notes to the parent company only financial statements (including the summary of significant accounting policies).

In our opinion, the parent company only financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus presented fairly, in all material aspects, the financial position of YUNG CHI as of December 31, 2022 and 2021, and its parent company only financial performance and cash flows for the period from January 1 through December 31, 2022 and 2021.

Basis for Opinions

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements section of our report. We were independent of YUNG CHI in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China and fulfilled all other responsibilities thereunder. 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 that, in our professional judgment, were of utmost significance in our audit of the parent company only financial statements of YUNG CHI for the year ended December 31, 2022. These matters were addressed in the context of our audit of the standalone financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these issues.

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

<u>Revenue recognition</u>

YUNG CHI mainly engages in manufacture and sale of paints and coating materials and the undertaking of painting projects, of which the manufacture and sale of paints and coating materials accounts for more than 90% of annual sales. Since revenue recognition is something whose default setting carries significant risks, and which fluctuates along with market demand changes and is of concern to users of the financial statements, we have identified the revenue from specific customers and the sale of specific paints and coating materials as the key audit matter. For the accounting policy regarding sales revenue, see Note 4 of this parent company only financial statements.

We also performed the following key audit procedures:

I. Understood and tested the design of the internal control over the sales cycle, as well as the effectiveness of implementation thereof.

II. Checked relevant documents to see whether the control over products has indeed transferred and performance obligations fulfilled; tested the collection cycle to see whether revenues have indeed occurred.

III. Examined significant sales return after the reporting date to verify the authenticity of sales revenue recognized before the balance sheet date.

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

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

In preparing the parent company only financial statements, management is responsible for assessing the ability of YUNG CHI 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 YUNG CHI or to cease operations or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 auditing standards will always detect a material misstatement when it exists in these parent company only financial statements. Misstatements can arise from fraud or error. They 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 standalone financial statements.

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also conduct the following tasks:

I. Identify and assess the risks of material misstatement of the standalone 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.

II. 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 internal control of YUNG CHI.

III. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

IV. 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 ability of YUNG CHI to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause YUNG CHI to cease to continue as a going concern.

V. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures and whether or not the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

VI. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities of YUNG CHI to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit of YUNG CHI. 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 parent company only financial statements of YUNG CHI for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte & Touche Taiwan

CPA: Kuo Li-Yuan	CPA: Hsu Jui-Hsuan
Approval No. from the Securities and Futures Commission	Approval No. from the Financial Supervisory Commission
Tai-Tsai-Cheng-Liu-Zi No. 0920123784	Jin-Guan-Zheng-Shen-Zi #1020025513

March 16, 2023

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Balance Sheet

As of December 31, 2022 and 2021

Unit: NT$1,000

Code	Assets	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current Assets				
1100	Cash and cash equivalents (Note 6)	$ 626,989	6	$ 579,720	5
1120	Financial assets at fair value through other comprehensive income (Notes 4 and 7)	384,288	3	416,835	4
1140	Contract assets (Note 20)	95,555	1	115,979	1
1150	Notes receivable, net (Note 8)	330,705	3	208,447	2
1160	Notes receivable - related parties (Notes 8 and 26)	58,079	-	43,760	-
1170	Accounts receivable, net (Note 8)	1,394,160	13	1,230,819	11
1180	Accounts receivable - related parties (Notes 8 and 26)	333,172	3	279,533	3
1200	Other receivables (Note 8)	20,899	-	35,790	1
1210	Other receivables - related parties (Notes 8 and 26)	27,577	-	42,821	-
130X	Inventories (Notes 4, and 9)	1,651,842	15	1,800,429	16
1476	Other financial assets (Note 10)	-	-	166,208	2
1479	Other current assets	58,280	1	41,724	-
11XX	Total Current Assets	4,981,546	45	4,962,065	45
	Non-current assets				
1517	Financial assets at fair value through other comprehensive income (Notes 4 and 7)	75,330	1	78,824	1
1550	Investments accounted for using equity method (Notes 4 and 11)	4,178,083	38	4,056,872	37
1600	Property, plant, and equipment (Notes 4, 12, and 27)	1,523,788	14	1,525,242	14
1755	Right-of-use assets (Notes 4 and 13)	9,068	-	15,953	-
1760	Investment property (Notes 4 and 14)	205,384	2	207,072	2
1780	Intangible assets (Note 4)	4,614	-	4,132	-
1840	Deferred income tax assets (Note 22)	51,048	-	61,604	1
1915	Equipment prepayments	27,204	-	32,229	-
1920	Guarantee deposits paid	17,904	-	17,473	-
1980	Other financial assets (Notes 10 and 27)	1,768	-	1,769	-
15XX	Total Non-current Assets	6,094,191	55	6,001,170	55
1XXX	Total Assets	$ 11,075,737	100	$ 10,963,235	100

Code	Liabilities and Stockholders' Equity	December 31, 2022 Amount	%	December 31, 2021 Amount	%
	Current liabilities				
2100	Short-term borrowings (Notes 15, 26, and 27)	$ -	-	$ 10,533	-
2130	Contract liabilities (Note 20)	54,260	1	22,033	-
2150	Notes payable	23,597	-	26,528	-
2170	Accounts payable (Note 26)	701,490	6	813,969	7
2200	Other payables (Notes 16 and 26)	412,712	4	532,415	5
2230	Current income tax liabilities (Note 22)	110,492	1	100,541	1
2280	Lease liability (Notes 4, 13, and 26)	8,346	-	7,922	-
2365	Refund liabilities	32,260	-	41,535	1
2399	Other current liabilities	688	-	1,979	-
21XX	Total Current Liabilities	1,343,845	12	1,557,455	14
	Non-current liabilities				
2550	Provisions (Notes 4 and 17)	15,022	-	29,266	1
2570	Deferred income tax liabilities (Notes 5 and 22)	127,778	1	116,303	1
2580	Lease liability (Notes 4, 13, and 26)	935	-	8,230	-
2640	Net defined benefit liability (Notes 4 and 18)	9,262	-	28,893	-
2645	Guarantee deposit received	5,696	-	5,647	-
25XX	Total Non-current Liabilities	158,693	1	188,339	2
2XXX	Total liabilities	1,502,538	13	1,745,794	16
	Equity (Note 19)				
3110	Capital stock	1,620,000	15	1,620,000	15
3200	Capital surplus	109,380	1	109,328	1
	Retained earnings				
3310	Legal reserve	1,917,371	17	1,825,879	17
3320	Special reserve	490,499	5	492,801	4
3350	Unappropriated earnings	5,630,491	51	5,469,163	50
3300	Total retained earnings	8,038,361	73	7,787,843	71
3400	Other equity	(194,542)	(2)	(299,730)	(3)
3XXX	Total stockholders' equity	9,573,199	87	9,217,441	84
3X2X	Total Liabilities and Equity	$ 11,075,737	100	$ 10,963,235	100

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

Chairperson: Chang Te-Jen　　Manager: Chen Hung-Wei　　Accounting Manager: Chen Hsi-Hui

YUNG CHI PAINT & VARNISH MFG. CO., LTD
Statement of Comprehensive Income
January 1 through December 31, 2022 and 2021
Unit: NT$1,000, except earnings per share

		2022		2021	
Code		Amount	%	Amount	%
	Operating revenue (Notes 4, 20, and 26)				
4100	Goods sales revenue	$ 7,065,652	92	$ 6,546,198	95
4520	Construction revenue	619,640	8	323,671	5
4000	Total operating revenue	7,685,292	100	6,869,869	100
	Operating cost (Notes 9, 21, and 26)				
5110	Sales cost	5,499,851	72	4,838,814	71
5520	Construction cost	536,654	7	291,118	4
5000	Total operating cost	6,036,505	79	5,129,932	75
5900	Operating gross profit	1,648,787	21	1,739,937	25
5910	Realized(Unrealized) gain on sales	(19,625)	-	1,670	-
5950	Gross profit	1,629,162	21	1,741,607	25
	Operating expenses (Notes 8, 21, and 26)				
6100	Marketing expenses	501,204	6	512,755	7
6200	General and administrative expenses	188,347	2	178,876	3
6300	R&D expense	213,290	3	225,436	3
6450	Loss (Reversal gain) on expected credit impairment	(7,130)	-	7,486	-
6000	Total operating expenses	895,711	11	924,553	13
6900	Operating Income	733,451	10	817,054	12
	Non-operating income and expenses (Notes 21 and 26)				
7100	Income from interests	2,237	-	1,590	-
7010	Other income	34,561	1	53,259	-
7020	Other gains and losses	102,295	1	(13,984)	-
7050	Financial cost	(1,780)	-	(993)	-
7070	Share of profit or loss of associates and subsidiaries accounted for using the equity method (Note 11)	137,457	2	168,908	3
7000	Total non-operating income and expenses	274,770	4	208,780	3
7900	Net profits before tax	1,008,221	14	1,025,834	15
7950	Income tax expenses (Notes 4 and 22)	193,747	3	143,667	2
8200	Net profit in the current year	814,474	11	882,167	13
	Other comprehensive income (Notes 18, 19, and 22)				
8310	Items that will not be reclassified to profit or loss				
8311	Re-measurement of defined benefit plans	3,805	-	40,941	-
8316	Unrealized valuation gains or losses on investment in equity instruments at fair value through other comprehensive income	(36,041)	-	159,544	2
8330	Share of other comprehensive income of associates and subsidiaries accounted for using equity method	(36)	-	(484)	-

8349	Income tax expenses related to items that will not be reclassified	(761)	-	(8,188)	-
8360	Items that will be reclassified to profit or loss				
8361	Exchange differences arising in the translation of foreign operations	141,265	1	(52,864)	-
8300	Other comprehensive income (net after tax) for the year	108,232	1	138,949	2
8500	Total comprehensive income for the year	$ 922,706	12	$ 1,021,116	15
	Earnings per share (Note 23)				
9710	Basic	$ 5.03		$ 5.45	
9810	Diluted	$ 5.02		$ 5.44	

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

Chairperson: Chang Te-Jen Manager: Chen Hung-Wei Accounting Manager: Chen Hsi-Hui

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Statement of Changes in Equity

January 1 through December 31, 2022 and 2021

Unit: NT$1,000

				Retained earnings				Other equity			
Code		Capital stock	Capital reserves	Legal reserve	Special reserves	Undistributed earnings	Total	Exchange differences arising in the translation of foreign operations	Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income	Total	Total stockholders' equity
A1	Balance as of January 1, 2021	$1,620,000	$ 109,193	$1,742,712	$ 492,801	$5,204,410	$7,439,923	($ 364,926)	($ 41,000)	($ 405,926)	$8,763,190
	Earnings allocation and distribution for 2020 (Note 19)										
B1	Legal reserve	-	-	83,167	-	(83,167)	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(567,000)	(567,000)	-	-	-	(567,000)
C3	Amount from donation	-	135	-	-	-	-	-	-	-	135
D1	Net profit for 2021	-	-	-	-	882,167	882,167	-	-	-	882,167
D3	Other comprehensive income (loss) after tax for 2021	-	-	-	-	32,753	32,753	(52,864)	159,060	106,196	138,949
D5	Total comprehensive income for 2021	-	-	-	-	914,920	914,920	(52,864)	159,060	106,196	1,021,116
Z1	Balance as of December 31, 2021	1,620,000	109,328	1,825,879	492,801	5,469,163	7,787,843	(417,790)	118,060	(299,730)	9,217,441
	Earnings allocation and distribution for 2021 (Note 19)										
B1	Legal reserve	-	-	91,492	-	(91,492)	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(567,000)	(567,000)	-	-	-	(567,000)
B17	Reversal of special reserves	-	-	-	(2,302)	2,302	-	-	-	-	-
C3	Amount from donation	-	52	-	-	-	-	-	-	-	52
D1	Net profit for 2022	-	-	-	-	814,474	814,474	-	-	-	814,474
D3	Other comprehensive income (loss) after tax for 2022	-	-	-	-	3,044	3,044	141,265	(36,077)	105,188	108,232
D5	Total comprehensive income for 2022	-	-	-	-	817,518	817,518	141,265	(36,077)	105,188	922,706
Z1	Balance as of December 31, 2022	$1,620,000	$ 109,380	$1,917,371	$ 490,499	$5,630,491	$8,038,361	($ 276,525)	$ 81,983	($ 194,542)	$9,573,199

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

Chairperson: Chang Te-Jen Manager: Chen Hung-Wei Accounting Manager: Chen Hsi-Hui

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Statement of Cash Flows

January 1 through December 31, 2022 and 2021

Unit: NT$1,000

Code		2022	2021
	Cash flow from operating activities		
A10000	Pre-tax profit for the year	$1,008,221	$1,025,834
A20010	Income expenses		
A20100	Depreciation	85,962	87,042
A20200	Amortization	1,242	1,123
A20300	Loss (Reversal gain) on expected credit impairment	(7,130)	7,486
A20400	Gains on financial assets at fair value through profit or loss	(145)	(706)
A20900	Financial cost	1,780	993
A21200	Income from interests	(2,237)	(1,590)
A21300	Dividend income	(19,650)	(17,246)
A22400	Share of profit or loss of associates and subsidiaries accounted for using equity method	(137,457)	(168,908)
A22500	Gain on disposal or property, plant, and equipment	(39,464)	(233)
A23800	Loss (reversal gains) on inventory devaluation	(19,785)	10,381
A24000	Unrealized (realized) gain on sales	19,625	(1,670)
A29900	Provisions reversed	(14,191)	(12,200)
A30000	Net changes in operating assets and liabilities		
A31125	Contract assets	20,424	19,425
A31130	Notes receivable	(124,753)	56,451
A31140	Notes receivable - related parties	(14,611)	(44,538)
A31150	Accounts receivable	(154,928)	(196,302)
A31160	Accounts receivable - related parties	(52,135)	(28,084)
A31180	Other receivables	14,784	(1,099)
A31190	Other accounts receivable -- related parties	15,244	(6,798)
A31200	Inventories	168,372	(547,871)
A31240	Other current assets	(16,556)	(16,260)
A32125	Contract liabilities	32,227	(1,561)
A32130	Notes payable	(2,931)	3,060

A32150	Accounts payable	(112,479)	318,948
A32180	Other accounts payable	(9,243)	41,623
A32200	Provisions	(53)	-
A32230	Other current liabilities	(1,291)	640
A32240	Net defined benefit liabilities	(15,826)	(19,047)
A32990	Refund liabilities	(9,275)	1,417
A33000	Cash flow from operating activities	$ 613,741	$ 510,310
A33100	Interest received	2,344	1,736
A33200	Dividends received	19,650	17,246
A33300	Interest paid	(1,820)	(492)
A33500	Income taxes paid	(162,526)	(175,839)
AAAA	Net cash generated by operating activities	471,389	352,961
	Cash Flow from Investing Activities		
B00010	Acquisition of financial assets at fair value through other comprehensive income	-	(42,000)
B00100	Acquisition of financial assets at fair value through profit or loss	(100,000)	(543,156)
B00200	Disposal of financial assets at fair value through profit or loss	100,145	887,608
B02700	Acquisition of property, plant and equipment	(90,507)	(327,877)
B02800	Proceeds from disposal or property, plant and equipment	50,014	343
B03700	Increase in guarantee deposit paid	(431)	(694)
B04500	Acquisition of intangible assets	(1,724)	(224)
B06600	Decrease in other financial assets	166,209	175,321
B07600	Dividends from subsidiaries	137,850	-
BBBB	Net cash derived from investing activities	261,556	149,321
	Cash Flow from Financing Activities		
C00100	Increase (Decrease) in short-term borrowings	(10,533)	7,531
C03100	Increase in guarantee deposit received	49	811
C03700	Decrease (increase) in other payables	(100,000)	200,000
C04020	Repayment of principal of lease liabilities	(8,244)	(7,961)
C04500	Cash dividends paid	(567,000)	(567,000)
C09900	Refund of shareholder unclaimed dividends	52	135
CCCC	Net cash used in financing activities	(685,676)	(366,484)

EEEE	Increase in cash and cash equivalents	47,269	135,798
E00100	Cash and cash equivalents - beginning of year	579,720	443,922
E00200	Cash and cash equivalents - end of year	$ 626,989	$ 579,720

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

Chairperson: Chang Te-Jen Manager: Chen Hung-Wei Accounting Manager: Chen Hsi-Hui

YUNG CHI PAINT & VARNISH MFG. CO., LTD
Notes to the Parent Company Only Financial Statements
January 1 through December 31, 2022 and 2021
(All amounts are in NT$ thousand unless otherwise specified)

I. Company History

Founded in May 1957 in Kaohsiung, YUNG CHI PAINT & VARNISH MFG. CO., LTD (the "Company" hereinafter) is mainly engaged in the manufacture and sale of paints and coatings and the undertaking of painting projects.

The Company's shares began trading on Taiwan Stock Exchange in September 2000.

The individual financial statements are stated in the functional currency of the Company, which is New Taiwan Dollars.

2. Date and procedures of approval of the financial statements

The parent company only financial statements were approved at the Board meeting on March 16, 2023.

III. Application of New Standards, Amendments, and Interpretations

(I) First application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations (IFRIC), and SIC interpretations (SIC) (hereinafter collectively referred to as "IFRSs") approved and promulgated by the Financial Supervisory Commission (hereinafter referred to as "FSC")

The application of the amended IFRSs approved and promulgated by the Financial Supervisory Commission won't cause any significant changes to the accounting policy of the Company.

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

Application of New Standards, Amendments, and Interpretations	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)

Application of New Standards, Amendments, and Interpretations	Effective Date Announced by IASB
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 shall apply to the annual reporting period beginning on or after January 1, 2023.

Note 2: The amendments shall apply to the changes to the accounting estimates or policies occurring during the annual reporting period beginning on or after January 1, 2023.

Note 3: This amendment requires entities to recognize a deferred tax liability for the temporary difference associated with lease and decommissioning obligations that arise on January 1, 2022 and is applicable to all transactions occurred after such date.

As of the date when the parent company only financial statements were approved by the Board of Directors, the Company assessed the said amended standards and interpretations and found them to have no significant effects on the Company's financial position and financial performance.

(III) IFRSs issued by the IASB but not yet approved and promulgated by the FSC

Application of New Standards, Amendments, and Interpretations	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
Amendments to IFRS 16, Lease Liability in a Sale and Leaseback	January 1, 2024 (Note 2)
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17, "Initial Application of IFRS 17 and IFRS 9—Comparative Information"	January 1, 2023
Amendments to IAS 1, "Classification of Liabilities as Current or Non-current"	January 1, 2024
Amendments to IAS 1, Non-current	January 1, 2024

Liabilities with Covenants

Note 1: Unless otherwise specified, the above-mentioned new/ amended/ revised standards or interpretations shall become effective in the annual reporting periods beginning on or after each effective date.

Note 2: A seller-lessee is required to apply the amendments to IFRS 16 to any leaseback transactions arising after the date of initial application of IFRS 16.

Up to the date on which the parent company only financial statements were approved by the Board of Directors, the Company assessed the effects of the said amendments to other standards and interpretations on the financial position and performance on a continuous basis. The relevant effects will be disclosed after the assessment.

IV. Summary of significant accounting policies

(I) Compliance statement

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

(II) Basis of preparation

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

Fair value measurements are classified into Level 1, 2, and 3 based on the degree to which an input is observable and the significance of the input:

1. Level 1 inputs: The quoted price in an active market for identical assets or liabilities that is accessible on the measurement date (before adjustment).

2. Level 2 inputs: Other than quoted prices included in Level 1, the inputs that are observable for assets or liabilities directly (i.e. the price) or indirectly (i.e. inferred from the price).
3. Level 3 inputs: The inputs that are not observable for assets or liabilities.

When preparing the individual financial statements, the Group accounted for subsidiaries and associates using the equity method. To align the profit or loss, other comprehensive income, and equity in the parent company only financial statements with those attributable to owners of the Company stated in the consolidated financial statements, any differences resulting from the difference between parent company only basis and consolidated basis are adjusted through “Investment accounted for using equity method”, “Share of profit or loss of associates, subsidiaries, and joint ventures accounted for using the equity method”, “Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using equity method”, and other related equity items.

(III) Criteria for classification of assets and liabilities as current or non-current

Current assets include:

1. Assets that are held mainly for trading purposes;
2. assets expected to be realized within 12 months after the balance sheet date; and
3. cash or cash equivalents (excluding those that are restricted for being used for exchange or settlement of liabilities within 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities that are held mainly for trading purposes;
2. liabilities that will be settled within 12 months after the balance sheet date; and
3. liabilities whose due date cannot be unconditionally extended to

more than 12 months after the balance sheet date.

Assets or liabilities that are not the above-mentioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

(IV) Foreign currency

When preparing the parent company only financial statements, the Company translated the transactions denominated in currencies other than its functional currency (i.e., foreign currencies) into its functional currency by applying the exchange rate prevailing on the transaction date.

Monetary items in foreign currencies are translated at the closing exchange rate on each balance sheet date. Exchange differences arising from settlement or translation of the monetary items are recognized in the profit or loss of the period.

Non-monetary items in foreign currencies measured at fair value are translated at the exchange rate prevailing on the date the fair value was determined. The exchange differences resulting therefrom are recognized in profit or loss of the period, or in other comprehensive income when changes in fair value of such items were designated to be recognized in other comprehensive income.

Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate on the date of transaction and are not retranslated.

During preparation of the parent company only financial statements, the assets and liabilities of the Company's foreign operations (including the subsidiaries or associates of which the countries they operate or the currencies they use are different from those of the Company) are translated into NTD at the exchange rate prevailing on each balance sheet date. The income and expense items are translated at the average exchange rate of the period, and the exchange differences resulting therefrom are recognized in other comprehensive income.

(V) Inventories

Inventories include raw materials, materials, finished goods, and products. Inventories are measured at the lower of cost and net realizable value. Cost and net realizable values are compared on an item by item basis, except inventories of the same category. Net realizable value refers to the estimated selling price in a normal situation less the estimated cost needed to complete the sale. The weighted average method is used to calculate the inventory cost.

(VI) Investment in subsidiary

The Company accounted for investment in subsidiaries using the equity method.

Subsidiaries are entities controlled by the Company.

Under the equity method, the investment is initially recognized at its costs and the amount of increase or decrease in the carrying amount of such investment after the date of acquisition depends on profits distributed and the Company's shares of profit/loss and other comprehensive income in the subsidiaries. In addition, changes in subsidiaries' other equity attributable to the Company are recognized according to the shareholding percentage.

If a change in the Company's equity interest in a subsidiary does not result in lose of control, such change is accounted for as an equity transaction. The differences between the book value and the received or paid consideration are recognized directly in equity.

When the Company's share of losses in the associate is equal to or exceed its equity in the subsidiary (including the carrying amount of investment in the subsidiary under the equity method and other long-term equities that in nature are part of the net investment portfolio made by the Company in the subsidiary concerned) , the Company will continue to recognize further losses in proportion to its shareholding percentage.

When losing control over a subsidiary, the Company measures its residual investment in that subsidiary at fair value on the date of loss of control. The difference between the fair value and any disposal consideration of the residual investment and the carrying amount of the investment on the date of loss of control is recognized in profit or loss of the current period. In addition, the amounts in relation to the subsidiary that are recognized in other comprehensive income are accounted for on the same basis as if related assets or liabilities were disposed of by the Company.

Unrealized gains and losses on downstream transactions between the Company and subsidiaries were written off during the preparation of the parent company only financial statements. The gain or loss generated from upstream transactions between the Company and a subsidiary is recognized in the parent company only financial statements only when such gain or loss is irrelevant to the Company's equity in the subsidiary.

(VII) Investment in associates

An associate refers to a company over which the Company has a significant influence and which is not a subsidiary or joint venture.

The Company accounts for its equity in an associate using the equity method.

Under the equity method, the investment in associates is initially recognized at its costs and the amount of increase or decrease in the carrying amount of such investment after the date of acquisition depends on the profits distributed and the Company's shares of profit/loss and other comprehensive income in the associates and joint ventures. In addition, changes to the Group's equity in the associates are recognized based on our shareholding ratio.

When the Company does not subscribe to new shares issued by associates based on its shareholding ratio, resulting in changes in the shareholding ratio and consequently to the net equity value of investment, the Company accounts for such changes by adjusting capital reserves - changes in the net equity of associates recognized under the equity method and investments under equity method. However, if subscription or acquisition of the shares is not based on the shareholding ratio, leading to a decrease in the Group's ownership equity in the associates, the amounts related to the associate in other comprehensive income are reclassified according to the percentage of such decrease and treated with the same accounting treatment basis as the one which the associates' direct disposal of relevant assets or liabilities shall be in accordance with. If the said adjustment shall be debited to capital reserves, and the balance of capital reserves arising from investment under equity method is insufficient to be offset, the difference is debited to retained earnings.

When the Company's share of loss in associates equals or exceeds its share of equity in the associates, the Company does not recognize further losses. The Company recognizes additional losses and liabilities only when any legal obligation or constructive obligation is incurred or the Company made payment on behalf of the associates.

For impairment evaluation, the Company tests the entire investment (including goodwill) book value for impairment as a single asset by comparing the recoverable amount and book value of the investment. Any recognized impairment loss is also part of the investment book value. Any reversal of the impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increased.

On the date when the Company's investment ceases to be considered as an associate, the Company ceases to account for it using equity method and measures the Company's retained interest in it at fair value; the differences between the fair value and disposal consideration, and the investment's carrying amount on the date when it ceases to be accounted for using the equity method are recognized in profit or loss. The amounts in relation to the associate that are recognized in the Group's other comprehensive income are accounted for on the same basis as if related assets or liabilities were disposed of by the associate.

(VIII) Property, plant and equipment

Property, plant, and equipment are initially recognized at cost and subsequently at cost net of accumulated depreciation.

Property, plant, and equipment under construction are measured at cost. Costs comprise professional service fees and borrowing costs eligible for capitalization. Such assets are measured at the lower of costs and net realizable value before reaching the condition of intended use; disposal proceeds and costs thereof are recognized in profit or loss. Upon completion and reaching the intended use status, such assets are classified to proper categories of property, plant, and equipment and depreciated.

Except own land, which is not depreciated, each significant part of the property, plants, and equipment is separately depreciated on the straight-line basis over their useful life. The Company reviews the estimated useful life, residual value, and method of depreciation at least once before the end of each year and prospectively recognizes the effect from changes in accounting estimates.

When property, plant, and equipment is disposed of, the difference between the net disposal proceeds and the asset book value is recognized in profit or loss.

(IX) Investment property

Investment property is property held to earn rentals or for capital appreciation or both.

Property, plant, and equipment are initially recognized at cost (including transaction cost) and subsequently at cost net of accumulated depreciation and accumulated impairment. Investment property is depreciated on a straight line basis.

When investment property is disposed of, the difference between the net disposal proceeds and the asset book value is recognized in profit or loss.

(X) Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently at cost less accumulated amortization. Intangible assets are amortized on the straight-line basis over their useful life. The Company reviews the estimated useful life, residual value, and method of amortization at least once before the end of each year and prospectively recognizes the effects of changes in accounting estimates.

(XI) Impairments of property, plant, and equipment, right-of-use assets, investment property, and intangible assets

The Company assesses whether there are any signs indicating that any property, plant, and equipment, right-of-use assets, investment property, or intangible assets might be impaired on each balance sheet date. If any such indication exists, then the asset's recoverable amount is estimated. When the recoverable amount of individual assets cannot be estimated, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Corporate assets are allocated on a reasonable and consistent basis to individual cash-generating units.

The recoverable amount is the higher of the fair value less costs of sale and the value in use. When the recoverable amount of any individual assets or cash-generating units is less than the book value, the book value of the individual assets or cash-generating units is adjusted down to the recoverable amount, and the impairment loss is recognized in profit or loss.

When the impairment loss is reversed subsequently, the book value of the asset or cash-generating unit is adjusted up to the revised recoverable amount. However, the increased book value shall not exceed the book value that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in prior years. The reversal of the impairment loss is recognized in profit or loss.

(XII) Financial instruments

Financial assets and financial liabilities are initially recognized in the balance sheet when the Company becomes a party to the individual instrument contract.

Financial assets or financial liabilities other than those measured at fair value through profit or loss are initially recognized at the fair value plus the transaction costs that can be directly attributed to acquisition or issuance of such financial assets or liabilities. Any transaction cost directly attributable to the acquisition or issuance of the financial assets or financial liabilities measured at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial assets

The arms-length transactions of financial assets are recognized and derecognized using the transaction date accounting method.

(1) Type of measurement

The Company's financial assets include financial assets measured at fair value through profit or loss, investment in equity instrument measured at fair value through other comprehensive income, and financial assets measured at amortized cost.

A. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets mandatorily designated to be measured at fair value through profit or loss, including financial assets not eligible to be classified as financial assets measured at amortized cost or at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss are measured at fair value; any gain or loss on their remeasurement is recognized in other gains and losses. For the method for determining fair value, refer to Note 25.

B. Investment in equity instruments at fair value through other comprehensive income

At initial recognition, the Company may make an irrevocable election to measure the investment in equity instruments that are held not for trading, that are not recognized by the acquirer in a business merger, and that have no consideration, at fair value through other comprehensive income.

Investment in equity instruments measured at fair value through other comprehensive income is measured at fair value. Subsequent changes in the fair value are recognized in other comprehensive income and accumulated in other equity. When the investment is disposed of, the accumulated gains and losses are transferred to retained earnings and not reclassified to profit or loss.

The dividends derived investment in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the Company’s right to receive dividends is determined, except under the circumstance that such dividends apparently represent a partial return of the investment cost.

C. Financial assets at amortized cost

When the Company's invested financial assets meet both of the following two conditions, they are classified as financial assets measured at amortized cost:

a. The financial assets are held within a business model whose objective is collecting contractual cash flows; and
b. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, the financial assets measured at amortized cost (including cash and cash equivalents, net accounts and notes receivable [including those due from related parties] measured at amortized cost, other receivables [including those due from related parties], guarantee deposit paid, and other financial assets) are measured at the amortized cost equal to the total book value determined under the effective interest method less any impairment losses, and any gain or loss from foreign currency translation is recognized in profit or loss.

Interest income is calculated as the effective interest rate times the total book value of financial assets.

Financial assets are deemed to be credit-impaired upon the occurrence of significant financial difficulties confronting the issuer or debtor; default; the circumstance that the debtor is likely to file for bankruptcy or other financial reorganization; or the disappearance of an active market for the financial assets as a result of financial difficulties.

Cash equivalents include time deposits and repo bonds that are highly liquid, readily convertible to known amounts of cash, and subject to an insignificant risk of changes in value, and that mature within three months after the acquisition date; cash equivalents are used to meet short-term cash commitments.

(2) Impairment of financial assets and contract assets

The Company assesses impairment losses on the financial assets measured at amortized cost (including receivables) and contract assets based on expected credit losses on each balance sheet date.

Loss allowance for receivables is recognized based on the lifetime expected credit losses. The Group first assess whether the credit risk on other financial assets significantly has increased after the initial recognition. When the increase is not significant, the loss allowance for the financial assets is recognized at the 12-month expected credit losses; when the increase is significant, the loss allowance is recognized at the lifetime expected credit losses.

Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight. 12-month expected credit losses represent the expected credit losses on financial instruments from any potential default within 12 months after the reporting date. Lifetime expected credit losses represent the expected credit losses on financial instruments from any potential default during the expected lifetime.

For the purpose of internal credit risk management, financial assets are deemed to be defaulted on when internal or external information indicates that it's impossible for the debtor to settle the debt, without consideration of the collateral held:

The impairment loss on all financial assets is deducted from the book value of the financial assets through their allowance account.

(3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred to other entities.

For derecognition of the entire financial assets measured at amortized cost, the differences between the book value and the received consideration are recognized in profit or loss. For derecognition of the entire investments in equity instruments measured at fair value through other comprehensive income, the cumulative gain or loss is directly transferred to retained earnings and not reclassified as profit or loss.

2. Equity instruments

Equity instruments issued by the Company are recognized as the amount of consideration received, less the direct cost of issuance.

3. Financial liabilities

(1) Subsequent measurement

All of the Company's financial liabilities are measured at amortized cost using the effective interest method.

(2) Derecognition of financial liabilities

When derecognizing a financial liability, the difference between the book value and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(XIII) Provisions

The amount of provisions recognized is the best estimate of expenditures requisite for settling obligations on the balance sheet date, taking into account the risks and uncertainties associated with the obligations. Provisions are measured at the discounted value of the estimated cash flows requisite for settling obligations.

(XIV) Revenue recognition

After identifying the performance obligations under a contract with customers, the Company allocates the transaction price to each performance obligation and recognizes the allocated amount as revenue after each performance obligation is fulfilled.

1. Revenue from sale of goods

   Sales revenue is recognized when the Company fulfills its performance obligations by transferring the promised goods to customers.

   Sales revenue is measured at the fair value of the consideration received or paid, less any estimated customer returns, discounts, and other similar allowances.

   The significant financial components of the transaction price of the Company's contracts of which the interval between the time of transfer of the promised goods and the time of payment made by the customer is expected to be less than 12 months are not adjusted. Before the Company fulfills its performance obligations, the prepayments for products to be sold are recognized as contract liabilities.

2. Construction revenue

   The Company recognizes revenue for the contract of coating projects over the passage of time as the construction progresses. Since the cost invested in construction is directly related to the completion of performance obligation, the Company estimates the percentage of completion at the ratio of the actually invested cost to the estimated total cost. The Company recognizes contract assets as the construction progresses, and transfers them to accounts receivable upon issuance of an invoice. If the construction proceeds received exceed the recognized amount, the difference is recognized as a contract liability. A portion of the project price retained by customers as per contractual terms is meant to ensure that the Company completes all of its performance obligations, and is recognized as a contract asset before the Company does so.

(XV) Lease

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

For a contract comprising lease and non-lease components, the Company accounts for such components separately by allocating the contract consideration to each of them.

1. The Company is a lessor.

   Leases whose contractual terms stipulate transfer of almost or all of the risks and rewards incidental to the ownership of the underlying assets to the lessee are classified as a finance lease. Otherwise they are classified as an operating lease.

   Under an operating lease, lease payments less any lease incentives are recognized as revenue on a straight line basis over the lease term. The original direct costs associated with acquisition of an operating lease are added to the book value of the underlying assets and then recognized as expense over the lease term.

   Variable rentals of a lease agreement that do not depend on an index or a rate are recognized as revenue in the period in which they occur.

2. The Company is a lessee

   When the Company is a lessee, the lease payment from the leases of low-value underlying assets to which the exemption of recognition is applied and short-term lease is recognized in expenses on the straight-line basis over the lease term, while right-of-use assets and lease liabilities with respect to other leases are recognized on the lease commencement date.

The right-of-use assets are initially measured at cost (including the initial recognized amount of lease liabilities), and subsequently measured at the cost net of accumulated depreciation and accumulated impairment losses, adjusted for remeasurements of lease liabilities. Right-of-use assets are separately presented in the balance sheet.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

Lease liabilities are initially measured at the present value of lease payment. If the interest rate implicit in a lease can be readily determined, the lease payments are discounted at the interest rate. When such interest rate cannot be readily determined, the lessee's incremental borrowing rate of interest is used.

Subsequently, the lease liabilities are measured at amortized cost under the effective interest method, and the interest expenses are amortized over the lease term. When future lease payments change as a result of a change in the lease term, or in the index or rate on which lease payments depend, the Company re-measures the lease liabilities and adjusts the right-of-use assets accordingly. However, the residual remeasurements are recognized in profit or loss when the book value of right-of-use assets is reduced to zero. Lease liabilities are separately presented in the balance sheet.

Variable rentals of a lease agreement that do not depend on an index or a rate are recognized as expense in the period in which they occur.

(XVI) Employee benefits

1. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid in exchange for the services to be provided by the employees.

2. Post-employment benefit

The pension contributed under the Defined Contribution Pension Plan is recognized in expenses during the period when employees provide services.

Defined benefit costs (including service cost, net interest, and remeasurements) under the Defined Benefit Pension Plan are calculated actuarially using the projected unit credit method. Service costs and net interest on net defined benefit liabilities are recognized as employee benefit expenses when they are incurred. Remeasurements are recognized in other comprehensive income and presented in retained earnings when they occurred, and are not reclassified to profit or loss in subsequent periods.

Net defined benefit liabilities are the shortfall of contributions to the Defined Benefit Pension Plan. Net defined benefits shall not exceed the present value of refunds from the plan or reductions in future contributions to the plan.

(XVII) Income tax

Tax expenses are the total of current income tax and deferred income tax.

1. Current income tax

The Company uses the laws and regulations promulgated by each tax jurisdiction to calculate taxable income, thus income tax payable for the current period.

The additional income tax on undistributed earnings that is calculated according to the Income Tax Act of the Republic of China is recognized in the year when the related resolution is made at the shareholders’ meeting.

The adjustments to the income tax payable in the previous year are recognized in the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary difference between the book value of assets and liabilities and the tax basis for calculation of taxable income.

Deferred income tax liabilities are generally recognized based on all taxable temporary differences; deferred income tax assets are recognized when taxable income sufficiently enough to offset the deductible temporary differences is highly likely in the future.

The book value of deferred income tax assets is reviewed at each balance sheet date. When any of the deferred income tax assets is not likely to have adequate taxable income necessary for the recovery of all or part of the assets anymore, the book value thereof is reduced. Those that are not originally recognized in deferred income tax assets are reviewed at each balance sheet date. When any of those is likely to generate taxable income necessary for the recovery of all or part of the assets in the future, the book value thereof is increased.

Deferred income tax assets and liabilities are measured at the tax rate of the period in which the liabilities or assets are expected to be settled or realized. The tax rate is subject to the tax rate and tax law legislated or substantively legislated on the balance sheet date. The deferred income tax liabilities and assets are measured to reflect the tax consequences on the balance sheet date arising from the method that the Company expects to use to recover or settle the book value of the liabilities and assets.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in profit or loss; in other comprehensive income if they are initially designated to be recognized in other comprehensive income; or in equity if they are initially designated to be recognized directly in equity.

V. Significant Accounting Judgments, Assumptions, and Major Sources of Estimation Uncertainty

For adoption of the accounting policies, the management, based on historical experience and other relevant factors, must make judgments, estimates, and assumptions related to the information that cannot be readily acquired from other sources. The actual results may differ from those estimates.

The management will continue to review estimates and fundamental assumptions. When the changes in the estimates only affect the current period, they are recognized in the period in which they are made; when the changes in the estimates affect the current and future periods at the same time, they are recognized in the period in which they are made and in future periods.

Assumptions, and Major Sources of Estimation Uncertainty

Deferred income tax

Since the taxable temporary difference related to the investment in overseas subsidiaries is unlikely to be realized in the foreseeable future, no deferred income tax liability is recognized. Income tax expenses will be recognized in the year overseas subsidiaries wire back their earnings. On December 31, 2022 and 2021, the tax effects arising from the Company's not recognizing deferred income tax liabilities for the gains on investment in overseas subsidiaries were NT$331,159 thousand and NT$319,214 thousand, respectively.

VI. Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand and working capital	$ 1,208	$ 1,084
Bank check and demand deposit	533,801	523,169
Cash equivalents - Repo bonds	91,980	55,467
	$626,989	$579,720

VII. Financial assets at fair value through other comprehensive income

	December 31, 2022	December 31, 2021
Current		
TWSE-listed stocks	$384,288	$416,835
Non-current		
Domestic stock traded on the emerging stock market	$ 30,769	$ -
Domestic shares not traded on an exchange or OTC	29,456	67,975
Foreign shares not traded on an exchange or OTC	$ 15,105	$ 10,849
	$ 75,330	$ 78,824

Since the Company holds the said equity instrument investment not for trading or gaining profits in the short term, the Company elects to designate them to be measured at fair value through other comprehensive income.

VIII. Notes receivable (including those due from related parties); accounts receivable (including those due from related parties); and other receivables (including those due from related parties).

(I) Notes receivable and accounts receivable (including overdue receivables)

	December 31, 2022	December 31, 2021
Notes receivable (including those due from related parties)		
Measured at amortized cost		
Arising from operating activities	$ 396,718	$ 257,354
Less: loss allowance	7,934	5,147
	$ 388,784	$ 252,207
Accounts receivable (including those due from related parties)		
Measured at amortized cost		
Total book value	$1,765,006	$1,559,605
Less: loss allowance	37,674	49,253

	$1,727,332	$1,510,352
Overdue receivables		
Total book value	$ 3,540	$ 1,878
Less: loss allowance	3,540	1,878
	$ -	$ -

The credit period provided by the Company to customers averages about 90 days to 100 days; receivables do not accrue interest. To mitigate credit risk, the Company has a dedicated team be responsible for determining the credit limits, approving credit lending, and executing other monitoring procedures, so as to ensure that appropriate actions have been taken to recover overdue receivables. In addition, the Company reviews the recoverable amount of receivables on the balance sheet date so as to ensure that appropriate impairment loss has been recognized for uncollectible receivables.

The Company recognizes the allowance for receivables based on the lifetime ECL, which is calculated using the provision matrix, taking into account a customer's historical default record and current financial standing and the industrial and economic conditions. According to the Company's historical credit loss record, the loss patterns do not differ among different customer bases, so the provision matrix does not look into individual customer bases but instead estimates the ECL rate based on the number of days past due of receivables.

When there is any evidence showing that the trading counterparty is facing serious financial difficulties and the Company cannot estimate a reasonable recoverable amount, the Company transfers the receivables to overdue receivables while providing sufficient loss allowance. When it is sure that the receivables cannot be recovered, the Company directly writes off related receivables, but will continue recourse activities. Any recovered amount through the recourse activities is recognized in profit or loss.

The loss allowance the Company recognized for receivables based on the provision matrix is as follows:

December 31, 2022

	Not past due	1～90 days past due	91～270 days past due	271～630 days past due	More than 630 days past due	Individual identification	Total
ECL rate (%)	2	2	10	30	100	100	
Total book value	$ 2,076,158	$ 72,115	$ 3,767	$ 4,041	$ 7,449	$ 1,734	$ 2,165,264
Loss allowance	(36,986)	(1,390)	(377)	(1,212)	(7,449)	(1,734)	(49,148)
Amortized cost	$ 2,039,172	$ 70,725	$ 3,390	$ 2,829	$ -	$ -	$ 2,116,116

December 31, 2021

	Not past due	1～90 days past due	91～270 days past due	271～630 days past due	More than 630 days past due	Individual identification	Total
ECL rate (%)	2	2	10	30	100	100	
Total book value	$ 1,692,586	$ 86,639	$ 9,218	$ 12,248	$ 13,993	$ 4,153	$ 1,818,837
Loss allowance	(31,848)	(1,688)	(922)	(3,674)	(13,993)	(4,153)	(56,278)
Amortized cost	$ 1,660,738	$ 84,951	$ 8,296	$ 8,574	$ -	$ -	$ 1,762,559

Movements in the loss allowance for receivables are as follows:

	2022	2021
Balance - beginning of period	$ 56,278	$ 48,815
Provision (reversal) in the current year	(7,130)	7,486
Written off in the current year	-	(23)
Balance - end of year	$ 49,148	$ 56,278

(II) Other receivables

The Company recognizes the loss allowance for other receivables based on the lifetime ECL. As at December 31, 2022 and 2021, there were no overdue other receivables; accordingly, there was no balance of loss allowance based on our assessment.

IX Inventories

	December 31, 2022	December 31, 2021
Finished-goods	$ 549,661	$ 507,961
Products	17,641	15,741
Raw materials	1,061,085	1,249,006
Materials	$ 11,197	$ 10,737
Inventory in transit	12,258	16,984
	$1,651,842	$1,800,429

In 2022 and 2021, the cost of goods sold related to inventories was NT$5,499,851 thousand and NT$4,838,814 thousand, respectively, including inventory valuation gain of NT$19,785 thousand and inventory valuation loss of NT$10,381 thousand, respectively. Inventory reversal gains are primarily due to destocking of inventories.

X. Other financial assets

	December 31, 2022	December 31, 2021
Current		
Time deposits whose original maturity date is more than three months apart	$ -	$166,208
Non-current		
Time deposits pledged	$ 1,768	$ 1,769

For other financial assets, see Note 27.

XI. Investments accounted for using equity method

	December 31, 2022	December 31, 2021
Investment in subsidiary	$4,151,240	$4,032,893
Investment in associates	26,843	23,979
	$4,178,083	$4,056,872

(I) Investment in subsidiary

	December 31, 2022		December 31, 2021	
Investee	Amount	Shareholding percentage (%)	Amount	Shareholding percentage (%)
Bmass Investment Co., Ltd（Bmass）	2,782,350	94	2,627,102	94
Cmass Investment Co., Ltd（Cmass）	780,876	100	862,539	100
Emass Investment International Co., Ltd（Emass）	588,014	100	543,252	100
	$ 4,151,240		$ 4,032,893	

To improve existing production capacity and expand sales to overseas markets, the Company set up Bmass and invested in YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD and YUNG CHI

PAINT & VARNISH MFG. (Jiaxing) CO., LTD through it; set up Cmass and invested in YUNG CHI PAINT & VARNISH MFG. (Vietnam) CO., LTD and YUNG CHI PAINT & VARNISH MFG. (Malaysia) CO., LTD through it; and set up Emass and invested in Yung Chi America Corp. through it, and then invested in Continental Coatings, Inc. through Yung Chi America Corp. For details, see Appendix Table 7 and Appendix Table 8.

(II) Investment in associates

Investee	December 31, 2022 Amount	December 31, 2022 Shareholding percentage (%)	December 31, 2021 Amount	December 31, 2021 Shareholding percentage (%)
PPG Yung Chi Coatings Co., Ltd.	$26,843	35	$ 23,979	35

Below is the information on the said associates which are individually insignificant:

	2022	2021
The Company's share		
Net profit in the current year	$ 1,464	$ 119
Other comprehensive income	-	-
Total comprehensive income	$ 1,464	$ 119

XII Property, plant and equipment

2022

Cost	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Other facilities	Unfinished construction and equipment pending acceptance	Total
Balance as of January 1, 2022	$ 979,148	$ 548,614	$ 576,016	$ 51,664	$ 146,415	$ 29,349	$ 2,331,206
Increase	-	194	53,381	5,334	2,046	24,157	85,112
Disposal	(10,473)	-	(3,901)	-	-	-	(14,374)
Balance as of December 31, 2022	$ 968,675	$ 548,808	$ 625,496	$ 56,998	$ 148,461	$ 53,506	$ 2,401,944

Accumulated depreciation	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Other facilities	Unfinished construction and equipment pending acceptance	Total
Balance as of January 1, 2022	$ -	$ 218,167	$ 431,200	$ 40,738	$ 115,859	$ -	$ 805,964
Depreciation	-	17,301	41,528	4,376	12,811	-	76,016
Disposal	-	-	(3,824)	-	-	-	(3,824)
Balance as of December 31, 2022	$ -	$ 235,468	$ 468,904	$ 45,114	$ 128,670	$ -	$ 878,156
Net amount on December 31, 2022	$ 968,675	$ 313,340	$ 156,592	$ 11,884	$ 19,791	$ 53,506	$ 1,523,788

2021

Cost	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Other facilities	Unfinished construction and equipment pending acceptance	Total
Balance as of January 1, 2021	$ 708,961	$ 548,495	$ 575,734	$ 50,269	$ 145,852	$ 5,405	$ 2,034,716
Increase	270,187	119	15,680	2,355	1,412	23,944	313,697
Disposal	-	-	(15,398)	(960)	(849)	-	(17,207)
Balance as of December 31, 2021	$ 979,148	$ 548,614	$ 576,016	$ 51,664	$ 146,415	$ 29,349	$ 2,331,206

Accumulated depreciation	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Other facilities	Unfinished construction and equipment pending acceptance	Total
Balance as of January 1, 2021	$ -	$ 200,615	$ 406,442	$ 37,564	$ 101,229	$ -	$ 745,850
Depreciation	-	17,552	40,130	4,134	15,395	-	77,211
Disposal	-	-	(15,372)	(960)	(765)	-	(17,097)
Balance as of December 31, 2021	$ -	$ 218,167	$ 431,200	$ 40,738	$ 115,859	$ -	$ 805,964
Net amount on December 31, 2021	$ 979,148	$ 330,447	$ 144,816	$ 10,926	$ 30,556	$ 29,349	$ 1,525,242

The Company's property, plant, and equipment were depreciated on a straight line basis over the following useful lives:

Buildings and structures	5~55 years
Machinery and equipment	2~25 years
Transportation equipment	5~40 years
Other facilities	3~40 years

For the amount of property, plant, and equipment pledged as borrowing collateral by the Company, see Note 27.

XIII. Lease agreements

(I) Right-of-use assets

	December 31, 2022	December 31, 2021
Book value of right-of-use assets		
Buildings	$ 7,131	$ 14,263
Transportation equipment	1,937	1,690
	$ 9,068	$ 15,953

	2022	2021
Increase in right-of-use assets	$ 1,373	$ 1,667
Depreciation expenses - Right-of-use assets		
Buildings	$ 7,132	$ 7,132
Transportation equipment	1,126	1,012
	$ 8,258	$ 8,144

(II) Lease liabilities

	December 31, 2022	December 31, 2021
Book value of lease liabilities		
Current	$ 8,346	$ 7,922
Non-current	$ 935	$ 8,230

The discount rates (%) for lease liabilities are as follows:

	December 31, 2022	December 31, 2021
Buildings	2.625	2.625
Transportation equipment	2.625	2.625

(III) Material lease activities and terms

The Company leased buildings from others and used them as operating premises and shipping hubs, with a lease term of 3 years. The Company did not have an option to buy the buildings underlying the lease at the termination of the lease period.

The Company leased transportation equipment for use in business travel; the lease period was between 2～3 years. There was no contractual term which grants the Company the right to renew the lease or buy the underlying assets at the expiration of the lease term.

(IV) Other lease information

For the agreement under which the Company leases out investment property recognized as an operating lease, see Note 14.

	2022	2021
Short-term lease expense	$ 4,962	$ 4,350
Low-value asset lease expense	$ 357	$ 361
Total cash outflow from leases	$ 13,855	$ 13,164

For employee dormitory lease qualified as a short-term lease and the lease of office accessories like photocopiers that qualifies as a lease whose underlying assets are of low value, the Company applies the recognition exemption to them, and does not recognize any right-of-use assets or lease liability for them.

XIV Investment property

2022

	Land	Buildings and structures	Total
Cost			
Balance as of January 1, 2022 and December 31, 2022	$299,901	$ 84,640	$384,541
Accumulated depreciation and impairment			
Balance as of January 1, 2022	$137,822	$ 39,647	$177,469
Depreciation	-	1,688	1,688
Balance as of December 31, 2022	$137,822	$ 41,335	$179,157
Net amount on December 31, 2022	$162,079	$ 43,305	$205,384

2021

	Land	Buildings and structures	Total
Cost			
Balance as of January 1, 2021 and December 31, 2021	$299,901	$ 84,640	$384,541
Accumulated depreciation and impairment			
Balance as of January 1, 2021	$137,822	$ 37,960	$175,782
Depreciation	-	1,687	1,687
Balance as of December 31, 2021	$137,822	$ 39,647	$177,469
Net amount on December 31, 2021	$162,079	$ 44,993	$207,072

The lease term of an investment property lease is between 1 and 5 years; the lessee does not have the option to purchase the investment property at the termination of the lease term.

Total future lease payments to be generated from investment property recognized as an operating lease is as follows:

	December 31, 2022	December 31, 2021
Year 1	$ 3,903	$ 4,010
Year 2	205	1,662
Year 3	111	111
Year 4	-	111
	$ 4,219	$ 5,894

Buildings and structures recognized as investment property are depreciated on a straight line basis over their useful lives (15 to 50 years).

Their fair value stood at NT$637,281 thousand on both December 31, 2022 and December 31, 2021. The fair value of investment property is assessed by referencing independent property appraisers' appraisal arrived at by using Level 3 fair value inputs, and by referencing the value derived using direct capitalization method and the comparables method that looks into the transaction price of similar properties on the market. The significant unobservable input used, the capitalization rate of profits, was 1.50% in both years.

XV. Short-term borrowings

	December 31, 2022	December 31, 2021
Secured loans		
Loan against L/C - settled before interest accrual	$ -	$10,533

XVI. Other accounts payable

	December 31, 2022	December 31, 2021
Financing facilities payable (Note 26)	$100,000	$200,000
Salary and bonus payable	141,732	131,348
Business tax payable	28,204	7,458
Advertising expenditure payable	22,782	67,718
Employee and director compensation payable	22,495	22,088
Construction and equipment payable	2,160	12,580
Others	95,339	91,223
	$412,712	$532,415

XVII. Provisions

	December 31, 2022	December 31, 2021
Non-current		
Construction warranty	$15,022	$ 29,266

The provisions for construction warranty are the present value of the management's best estimate of outflow of future economic benefits arising from the warranty obligations; such estimates are based on historical warranty experience.

XVIII. Post-employment benefit plan

(I) Defined contribution plan

The pension system that is specified in the "Labor Pension Act" and adopted by the Company is the defined contribution pension plan managed by the government. A pension equal to 6% of employee's monthly wage shall be contributed to the personal labor pension account with the Bureau of Labor Insurance.

(II) Defined benefit plan

The pension system under our country's Labor Standards Act applicable to the Company is a defined benefit plan. Payment of employee pension is calculated based on an employee's service years and the average of their salaries over the 6 months before their approved retirement date. The Company appropriates a certain percentage of the total monthly wage of an employee as the pension and remits the amount to the Retirement Reserves Supervisory Committee, which will deposit the amount in a dedicated account under its name with the Bank of Taiwan. Before the end of each year, if the assessed balance in the account is inadequate to make a full payment of pensions to the employees who may meet the retirement conditions in the next year, the Company will make up the difference in one appropriation before the end of March in the following year. The account is managed by the Bureau of Labor Funds, Ministry of Labor, so the Company does not have the right to influence the investment management strategies.

The amounts of the defined benefit plan included in the parent company only balance sheet are listed as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligations	$325,327	$330,740
Fair value of plan assets	(316,065)	(301,847)
Net defined benefit liabilities	$ 9,262	$ 28,893

Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance as of January 1, 2022	$330,740	($301,847)	$ 28,893
Financial cost			
Current service cost	1,626	-	1,626

Interest expenses (income)	2,039	(1,908)	131
Recognized in profit or loss	3,665	(1,908)	1,757
Remeasurements			
Return on plan assets (excluding the amount included in net interest)	-	(23,905)	(23,905)
Actuarial loss - change in financial assumption	8,845	-	8,845
Actuarial loss - experience adjustment	11,255	-	11,255
Recognized in other comprehensive income	20,100	(23,905)	(3,805)
Contribution by employer	-	(17,583)	(17,583)
Payment of benefits	(29,178)	29,178	-
	(29,178)	11,595	(17,583)
December 31, 2022	$325,327	($316,065)	$ 9,262
Balance as of January 1, 2021	$381,693	($292,812)	$ 88,881
Financial cost			
Current service cost	2,435	-	2,435
Interest expenses (income)	1,120	(883)	237
Recognized in profit or loss	3,555	(883)	2,672
Remeasurements			
Return on plan assets (excluding the amount included in net interest)	-	(4,413)	(4,413)
Actuarial gain - change in financial assumption	(7,818)	-	(7,818)

(Continued)

(Continued)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Actuarial gain - change in demographic assumption	$ 364	$ -	$ 364
Actuarial gain - experience adjustment	(29,074)	-	(29,074)
Recognized in other comprehensive income	(36,528)	(4,413)	(40,941)
Contribution by employer	-	(21,719)	(21,719)
Payment of benefits	(17,980)	17,980	-
	(17,980)	(3,739)	(21,719)
December 31, 2021	$ 330,740	($ 301,847)	$ 28,893

The amount of defined benefit plan recognized in P/L is summarized by category as follows:

	2022	2021
Operating cost	$ 708	$ 1,074
Operating expenses	1,049	1,598
	$ 1,757	$ 2,672

The Company is exposed to the following risks due to the pension system under the "Labor Standards Act":

1. Investment risk

   The Bureau of Labor Funds, Ministry of Labor separately has invested the labor pension fund in domestic (foreign) equity and debt securities, and bank deposits. The investment is conducted at the discretion of the Bureau or under the mandated management. However, the profit generated from the Company's plan assets shall be no less than the profit that would have been yielded had the interest rate for 2-year time deposits with local banks were applied in calculation.

2. Interest rate risk

A decrease in the interest rates of government bonds leads to an increase in the present value of the defined benefit obligation, and the return on debt investment of the plan assets will be increased accordingly. The effect of both on the net defined benefit liabilities may be partially offset against each other.

3. Salary risk

Since the present value of defined benefit obligation is calculated based on future salary of plan participants, the present value of the defined benefit obligation would be increased by an increase in the plan participants' salary.

The Company's present value of the defined benefit obligation was calculated actuarially by a qualified actuary. The major assumptions on the date of measurement are as follows:

	December 31, 2022	December 31, 2021
Discount rate (%)	1.20	0.65
Rate of expected salary increase (%)	3.00	2.00

If there was any reasonably possible change to the major actuarial assumptions separately, the resulting increase (decrease) in the present value of the defined benefit obligation in the situation where all the other assumptions remained the same is as follows:

	December 31, 2022	December 31, 2021
Discount rate		
Increase by 0.25%	($ 5,115)	($ 5,458)
Decrease by 0.25%	$ 5,257	$ 5,615
Rate of expected salary increase		
Increase by 0.25%	$ 5,151	$ 5,526
Decrease by 0.25%	($ 5,039)	($ 5,399)

Since the actuarial assumptions might be correlated to each other and it is unlikely that a single assumption changes alone, the aforesaid sensitivity analysis might not reflect the actual changes in the present value of the defined benefit obligation.

	December 31, 2022	December 31, 2021
Expected contribution within 1 year	$ 17,229	$ 17,633
Average maturity of defined benefit obligations	6 years	6 years

XIX. Equity

(I) Capital stock

	December 31, 2022	December 31, 2021
Authorized shares (in thousand shares)	180,000	180,000
Authorized capital	$1,800,000	$1,800,000
Number of issued shares fully paid (in thousand shares)	162,000	162,000
Issued capital	$1,620,000	$1,620,000

A share of issued common stock had a par value of NTD10 and was entitled to one voting right and dividends.

(II) Capital surplus

	December 31, 2022	December 31, 2021
Available for makeup of loss, distribution of cash dividends, or transfer into capital (Note)		
Additional paid-in capital	$106,385	$106,385
Only available for makeup of loss		
Asset disposal gain	2,612	2,612
Others	383	331
	$109,380	$109,328

Note: These capital reserves may be used to make up losses, to distribute cash dividends, or to be transferred into the capital if the Company is not in the red. However, the amount of the transfer into the capital shall be limited to a certain percentage of the paid-in capital in every year.

(III) Retained earnings and dividend policy

According to the dividend policy prescribed in the Company's Articles of Incorporation, in the event of surplus earnings after closing of annual accounts, due taxes shall be paid in accordance with the law, and losses incurred in previous years shall be compensated for. Upon completion of the preceding actions, 10% of the remainder surplus shall be allocated as legal reserves. The remainder may be set aside as special reserves, or the previous recognized special reserves may be reversed, in accordance with laws and regulations. If there is remainder surplus, the Board of Directors shall draft a surplus distribution proposal regarding the remainder of the surplus as well as accumulated undistributed surplus, and shall submit the distribution proposal to the Shareholders Meeting for approval.

Considering capital expenditure needs and a sound financial planning requisite for sustainable development, the Company shall distribute no less than 50% of the annual earnings as shareholder dividends in principle. The Company may distribute dividends in cash or in shares. Considering the Company's growth rate and capital expenditure status, the Company shall distribute earnings more in cash than in shares; the cash dividends distributed shall not be less than 60% of total dividends distributed in the given year.

Legal reserves may be used to make up for losses. Where the Company does not sustain loss, the part of the legal reserves that exceeds the total paid-in capital by no greater than 25% may be appropriated as capital or distributed in cash.

The earnings distribution proposal for 2021 and 2020 that was approved at the General Shareholders Meeting in June 2022 and July 2021, respectively, and the dividends per share are as follows:

	Earnings Distribution Proposal		Dividend per share	
	2021	2020	2021	2020
Legal reserve	$ 91,492	$ 83,167		
Cash dividends	567,000	567,000	$ 3.5	$ 3.5

The earnings distribution proposal for 2022 drafted at the Board of Directors meeting in March 2023 is as follows:

	Earnings Distribution Proposal	Dividend per share
Legal reserve	$ 81,982	
Cash dividends	567,000	$ 3.5

The Earnings Distribution Proposal for 2022 is pending a resolution from the General Shareholders Meeting to be held in June 2023.

(IV) Special reserve

	2022	2021
Balance - beginning of period	$492,801	$492,801
Reversal of special reserves - Disposal of property, plant, and equipment	(2,302)	-
Balance - end of year	$490,499	$492,801

(V) Other equity

1. Exchange differences arising in the translation of foreign operations

	2022	2021
Balance - beginning of period	($417,790)	($364,926)
Exchange difference arising from translation of the net assets of foreign operations	141,265	(52,864)
Balance - end of year	($276,525)	($417,790)

2. Unrealized valuation gains or losses on financial assets at fair value through other comprehensive income

	2022	2021
Balance - beginning of period	$118,060	($ 41,000)
Tax incurred in the year		
Equity instrument - unrealized gains or losses	(36,041)	159,544
Share of investment accounted for using equity method	(36)	(484)
Balance - end of year	$ 81,983	$118,060

XX. Operating Revenue

(I) Customer contract revenue breakdown

2022

	Paint Business Department	Coating Engineering Department	Total
Type of product or service			
Product sales revenue	$ 7,065,652	$ -	$ 7,065,652
Construction revenue	-	619,640	619,640
	$ 7,065,652	$ 619,640	$ 7,685,292
Primary regional markets			
Taiwan	$ 6,348,237	$ 619,640	$ 6,967,877
Others	717,415	-	717,415
	$ 7,065,652	$ 619,640	$ 7,685,292
Revenue recognition time point			
At a point in time	$ 7,065,652	$ -	$ 7,065,652
Fulfilled as time elapses	-	619,640	619,640
	$ 7,065,652	$ 619,640	$ 7,685,292

2021

	Paint Business Department	Coating Engineering Department	Total
Type of product or service			
Product sales revenue	$ 6,546,198	$ -	$ 6,546,198
Construction revenue	-	323,671	323,671
	$ 6,546,198	$ 323,671	$ 6,869,869
Primary regional markets			
Taiwan	$ 6,067,090	$ 323,671	$ 6,390,761
Others	479,108	-	479,108
	$ 6,546,198	$ 323,671	$ 6,869,869
Revenue recognition time point			
At a point in time	$ 6,546,198	$ -	$ 6,546,198
Fulfilled as time elapses	-	323,671	323,671

(II) Contract balance

	December 31, 2022	December 31, 2021	January 1, 2021
Notes receivable and accounts receivable	$ 2,116,116	$ 1,762,559	$ 1,557,572
Contract assets			
Coating Engineering	$ 95,555	$ 115,979	$ 135,404
Contract liabilities			
Coating Engineering	$ 54,043	$ 21,380	$ 20,599
Product sales	217	653	2,995
	$ 54,260	$ 22,033	$ 23,594

Changes in contract assets and contract liabilities mainly come from the difference between the points in time when the Company fulfills obligations and when customers make payments.

(III) Customer contracts outstanding

As of December 31, 2022 and 2021, transaction price allocated to unfulfilled performance obligation was NT$466,970 thousand and NT$723,098 thousand, respectively. The Company will recognize it as construction revenue when construction items are completed; such revenue is expected to be recognized in 1 to 2 years.

XXI. Net profits before tax

(I) Income from interest

	2022	2021
Bank deposit	$ 1,601	$ 804
Others	636	786
	$ 2,237	$ 1,590

(II) Other income

	2022	2021
Lease income	$ 5,433	$ 5,204
Dividend income	19,650	17,246
Others	9,478	30,809
	$ 34,561	$ 53,259

(III) Other gains and losses

	2022	2021
Net foreign exchange gain (loss)	$ 67,163	($ 10,540)
Gain on disposal of property, plant, and equipment .	39,464	233
Gain on financial assets at fair value through profit or loss .	145	706
Others	(4,477)	(4,383)
	$102,295	($ 13,984)

(IV) Financial cost

	2022	2021
Financial cost		
Interest on financing facilities	$ 1,488	$ 501
Interest on lease liabilities	292	492
	$ 1,780	$ 993

(V) Depreciation and amortization

	2022	2021
Property, plant and equipment	$76,016	$77,211
Right-of-use assets	8,258	8,144
Investment property	1,688	1,687
Intangible assets	1,242	1,123
	$87,204	$88,165
Summary of depreciation by function		
Operating cost	$32,173	$29,187
Operating expenses	52,101	56,168
Others	1,688	1,687
	$85,962	$87,042
Summary of amortization by function		
Operating cost	$ 5	$ 12
Operating expenses	1,237	1,111
	$ 1,242	$ 1,123

(VI) Employee benefit expenses

	2022	2021
Short-term employee benefits		
Salary	$574,344	$539,523
Labor insurance and health insurance	49,126	47,168
Others	23,606	21,947
	647,076	608,638
Post-employment benefit		
Defined contribution plan	18,443	17,140
Defined benefit plan	1,757	2,672
	20,200	19,812
	$667,276	$628,450

	2022	2021
Summary by function		
Operating cost	$234,314	$227,084
Operating expenses	432,962	401,366
	$667,276	$628,450

(VII) Employee/director/supervisor compensation

According to its Articles of Incorporations, the Company shall take the pre-tax profits inclusive of employee and director compensation and director/supervisor compensation and allocate 1% ~ 5% of such profits as employee compensation and no greater than 0.5% as director/supervisor compensation. The Board of Directors meetings in March 2023 and 2022 resolved on the employee compensation and director/supervisor compensation estimated for 2022 and 2021, respectively - shown as follows:

	2022	2021
Employee remuneration	$ 19,392	$ 18,996
Director/supervisor compensation	3,103	3,092

Any amount that changes after the approval and publication date of the annual individual financial statements is accounted for as changes in accounting estimates, and will be adjusted and recognized in the following year.

The actually distributed amount of employee compensation and director/supervisor compensation for 2021 and 2020 is the same as the amount recognized in the parent company only financial statements for 2021 and 2020.

The information about compensation to employees and directors/supervisors determined by the Board of Directors may be viewed at TWSE's Market Observation Post System (MOPS).

XXII. Income tax

(I) Income tax recognized in profit or loss

Major components of income tax:

	2022	2021
Current income tax		
Tax incurred in the year	$166,537	$159,906
Additional levy on undistributed earnings	10,821	7,575
Adjustments for the previous year	(4,881)	(26,347)
Deferred income tax		
Tax incurred in the year	(17,949)	2,772
Adjustments for the previous year	39,219	(239)
	$193,747	$143,667

Reconciliation of accounting income and income tax is as follows:

	2022	2021
Net profits before tax	$1,008,221	$1,025,834
Income tax expense derived from applying the pre-tax profit to the statutory tax rate	$ 201,644	$ 205,167
Expense and loss not deductible from tax	6,151	6,953
Tax exempt income	(46,588)	(37,372)
Land value increment tax	1,581	-
Additional levy on undistributed earnings	10,821	7,575
Investment tax credits generated in the current year	(14,200)	(12,070)
Income tax adjustments for the previous year	34,338	(26,586)
	$ 193,747	$ 143,667

(II) Income tax expense recognized in OCI

	2022	2021
Generated in current year - defined benefit plan remeasurements	$ 761	$ 8,188

(III) Current income tax liabilities

	December 31, 2022	December 31, 2021
Current income tax liabilities		
Income tax payable	$110,492	$100,541

(IV) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2022

Deferred income tax assets	Balance - beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Balance - end of year
Temporary differences				
Defined benefit pension plan	$ 5,779	($ 3,166)	($ 761)	$ 1,852
Unrealized loss on inventory devaluation	22,040	(3,957)	-	18,083
Unrealized impairment loss	11,870	-	-	11,870
Deferred tax credit for construction structure cost	5,806	(209)	-	5,597
Unrealized allowance	7,618	(2,159)	-	5,459
Unrealized damages	508	-	-	508
Others	7,983	(304)	-	7,679
	$ 61,604	($ 9,795)	($ 761)	$ 51,048

Deferred income tax liabilities				
Temporary differences				
Land value increment tax	$ 83,601	($ 823)	$ -	$ 82,778
Overseas investment gain	32,702	12,298	-	45,000
	$116,303	$ 11,475	$ -	$127,778

2021

	Balance - beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Balance - end of year
Deferred income tax assets				
Temporary differences				
Defined benefit pension plan	$ 17,776	($ 3,809)	($ 8,188)	$ 5,779
Unrealized loss on inventory devaluation	19,964	2,076	-	22,040
Unrealized impairment loss	11,870	-	-	11,870
Deferred tax credit for construction structure cost	6,015	(209)	-	5,806
Unrealized allowance	6,550	1,068	-	7,618
Unrealized damages	508	-	-	508
Others	9,642	(1,659)	-	7,983
	$ 72,325	($ 2,533)	($ 8,188)	$ 61,604
Deferred income tax liabilities				
Temporary differences				
Land value increment tax	$ 83,601	$ -	$ -	$ 83,601
Overseas investment gain	32,702	-	-	32,702
	$116,303	$ -	$ -	$116,303

(V) Total amount of temporary difference which is related to investment and for which no deferred income tax liability is recognized

As of December 31, 2022and 2021, taxable temporary difference which is related to investment in subsidiaries or associates and for which no deferred tax liability is recognized was NT$1,655,793 thousand and NT$1,596,071 thousand, respectively.

(VI) Authorization of income tax

The Company's profit-seeking enterprise income tax filings have been approved by the tax authority through 2019.

XXIII. Earnings per share

The earnings and the weighted average number of common shares used for calculating earnings per share are as follows:

Net profit in the current year

	2022	2021
Net profit in the current year	$814,474	$882,167

Shares

Unit: 1,000 shares

	2022	2021
Weighted average number of common shares used for calculating basic earnings per share	162,000	162,000
Plus: Potential common shares that are dilutive - employee compensation	328	313
Weighted average number of shares used for calculating diluted earnings per share	162,328	162,313

Where the Company may elect to distribute employee remuneration in shares or in cash, when calculating the diluted EPS, the Company assumes that all employee remuneration is distributed in shares and counts the potentially dilutive common shares - when deemed dilutive - in the weighted average number of shares outstanding. The Group continues to consider the dilutive effect of such potentially delusive common shares when calculating the dilutive EPS before the number of share dividends is to be resolved on in the following year.

XXIV. Capital risk management

Capital management by the Company is to optimize debt and equity balance to effectively use capital and ensure smooth operations of the Company. The overall strategy of the Company doesn’t change. Since the Company's capital structure is composed of net liability and equity, it does not have to comply with other external capital requirement.

XXV. Financial instruments

(I) Fair value information－financial instruments not measured at fair value

The carrying amount of the Company’s financial instruments not measured at fair value, e.g., cash and cash equivalents, receivables, and payables, is a reasonable approximation of fair value.

(II) Fair value information－financial instruments 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 fair value through other comprehensive income				
TWSE-listed stocks	$384,288	$ -	$ -	$384,288
Domestic stock traded on the emerging stock market	30,769	-	-	30,769
Domestic shares not traded on an	-	-	29,456	29,456

exchange or OTC				
Foreign shares not traded on an exchange or OTC	-	-	15,105	15,105
	$415,057	$ -	$ 44,561	$459,618
December 31, 2021				
Financial assets at fair value through other comprehensive income				
TWSE-listed stocks	$416,835	$ -	$ -	$416,835
Domestic shares not traded on an exchange or OTC	-	-	67,975	67,975
Foreign shares not traded on an exchange or OTC	-	-	10,849	10,849
	$416,835	$ -	$ 78,824	$495,659

There was no transfer between Level 1 and Level 2 fair value measurement in2022 and 2021.

2. Reconciliation of the financial assets measured at Level 3 fair value

	Financial assets at fair value through other comprehensive income	
	2022	2021
Balance - beginning of period	$ 78,824	$ 39,230
Addition	-	42,000
Transfer from Level 3	(30,769)	-
Recognized in other comprehensive income	(3,494)	(2,406)
Balance - end of year	$ 44,561	$ 78,824

3. Level 3 fair value valuation techniques and inputs

Shares not traded on an exchange or OTC were estimated based on the company's net worth.

(III) Type of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets at fair value through other comprehensive income - Equity instrument investment	$ 459,618	$ 495,659
Financial assets at amortized cost (Note 1)	2,811,253	2,606,340
Financial liabilities		
Measured at amortized cost (Note 2)	1,175,755	1,430,627

Note 1: The balance includes financial assets measured at amortized cost, e.g., cash and cash equivalents, other financial assets, notes receivable (including those due from related parties), accounts receivable (including those due from related parties), other receivables (including those due from related parties), and guarantee deposit paid.

Note 2: The balance included the financial liabilities measured at amortized cost such as short-term borrowings, notes payable, accounts payable, other payables, refund liabilities, and guarantee deposits received.

(IV) Financial risk management purpose and policy

The Company's financial risk management objectives are to manage the market risk, credit risk, and liquidity risk arising from operations. We also identify, measure, and manage the said risks according to our policy and risk preference, and seek to reduce the potentially adverse impact on the Company's financial position and financial performance.

The Company has put the said financial risk management policy in writing based on applicable regulations. Risk management work is carried out through close collaboration between the Company's business units and financial department, which are responsible for identifying, assessing, and avoiding financial risks and implementing the policy approved by the Board of Directors.

1. Market risk

(1) Exchange rate risk

The Company is exposed to the risk of exchange rate changes because it participates in purchase or sale transactions denominated in a currency other than its functional currency.

For the book value of the Company's monetary financial assets and monetary financial liabilities denominated in a currency other than the functional currency on the balance sheet date, refer to Note 29.

The Company is affected primarily by fluctuation in the exchange rate of USD. Below is a sensitivity analysis of the scenarios in which the exchange rate of each functional currency against each relevant foreign currency increases or decrease by 1%. The 1% represents the Company's assessment of a reasonable range of exchange rate change.

The sensitivity analysis includes only the foreign currency monetary items still outstanding on the balance sheet date. Scenario 1 as described in the following table represents the Company's profit or loss had each functional currency appreciated by 1% against USD. Scenario 2 as described in the following table represents the Company's profit or loss had each functional currency depreciated by 1% against USD.

	Effect of USD currency (Note)	
	2022	2021
Scenario 1 - Pre-tax profit or loss	($ 3,744)	($ 3,981)
Scenario 2 - Pre-tax profit or loss	3,744	3,981

Note:Mainly comes from cash and cash equivalents, receivables, other receivables, other financial assets, short-term borrowings, and payables which were still outstanding on the balance sheet date and for which no cash flow hedge is purchased.

(2) Interest rate risk

The Company's interest rate risk mainly comes from bank deposits and repo bonds, by which the interest income generated would be impacted if interest rate changes. The Company does not expect to be significantly impacted by interest rate change.

(3) Other price risk

The Company is exposed to the risk of equity price change because it invests in domestic and foreign listed and unlisted shares.

If equity price goes down/up 1%, other comprehensive income in 2022 and 2021 will go down/up NT$4,596 thousand and NT$4,957 thousand, respectively, due to changes in the fair value of financial assets through other comprehensive income.

2. Credit risk

Credit risk refers to the risk of financial loss from the failure of customers or financial instrument counterparties to fulfill their obligations, and mainly comes from the Company's bank deposits, other financial instruments, and the receivables due from customers that are generated from operations,

Operations manage customer credit risk based on the Company's customer credit risk management policy, procedures, and control. Such assessment accounts for the customer's financial condition, past transaction record, current economic environment, and the Company's internal credit rating. In addition, where appropriate, the Company uses some credit enhancement (e.g., trade advance, asset as collateral, etc.) to reduce the credit risk from certain customers.

As of December 31, 2022 and 2021, the Company did not have a single customer which individually accounted for 10% or more of the Company's receivables. Therefore, the receivables did not have a concentrated credit risk.

The financial department manages the credit risk accompanying bank deposits and other financial instruments according to the Company's policy. The Company's counterparties are all creditable banks, posing insignificant concern over default.

3. Liquidity risk

The Company's financial department monitors the forecast of the Company's liquidity needs to ensure that sufficient fund is available to meet operational needs, and maintains an amount of committed loan that is sufficient and left intact, at all times. As of December 31, 2022 and 2021, the amount of the Company's committed loans which have yet to be drawn on was NT$1,249,228 thousand and NT$1,237,769 thousand, respectively.

The remaining contractual maturity analysis for non-derivative financial liabilities was compiled based on the undiscounted cash flows from financial liabilities (including principal and estimated interest) on the earliest date on which the Company will be demanded to pay. Therefore, the bank loans which the Company is able to pay in full immediately if so demanded are listed in the earliest interval in the following table, without factoring in the chance of banks' immediate execution of the right. The maturity analysis for other non-derivative financial liabilities was compiled based on the repayment date specified on the contract.

	Within 1 year	1~5 years	More than 5 years	Total
December 31, 2022				
Non-derivative financial liabilities				
Non interest bearing debt	$1,069,598	$ 5,696	$ -	$1,075,294
Fixed rate liability	100,461	-	-	100,461
Lease liabilities	8,441	947	-	9,388
	$1,178,500	$ 6,643	$ -	$1,185,143
December 31, 2021				
Non-derivative financial liabilities				
Non interest bearing debt	$1,213,946	$ 5,647	$ -	$1,219,593
Floating rate liability	10,533	-	-	10,533
Fixed rate liability	200,501	-	-	200,501
Lease liabilities	8,202	8,307	-	16,509
	$1,433,182	$ 13,954	$ -	$1,447,136

XXVI. Related Party Transactions

Name of related party	Relationship with the Company
Sheng Yu Steel Co., Ltd.	The Company assumes the key management role in other company.
YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD. (YUNG CHI Kunshan)	Subsidiary
YUNG CHI PAINT & VARNISH MFG. (Vietnam) CO., LTD. (YUNG CHI Vietnam)	Subsidiary
YUNG CHI PAINT & VARNISH MFG. (Malaysia) CO., LTD. (YUNG CHI Malaysia)	Subsidiary
Continental Coatings, Inc. （Continental）	Subsidiary
Yong Ying Investment Co., Ltd.	Substantive related party
Jieyou Industrial Co., Ltd.	Substantive related party
Sanxiangmin Co., Ltd.	Substantive related party
JAUH - HSING ENTERPRISE CO., LTD.	Substantive related party
Yung Yu Paint Shop	Substantive related party
YUNG FEW PAINT CO., LTD.	Substantive related party
Chang Te-Hsiung	Member of the Company's key management
Chang Te-Jen	Member of the Company's key management
Chang Te-Sheng	Member of the Company's key management
Chang Te-Hsien	Member of the Company's key management

Transactions between the Company and related parties are as follows:

(I) Operating revenue

General ledger account	Type of related party	2022	2021
Goods sales revenue	The Company assumes the key management role in other company.	$ 410,842	$ 518,497
	Subsidiary	594,746	381,234
	Substantive related party	140,368	128,541
		$ 1,145,956	$ 1,028,272

The products sold by the Company to subsidiaries are mainly preliminarily processed raw materials. The selling price is based on the cost-plus pricing method. Currently, there is no similar transaction which can be used as comparison. In addition, the terms for sale to related parties are the same as those for an arm's length transaction.

(II) Purchase

Type of related party	2022	2021
Subsidiary	$ 95,789	$ 77,496

The price of products sold by related parties to the Company is based on market price; there is no comparably similar transaction between the Company and other related party.

(III) Receivables due from related parties

General ledger account	Name and type of related party	December 31, 2022	December 31, 2021
Notes receivable and accounts receivable	The Company assumes the key management role in other company.	$ 77,899	$ 150,338
	Subsidiary		
	Continental	185,951	59,277
	Others	46,216	45,531
	Substantive related party	81,185	68,147
		$ 391,251	$ 323,293
Other receivables	Subsidiary		
	YUNG CHI	$ 12,832	$ 24,348
	Kunshan		
	YUNG CHI	9,374	5,814
	Malaysia		
	YUNG CHI	5,151	8,536
	Vietnam		
	Continental	104	3,991
	Substantive related party	116	132
		$ 27,577	$ 42,821

(IV) Payables due to related parties (excluding financing facilities)

General ledger account	Type of related party	December 31, 2022	December 31, 2021
Accounts payable	Subsidiary	$ 1,955	$11,187
Other accounts payable	Substantive related party	$ 1,103	$ 2,984

The outstanding balance of the payables due to related parties was not secured against collateral.

(V) Joint suretyship:

Joint surety for short-term borrowings as of December 31, 2022 and 2021 was provided by the key management.

(VI) Other related party transactions

1. Financing facility

In September 2022 and October 2021, the Company took out an unsecured financing facility from a substantive related party; the annual interest rate thereof was 1.40% and 0.995%, respectively, which was calculated based on the interest rate of the financing facilities taken out by the Company from financial institutions. As of December 31, 2022 and 2021, financing facility payable and interest payable (presented under other payables) were NT$100,000 thousand and NT$461 thousand, and NT$200,000 thousand and NT$501 thousand, respectively. The interest expense recognized for 2022 and 2021 was NT$1,488 thousand and NT$501 thousand, respectively.

2. Lease agreements

The Company leased operational premises and shipping hubs from substantive related parties and members of the Company's key management. The lease term was 3 years and the rental, which was negotiated upon by referencing the rental charged in nearby areas, did not differ significantly from general lease terms and conditions. Lease liabilities recognized by the Company for said leases amounted to NT$7,318 thousand and NT$14,448 thousand as of December 31, 2022 and 2021, respectively.

3. Commissioned processing fee

   The Group's fire resistance coating materials are processed by a substantive related party on a commission basis. The said expenses for 2022 and 2021 amounted to NT$21,454 thousand and NT$19,629 thousand, respectively. There was no transaction between the Company and other related parties which is similar enough for comparison.

4. Below are the details of transactions in which the Company purchased raw materials, machinery and equipment, and hardware parts on behalf of subsidiaries in 2022 and 2021:

		Transaction price	
Counterparty	Transaction content	2022	2021
Subsidiary	Purchase of material on behalf of another party	$ 167,596	$ 173,183
	Purchase of equipment and hardware parts on behalf of others	2,610	2,894
		$ 170,206	$ 176,077

   The income generated from the Company's purchase of said items on behalf of related parties (recognized as other income) amounted to NT$3,283 thousand and NT$9,410 thousand.

   Below are the receivables (recognized as other receivables) generated from the said transactions made on behalf of others, as of December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Subsidiary	$ 27,461	$ 42,689

The credit period for receivables arising from the Company's purchase of said items on behalf of related parties is between 90days to 100 days.

(VII) Remuneration to key management

	2022	2021
Short-term employee benefits	$ 27,207	$ 26,319
Post-employment benefit	686	665
	$ 27,893	$ 26,984

XXVII. Pledged and Mortgaged Assets

The following assets were provided as collateral for short-term borrowings or guarantee for construction warranty:

	December 31, 2022	December 31, 2021
Property, plant and equipment - net	$363,074	$364,912
Other financial assets - time deposit	1,768	1,769
	$364,842	$366,681

XXVIII. Material contingent liabilities and unrecognized contractual commitments

As of December 31, 2022, the Company had the following material commitments yet to be fulfilled:

(I) The L/Cs issued for purchase of materials but not used amounted to about NT$24,998 thousand.

(II) The guarantee letter issued by financial institutions for performance of construction contractual obligations amounted to about NT$42,623 thousand.

(III) The unfulfilled obligations under construction contracts undertaken amounted to about NT$466,970 thousand.

XXIX. Information on foreign currency assets and liabilities with significant effects

The following information is summarized and stated based on the foreign currencies other than the functional currency of the Company. The disclosed exchange rate represents the exchange rate of such foreign currency against the functional currency. Information on foreign currency assets and liabilities with significant effects is as follows:

Unit: In thousand foreign currency; exchange rate: dollars

	Foreign currency	Exchange rate	Book value
December 31, 2022			
Foreign currency assets			
Monetary items			
USD	$ 13,230	30.66	$ 405,624
CNY	15,212	4.383	66,674
Non-monetary items			
Investments accounted for using equity method			
USD	136,239	30.66	4,151,240

	Foreign currency	Exchange rate	Book value
Foreign currency liabilities			
Monetary items			
USD	$ 1,019	30.76	$ 31,348
December 31, 2021			
Foreign currency assets			
Monetary items			
USD	16,704	27.63	461,529
CNY	13,645	4.319	58,931
Non-monetary items			
Investments accounted for using equity method			
USD	146,186	27.63	4,032,893
Foreign currency liabilities			
Monetary items			
USD	2,297	27.73	63,706

The Company's net foreign currency exchange gain and loss (including realized and unrealized) for 2022 and 2021 totaled NT$67,163 thousand in gains and NT$10,540 thousand in losses, respectively.

XXX. Supplementary Disclosures

(I) Significant Transactions and (II) Information on Investees

1. Loaning of funds to others: None.Appendix Table 1
2. Making endorsements/guarantees for others: Appendix Table 2.
3. Marketable securities held at the end of year (excluding investment in subsidiaries and associates): Appendix Table 3
4. Accumulated purchase or sale of the same marketable securities reaching NT$300 million or 20% of paid-in capital or more: Appendix Table 4.
5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
7. Purchase or sale of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Appendix Table 5.
8. Receivables due from related parties reaching NT$100 million or 20% of paid-in capital or more: Appendix Table 6.
9. Engagement in derivatives trading: None.
10. Information on investees: Appendix Table 7.

(III) Information on Investments in Mainland China

1. Name of investees in China; major business activities; paid-in capital; investment method; inward and outward remittance; shareholding percentage; investment gains or losses; carrying amount of investments at the end of year; investment gain (loss) remitted back; and limit on the amount of investment in China: Appendix Table 8.
2. Major transactions made with China investees through a third region, either directly or indirectly, and the price, payment terms, and unrealized gains or losses thereof:

(1) Purchase amount and the percentage thereof, and balance of related payables and the percentage thereof at the end of year

The purchase amount made by the Company from the subsidiary YUNG CHI Kunshan in 2022 was as follows:

	Purchase amount	Payables at the end of year
YUNG CHI Kunshan	$ 95,789	$ 1,955

The price of goods purchased by the Company from YUNG CHI Kunshan is formulated by referencing the market price; the average credit period is about three months after acceptance of goods or receipt of required payment requisition documents.

(2) Sales amount and the percentage thereof, and balance of related receivables and the percentage thereof at the end of year

The amount of sales made by the Company to the subsidiary YUNG CHI Kunshan in 2022 was as follows:

	Sales amount	Accounts receivable at the end of year
YUNG CHI Kunshan	$138,705	$ 30,870

The price of goods sold by the Company to YUNG CHI Kunshan is set by using the cost-plus pricing approach; the average credit period is about 90 days to 100 days. The unrealized sales gain of NT$2,061 thousand as of December 31, 2022 was arising from the Company’s sale of goods to YUNG CHI Kunshan.

(3) Asset transaction price and the amount of gain or loss arising therefrom: None.

(4) The balance and purpose of endorsements and guarantees made for notes, or collateral provided, at the end of the year: None.

(5) Financing facilities in terms of maximum balance, year-end balance, interest interval, and total interest in the same year: None.

(6) Transactions significantly affected the profit or loss or financial position in the current year

Below are the details of transactions in which the Company purchased raw materials on behalf of YUNG CHI Kunshan in 2022:

	Transaction content	Transaction price	Other receivables at the end of year
YUNG CHI Kunshan	Purchase of material on behalf of another party	$ 93,145	$ 12,832

(IV) Major shareholders: Name of major shareholders with a 5% or more stake in the Company, and the number and percentage of shares the person holds: Appendix Table 9.

XXXI. Segment Information

Segment information is exempted from having to be included in the parent company only financial statements.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Loans to others

January 1 through December 31, 2022

Appendix Table 1

Unit: NT$1,000

No.	Lending company	Borrowing company	Financial account	Whether a related party or not	Maximum balance during the period	Balance, end of period	Drawdown	Interest rate range (%)	Nature of loaning of funds	Business transaction amount	Reasons for the need of short-term financing	Appropriated provisions	Collateral		Limit of loans to a single borrower (Note)	Limit of total loaning of funds (Note 1)	Remarks
													Name	Value			
1	YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	YUNG CHI PAINT & VARNISH MFG. (Jiaxing) CO., LTD.	Other receivables	Yes	$ 179,831	$ 179,831	$ -	4.35	Short-term financing fund	$ -	Working capital	$ -	None	$ -	$ 558,275	$ 558,275	

Note: According to the "Regulations Governing Loaning of Funds" of YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD., the amount of intra-group loaning of funds made by an individual group entity or all group entities must not exceed 100% of the Company's paid-in capital.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Making endorsements/guarantees for others

January 1 through December 31, 2022

Appendix Table 2

Unit: NT$1,000

No.	Endorser/guarantor	Party being endorsed/guaranteed		Limit on endorsement/ guarantees provided for a single party (Note 2)	Maximum balance for the year	Ending balance	Drawdown	Amount of endorsement/ guarantees collateralized with properties	Ratio of accumulated endorsement/ guarantee to net equity per latest financial statement (%)	Highest limit (Note 2)	Guarantee provided by parent company to subsidiary	Guarantee provided by subsidiary to a parent company	Guarantee provided to entities in Mainland China	Remarks
		Company name	Relationship (Note 1)											
0	The Company	REULE ENTERPRISE CO., LTD.	1	$ 324,000	$ 10,774	$ 10,774	$ -	$ -	0.11	$ 648,000	N	N	N	
0	The Company	Twinahead International Material Co., Ltd.	1	324,000	76,932	33,290	-	-	0.35	648,000	N	N	N	
0	The Company	Yongzhen Industrial Co., Ltd.	1	324,000	26,496	-	-	-	-	648,000	N	N	N	
0	The Company	Superkuma International Co., Ltd.	1	324,000	126,000	126,000	-	-	1.32	648,000	N	N	N	
0	The Company	Jusheng Co., Ltd.	1	324,000	82,248	31,835	-	-	0.33	648,000	N	N	N	
0	The Company	Chief-Go Co., Ltd.	1	324,000	99,786	99,786	-	-	1.04	648,000	N	N	N	
0	The Company	Quan Shao Industrial Co., Ltd.	1	324,000	24,302	24,302	-	-	0.25	648,000	N	N	N	
0	The Company	Quan Cheng Industrial Co., Ltd.	1	324,000	7,560	7,560	-	-	0.08	648,000	N	N	N	
0	The Company	Quan Young Engineering Co., Ltd.	1	324,000	6,326	6,326	-	-	0.07	648,000	N	N	N	

Note 1: Companies with which the Company transacts.

Note 2: This is in accordance with the Company's Regulations for Making of Endorsements and Guarantees, which cap the Company's provision of endorsement and guarantee at 40% of the Company's paid-in capital, and which also cap the Company's provision of endorsement and guarantee for a single enterprise at 20% of the Company's paid-in capital.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Marketable Securities Held at the End of Period

December 31, 2022

Appendix Table 3

Unit: NT$ thousand, unless otherwise stated

Investor	Type and name of marketable securities	Relationship with the securities issuer	General ledger account	End of year				Remarks
				Shares/units	Book value	Shareholding Percentage (%)	Fair value	
The Company	Common shares							
	Sheng Yu Steel Co., Ltd.	The Company assumes the key management role in other company.	Financial assets at fair value through other comprehensive income - current	3,668,477	$ 89,878	1.14	$ 89,878	
	China Steel Structure Co., Ltd.		Financial assets at fair value through other comprehensive income - current	4,990,000	294,410	2.50	294,410	
					$384,288		$384,288	
	Common shares							
	CANDO		Financial assets at fair value through other comprehensive income - non-current	3,520,359	$ -	0.90	$ -	Note1
	Hua Nan Investment Co., Ltd.		Financial assets at fair value through other comprehensive income - non-current	85,887	-	15.85	-	Note2
	JONG SHYN SHIPBUILDING CO., LTD.		Financial assets at fair value through other comprehensive income - non-current	346,500	30,769	0.48	30,769	
	STEEL UNION International Investment and Development Co., Ltd.		Financial assets at fair value through other comprehensive income - non-current	1,000,000	15,105	2.04	15,105	
	SHIN CHOU ENTERPRISE CO., LTD.		Financial assets at fair value through other comprehensive income - non-current	2,850,000	18,615	15.00	18,615	
	ASIA HEPATO GENE		Financial assets at fair value	333,250	2,242	3.84	2,242	

	CO.		through other comprehensive income - non-current						
	RISING CHEMICAL CO., LTD.		Financial assets at fair value through other comprehensive income - non-current	1,080,000	8,599	5.14	8,599		
					$ 75,330		$ 75,330		
Dmass Investment International Co., Ltd	Common shares								
	SELATAN COATING & INSULATION SDN.BHD		Financial assets at fair value through other comprehensive income - non-current	50,000	$ 150	10.00	$ 150		

Note 1: Declared bankrupted by the bank.

Note 2: Suspended operations.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Accumulated purchase or sale of the same marketable securities reaching NT$300 million or 20% of paid-in capital or more

January 1 through December 31, 2022

Appendix Table 4

Unit: NT$ thousand, unless otherwise stated

Buyer or seller	Securities type	Securities name	General ledger account	Transaction counterparty	Relationship	Beginning of year		Purchase (Note)		Sale				End of year	
						Shares	Amount	Shares	Amount	Shares	Selling price	book value	Disposal gain (loss)	Shares	Amount
YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	Financial investment with floating yields	Kunshan Rural Commercial Bank	Financial assets at fair value through profit or loss - Current	Not a related party	None	-	$ 260,533	-	$ 1,739,358	-	$ 2,013,364	$ 1,999,891	$ 13,473	-	$ -

Note: Purchase amount this year, including considerations and valuation gain or loss.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Purchase or sale of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

January 1 through December 31, 2022

Appendix Table 5

Unit: NT$ thousand, unless otherwise stated

Purchase from (sale to)	Transaction counterparty	Relationship	Transaction details				Occurrence of transaction terms other than those for an arms-length transaction and reasons therefor		Notes/Accounts receivable (payable)		Remarks
			Purchase (sales)	Amount	Ratio to total purchase (sales) (%)	Credit period	Unit price	Credit period	Balance	Ratio to total notes and accounts receivable (payable)	
The Company	Sheng Yu Steel Co., Ltd.	The Company assumes the key management role in other company.	Sales	$410,842	4.22	The credit periods average 90 days to 100 days.	$ -	-	$ 77,899	2.92	-
	Continental Coatings, Inc.	Subsidiary	Sales	387,389	3.98	The credit periods average 90 days to 100 days.	-	-	185,951	6.98	-
	YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	Subsidiary	Sales	138,705	1.42	The credit periods average 90 days to 100 days.	-	-	30,870	1.16	-
	YUNG FEW PAINT CO., LTD.	Substantive related party	Sales	139,315	1.43	The credit periods average 90 days to 180 days.	-	-	81,047	3.04	-

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Receivables due from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2022

Appendix Table 6

Unit: NT$ thousand, unless otherwise stated

Company from which receivables are due	Transaction counterparty	Relationship	Balance of receivables due from related parties	Turnover rate	Overdue receivables due from related parties		Receivables due from related party that were recovered after the reporting period	Appropriated allowance for bad debt
					Amount	Handling method		
The Company	Continental Coatings, Inc.	Subsidiary	$ 186,055 (Note)	3.16	$ -	-	$ 41,145	$ -

Note: Including accounts receivable of NT$185,951 thousand and other receivables of NT$104 thousand. The turnover rate is not applicable to other receivables, which were excluded from calculation.

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Information on investees

January 1 through December 31, 2022

Appendix Table 7

Unit: NT$ thousand, unless otherwise stated

Name of investor	Investee	Region	Main business line	Original investment amount		Shares held at the period-end			Net profit or loss of investee in the year	Investment gains of losses recognized in the year	Remarks
				End of year	End of the previous year	Shares	Percentage (%)	Book value			
The Company	Bmass Investment Co., Ltd	British Virgin Islands	Professional investment company	652,182	652,182	16,714,658	94	2,782,350	121,852	114,626	Subsidiary
The Company	Cmass Investment Co., Ltd	Samoa	Professional investment company	755,921	755,921	23,800,000	100	780,876	16,361	16,361	Subsidiary
The Company	Emass Investment International Co., Ltd	Samoa	Professional investment company	858,390	858,390	22,020,000	100	588,014	5,006	5,006	Subsidiary
The Company	PPG Yung Chi Coatings Co., Ltd	Vietnam	Paint and pigments manufacture	30,797	30,797	-	35	26,843	4,183	1,464	Associate
Cmass Investment Co., Ltd	Dmass Investment International Co., Ltd	Samoa	Professional investment company	755,921	755,921	23,800,000	100	781,632	16,361	16,361	Subsidiary
Emass Investment International Co., Ltd	Yung Chi America Corp	USA	Professional investment company	858,390	858,390	2,202,000	100	610,623	5,006	5,006	Subsidiary
Yung Chi America Corp	Continental Coatings, Inc.	USA	Sale and processing of paints	507,554	507,554	10,736,000	100	298,494	11,319	11,319	Subsidiary
Dmass Investment International Co., Ltd	Bmass Investment Co., Ltd	British Virgin Islands	Professional investment company	138,420	138,420	1,053,408	6	175,524	121,852	7,226	Subsidiary
Dmass Investment International Co., Ltd	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Vietnam)	Vietnam	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	488,081	488,081	-	100	398,948	30,133	30,133	Subsidiary
Dmass Investment International Co., Ltd	YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Malaysia)	Malaysia	Manufacture and sale of paints	383,127	367,682	44,552,170	100	191,420	(20,998)	(20,998)	Subsidiary
YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Malaysia)	TLT Engineering Sdn Bhd	Malaysia	Thermal insulation and painting projects	16,011	16,011	1,960,000	49	9,001	(1,343)	(658)	Associate

YUNG CHI PAINT & VARNISH MFG. CO., LTD and Subsidiaries

Information on Investments in Mainland China

January 1 through December 31, 2022

Appendix Table 8

Unit: NT$ thousand, unless otherwise stated

Investee in Mainland China	Main business line	Paid-in Capital	Method of investment	Accumulated amount of investments from Taiwan at the beginning of current year	Amount of investments remitted or recovered in current year		Accumulated amount of investments from Taiwan at the end of current year	Profit (loss) of investee in the current year (Note 1)	The Company's shareholding of direct or indirect investment	Investment gains of losses recognized in the year (losses)	Investment book value at the end of the year	Profit received from investments as of the end of current year	Remarks
					Outflow	Inflow							
YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Kunshan)	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	$ 493,722	Investment in China through a company in a third region	$ 483,140	$ -	$ -	$ 483,140	$ 175,263	100.00	$ 175,263	$ 1,527,296	$ 1,164,396	
YUNG CHI PAINT & VARNISH MFG. CO., LTD. (Jiaxing)	Manufacture and sale of paints and undertaking of coating and painting engineering projects.	1,517,013	Investment in China through a company in a third region	158,460	-	-	158,460	(53,435)	100.00	(53,435)	1,429,100	-	

Name of investor	Accumulated amount of investments from Taiwan to Mainland China at the end of current period (Note 2)	Investment amount approved by the Investment Review Committee, MOEA (Note 3)	Limit on the Company's investment in China (Note 4)
The Company	$ 652,182	$ 1,134,420	$ 5,743,919

Note 1: The investment gain or loss is recognized based on the Taiwan parent's financial statements audited and attested by CPAs.

Note 2: The accumulated investment amount remitted from Taiwan to Bmass at the end of this year was US$20,132 thousand, but the amount actually invested in YUNG CHI Kunshan and YUNG CHI Jiaxing by Bmass was US$14,687 thousand and US$ 5,132 thousand, respectively.

Note 3: This is the amount converted using the exchange rates at the end of December 2022.

Note 4: Calculated by the "Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China" promulgated by the Investment Review Committee on August 29, 2008: Net worth $9,573,199×60%=$5,743,919

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Information on Major Shareholders

December 31, 2022

Appendix Table 9

Name of major shareholder	shares	
	Number of shares held (shares)	Shareholding percentage
Yong Ying Investment Co., Ltd.	36,698,653	22.65%
Chang Te-Hsiung	12,248,846	7.56%
CTBC Bank as the custodian of the dedicated investment account of MasterLink Securities (Hong Kong)	12,167,000	7.51%
Chang Te-Jen	11,529,971	7.11%
Chang Te-Sheng	10,365,996	6.39%
Huang Hsiang-Hui	9,336,101	5.76%

§ Schedule of Major Accounts §

Item	No./Index
Schedule of Assets, Liabilities, and Equity Items	
Schedule of cash and cash equivalents	Schedule 1
Financial assets at fair value through other comprehensive income - current	Schedule 2
Schedule of Notes Receivables	Schedule 3
Schedule of Accounts receivable Receivables	Schedule 4
Schedule of Other Receivables	Schedule 5
Schedule of Inventories	Schedule 6
Schedule of other financial assets	Note 10
Schedule of other current assets	Schedule 7
Schedule of changes in financial assets at fair value through other comprehensive income - non-current	Schedule 8
Schedule of Investments Accounted for Using Equity Method	Schedule 9
Schedule of Changes in Property, Plant, and Equipment and Accumulated Depreciation	Note 12
Schedule of Changes in Right-of-use Assets and Accumulated Depreciation	Schedule 10
Schedule of Changes in Investment Property and Accumulated Depreciation	Note 14
Schedule of deferred income tax assets	Note 22
Schedule of Notes Payable	Schedule 11
Schedule of Accounts Payable	Schedule 12
Schedule of Other Payables	Note 16
Schedule of Lease Liability	Schedule 13
Provisions - non-current	Note 17
Schedule of deferred income tax liabilities	Note 22
Schedule of Profit or Loss Items	
Schedule of Operating Income	Schedule 14
Schedule of Operating Costs	Schedule 15
Schedule of Operating Expenses	Schedule 16
Schedule of Other Income and Expenses	Note 21 (3)
Schedule of Employee Benefits, Depreciation, and Amortization	Schedule 17

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of cash and cash equivalents

December 31, 2022

Schedule 1

Unit: NT$1,000 thousand, unless otherwise stated

Item	Maturity date	Annual interest rate (%)	Amount
Cash on hand and working capital			$ 1,208
TWD check and demand deposit			533,801
Repo bond denominated in foreign currency - including USD3,000 thousand (Note)	2022.12.13～2023.01.30	4.05~4.20	91,980
			$626,989

Note: Exchange rate is US$1＝NT$30.66.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Financial assets at fair value through other comprehensive income - current

December 31, 2022

Schedule 2

Unit: NT$ thousand, unless otherwise stated

Name of financial products	Shares	Face value (NT$)	Total amount	Acquisition cost	Accumulated impairment loss	Fair value (Note) Unit price (NT$)	Fair value (Note) Total amount	Remarks
TWSE-listed stocks								
Sheng Yu Steel Co., Ltd.	3,668,477	$ 10	$ 36,685	$ 56,173	$ -	$ 24.5	$ 89,878	
China Steel Structure Co., Ltd.	4,990,000	10	49,900	133,515	-	59.0	294,410	
			$ 86,585	$ 189,688	$ -		$ 384,288	

Note: The fair value is calculated by taking the closing price on the balance sheet date.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Notes Receivables

December 31, 2022

Schedule 3 Unit: NT$1,000

Customer name	Amount (Note 2)	Remarks
Related party		
YUNG FEW PAINT CO., LTD.	$ 59,264	Sales proceeds
Less: loss allowance	1,185	
	$ 58,079	
Not a related party		
KAI CHING INDUSTRY CO., LTD.	$ 50,991	Sales proceeds
Jusheng Co., Ltd.	30,187	Sales proceeds
SOON-XIN INDUSTRIAL CO., LTD.	25,297	Sales proceeds
Others (Note 1)	230,979	
	337,454	
Less: loss allowance	6,749	
	$330,705	

Note 1: The balance of each individual customer did not exceed 5% of this account.

Note 2: There were no notes receivable whose maturity were more than one year.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Accounts receivable Receivables

December 31, 2022

Schedule 4 | Unit: NT$1,000

Customer name	Amount	Remarks
Related party		
Continental Coatings, Inc.	$ 185,951	Sales proceeds
Sheng Yu Steel Co., Ltd.	79,489	Sales proceeds
YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	30,870	Sales proceeds
YUNG FEW PAINT CO., LTD.	23,437	Sales proceeds
Others (Note 2)	15,486	
	335,233	
Less: loss allowance	2,061	
	$ 333,172	
Not a related party		
YIEH PHUI ENTERPRISE CO.,LTD.	$ 157,422	Sales proceeds
Others (Note 2)	1,272,351	(Note 1)
	1,429,773	
Less: loss allowance	35,613	
	$1,394,160	

Note 1: The accounts receivable more than 270 days past due amounted to NT$13,224 thousand, for which the Company already set aside a provision of NT$10,395 thousand.

Note 2: The balance of each individual customer did not exceed 5% of this account.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Other Receivables

December 31, 2022

Schedule 5 Unit: NT$1,000

Item	Amount
Related party	
Purchase of materials, machinery and equipment, and hardware on behalf of another party	$ 27,461
Human resource support service receivable	116
	$ 27,577
Not a related party	
Material purchase discount receivable	$ 10,513
Expenses of purchase of raw materials and utility payments paid on behalf of others	5,458
Group travel proceeds refund receivable	3,000
Others	1,928
	$ 20,899

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Inventories

December 31, 2022

Schedule 6 Unit: NT$1,000

Item	Amount	
	Cost	Net realizable value (Note)
Finished-goods	$ 549,661	$ 775,492
Products	17,641	20,885
Raw materials	1,061,085	1,082,393
Materials	11,197	11,492
Inventory in transit	12,258	12,258
	$1,651,842	$1,902,520

Note: Net realizable value of raw materials is estimated based on replacement costs, and net realizable value of other accounts is estimated at the remainder of estimated sales price less sales cost under ordinary course of business.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of other current assets

December 31, 2022

Schedule 7 Unit: NT$1,000

Item	Amount
Trade prepayment	$ 47,521
Others (Note)	10,759
	$ 58,280

Note: The balance of each individual customer did not exceed 5% of this account.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of changes in financial assets at fair value through other comprehensive income - non-current

2022

Schedule 8

Unit: NT$ thousand, unless otherwise stated

	Beginning of year		Increase in the current year		Decrease in the current year		End of year			
Name	Shares or thousands of shares	Fair value	Shares or thousands of shares	Amount	Shares or thousands of shares	Amount	Shares or thousands of shares	Fair value (Note 1)	Provision of guarantee or pledge	Remarks
Domestic stock traded on the emerging stock market										
JONG SHYN SHIPBUILDING CO., LTD.	315,000	$ 42,000	31,500	$ -	-	($ 11,231)	346,500	$ 30,769	None	Note3
Domestic shares not traded on an exchange or OTC										
CANDO	3,520,359	-	-	-	-	-	3,520,359	-	None	Note2
SHIN CHOU ENTERPRISE CO., LTD.	2,850,000	18,904	-	-	-	(289)	2,850,000	18,615	None	
ASIA HEPATO GENE CO.	333,250	1,999	-	243	-	-	333,250	2,242	None	
Hua Nan Investment Co., Ltd.	85,887	-	-	-	-	-	85,887	-	None	Note2
RISING CHEMICAL CO., LTD.	1,080,000	5,072	-	3,527	-	-	1,080,000	8,599	None	
		25,975		3,770		(289)		29,456		
Foreign shares not traded on an exchange or OTC										
UNION STEEL DEVELOPMENT CORPORATION	1,000,000	10,849	-	4,256	-	-	1,000,000	15,105	None	
		$ 78,824		$ 8,026		($ 11,520)		$ 75,330		

Note 1: Fair value is estimated using the valuation technique specified in Note 25.

Note 2: CANDO was declared bankrupt by the court, and Hua Nan Investment Co., Ltd. already ceased operations. Sufficient impairment loss allowance has been provided.

Note 3: JONG SHYN SHIPBUILDING CO., LTD. began to be traded on the OTC market on October 11, 2022. The increased number of shares this year was mainly due to the distribution of stock dividends of NT$1 as a result of capitalization of earnings.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Investments Accounted for Using Equity Method

2022

Schedule 9

Unit: NT$ thousand, unless otherwise stated

	Balance - beginning of period		Increase in the current year (Note 1)		Decrease in the current year (Note 1)		Balance - end of year			Market value or net equity		Provision of guarantee or pledge	
Investee	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Shareholding percentage (%)	Amount	Unit price (NT$)	Total amount (Note 2)		Remarks
Investment in subsidiary													
Bmass Investment Co., Ltd	16,714,658	$ 2,627,102	-	$ 155,248	-	$ -	16,714,658	94	$ 2,782,350	$166.58	$ 2,784,411	None	
Cmass Investment Co., Ltd	23,800,000	862,539	-	-	-	(81,663)	23,800,000	100	780,876	32.86	782,058	None	
Emass Investment International Co., Ltd	22,020,000	543,252	-	44,762	-	-	22,020,000	100	588,014	27.73	610,623	None	
		4,032,893		200,010		(81,663)			4,151,240		4,177,092		
Investment in associates													
PPG Yung Chi Coatings Co., Ltd	-	23,979	-	2,864	-	-	-	35	26,843		26,843	None	
		$ 4,056,872		$ 202,874		($ 81,663)			$ 4,178,083		$ 4,203,935		

Note 1: The increase or decrease in this year was mainly due to elimination of unrealized gains from downstream transactions, gains and losses on investment accounted for using the equity method, and adjustment of relevant equity items.

Note 2: Net equity is calculated by applying the amount indicated on the financial statements of each investee to the Company’s shareholding percentage in them. The deviation from book value at the end of year is adjusted through unrealized gain or loss on downstream transactions at the end of year.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Changes in Right-of-use Assets

2022

Schedule 10

Unit: NT$1,000

Item	Balance - beginning of period	Increase in the current year	Decrease in the current year	Balance - end of year
Cost				
Buildings	$ 21,395	$ -	$ -	$ 21,395
Transportation equipment	2,959	1,373	(896)	3,436
	24,354	$ 1,373	($ 896)	24,831
Accumulated depreciation				
Buildings	7,132	$ 7,132	$ -	14,264
Transportation equipment	1,269	1,126	(896)	1,499
	8,401	$ 8,258	($ 896)	15,763
	$ 15,953			$ 9,068

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Notes Payable

December 31, 2022

Schedule 11 Unit: NT$1,000

Supplier name	Amount	Remarks
Nan Ya Plastics Corporation	$ 12,093	Materials purchase proceeds
HUA TUNG CHEMICAL INDUSTRIAL CO., LTD.	9,311	Materials purchase proceeds
Others (Note)	2,193	
	$ 23,597	

Note: The balance of each individual customer did not exceed 5% of this account.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Accounts Payable

December 31, 2022

Schedule 12 | Unit: NT$1,000

Supplier name	Amount
Related party	
YUNG CHI PAINT & VARNISH MFG. (Kunshan) CO., LTD.	$ 1,955
Not a related party	
ETERNAL MATERIALS CO., LTD.	$101,157
Guoying Engineering Co., Ltd.	67,257
SHANG CHEN HANG Co., Ltd.	52,647
Others (Note)	478,474
	$699,535

Note: The balance of each individual customer did not exceed 5% of this account.

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Lease Liability

December 31, 2022

Schedule 13 Unit: NT$1,000

Name	Lease term	Discount rate (%)	Balance
Buildings	2021.01.01～2023.12.31	2.625	$ 7,318
Transportation equipment	2020.02.06～2025.06.26	2.625	1,963
			9,281
Less: transferred to current			8,346
			$ 935

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Operating Income

2022

Schedule 14

Unit: NT$1,000 thousand, unless otherwise stated

Item	Quantity (kg)	Amount
Revenue from sale of paints and coatings manufactured by the Company itself	82,854,846	$7,443,344
Less: sales return	405,145	(34,382)
Sales discounts		(343,310)
Net sales revenue		7,065,652
Income from painting projects undertaken		619,640
		$7,685,292

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Operating Costs

2022

Schedule 15

Unit: NT$1,000

Item	Amount
Cost of purchased goods sold	
Products - beginning balance	$ 15,741
Material purchase	95,968
Products - ending balance	(17,641)
Others	(1,824)
	92,244
Cost of self-manufactured products sold	
Direct raw materials	
Raw materials - beginning balance	1,249,006
Material purchase	4,448,124
Raw materials - ending balance	(1,061,085)
	4,636,045
Direct labor	153,683
Manufacturing overheads	693,088
Others	(3,509)
Manufacturing expenses	5,479,307
Add: finished-goods - beginning balance	507,961
Less: finished-goods - ending balance	(549,661)
Others	(30,000)
	5,407,607
Sales cost	5,499,851
Construction cost	536,654
	$6,036,505

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Operating Expenses

2022

Schedule 16 Unit: NT$1,000

Item	Marketing expenses	General and administrative expenses	R&D expense	Gains on expected reversal of credit impairment	Total
Labor costs	$ 192,099	$ 120,039	$ 120,824	$ -	$ 432,962
Advertising expenditure	87,778	1,602	1,318	-	90,698
Travel and freight charges	87,874	368	1,149	-	89,391
Export expenses	74,886	-	-	-	74,886
Depreciation and amortization	19,154	18,028	16,156	-	53,338
Entertainment fee	25,308	4,242	425	-	29,975
Gains on expected reversal of credit impairment	-	-	-	(7,130)	(7,130)
Others	14,105	44,068	73,418	-	131,591
	$ 501,204	$ 188,347	$ 213,290	($ 7,130)	$ 895,711

YUNG CHI PAINT & VARNISH MFG. CO., LTD

Schedule of Employee Benefits, Depreciation, and Amortization

2022 and 2021

Schedule 17

Unit: NT$1,000

	2022				2021			
	Operating cost	Operating expenses	Non-operating expenditures	Total	Operating cost	Operating expenses	Non-operating expenditures	Total
Employee benefit expenses								
Salary	$197,553	$373,538	$ -	$571,091	$191,317	$344,898	$ -	$536,215
Labor insurance and health insurance	19,026	30,100	-	49,126	18,591	28,577	-	47,168
Post-employment benefit	6,603	13,597	-	20,200	6,696	13,116	-	19,812
Directors' remuneration	-	3,253	-	3,253	-	3,308	-	3,308
Others	11,132	12,474	-	23,606	10,480	11,467	-	21,947
	$234,314	$432,962	$ -	$667,276	$227,084	$401,366	$ -	$628,450
Depreciation	$ 32,173	$ 52,101	$ 1,688	$ 85,962	$ 29,187	$ 56,168	$ 1,687	$ 87,042
Amortization	5	1,237	-	1,242	12	1,111	-	1,123

Note 1: The number of the Company's employees in 2022 and 2021 is 728 and 714, respectively, of whom the number of directors not concurrently serving as an employee is 6 for both years.

Note 2: The following information is additionally disclosed:

1. Average employee benefits expenses in 2022 in the amount of NT$920 thousand = (Total employee benefits expenses in 2022 - Total remuneration to directors) / (Total number of employees in 2022 - Total number of directors who are not concurrently an employee)

   Average employee benefits expenses in 2021 in the amount of NT$883 thousand = (Total employee benefits expenses in 2021 - Total remuneration to directors) / (Total number of employees in 2021 - Total number of directors who are not concurrently an employee)

2. Average employee salary expenses in 2022 in the amount of NT$791 thousand = Total salary expenses in 2022 / (Total number of employees in 2022 - Total number of directors who are not concurrently an employee).

   Average employee salary expenses in 2021 in the amount of NT$757 thousand = Total salary expenses in 2021 / (Total number of employees in 2021 - Total number of directors who are not concurrently an employee).

3. The average employee salary adjustment is 4% = (Average employee salary expenses in 2022 - Average employee salary expenses in 2021) / Average employee salary expenses in 2021.

4. The Company's remuneration policy: Remuneration to directors are based on the stipulation on the Articles of Incorporation. Salary to managers and employees are based on their education, years of service in a profession, their position, and their past performance. In addition, appropriate rewards and employee compensation will also be provided, subject to the Company's operating performance and employees' personal performance. In addition, salary will be adjusted every two to three years to reflect the increase in commodity prices.

YUNG CHI PAINT & VARNISH MFG. CO., LTD.

Chairman Chang Te-Jen