KAORI

Stock Code: 8996

Kaori Heat Treatment Ind., Co., Ltd.

Annual Report

2022

(Disclaimer: This English translation of the Annual Report is the summarized translation to the Company's Annual Report for the Shareholders' Meeting and does not constitute as an official document to the meeting. In the event there is deviation between the original Annual Report in Mandarin Chinese and its English translation, the Mandarin Chinese edition shall previal)

Inquire this Annual Report on: https://mops.twse.com.tw

https://kaori.com.tw/tw/

Publiction Date: May 5, 2023

1. Information of Spokesperson and Acting Spokesperson:

	Spokesperson	Acting Spokesperson
Name	WANG HSIN WU	CHUANG RUI QING
Title	Deputy General Manager	Manager
Phone	(03) 452-7005	(03) 452-7005
Email Address	leowang@kaori.com.tw	ritachuang@kaori.com.tw

2. Addresses and Phones of Headquarters, Branches and Plants:

Headquarters: No. 5-2, Chi-Lin North Road, Chung-Li District, Taoyuan City
Phone: (03) 452-7005
Chung-Li 1st Plant: No. 2, Chi-Lin North Road, Chung-Li District, Taoyuan City
Phone: (03) 452-7005
Chung-Li 2nd Plant: No. 11, Songjiang N. Rd., Chung-Li Industrial Area, Chung-Li District, Taoyuan City
Phone: (03) 452-7005
Zi Qiang Plant: No. 8-1, Ziqiang 4th Rd., Chung-Li Industrial Area, Chung-Li District, Taoyuan City
Phone: (03) 452-0062
Kaohsiugn Benzhou Plant: No. 3, Bengong 2nd Rd., Benzhou Industrial Area, Gangshan Dist., Kaohsiung City
Phone: (07) 624-3132

3. Stock Transfer Agency:
Mega Securities Co., Ltd.
Address: 1F, No. 95, Sec. 2, Zhongxiao E., Rd., Taipei City 100
URL: http://www.emega.com.tw
Phone: (02) 3393-0898

4. Name, Name of Affiliating Accounting Firm, Address, URL, Contact Number of Attesting CPA Responsible for the Financial Reports of the Most Recent Year:
Name(s) of Attesting CPA(s): Chen Wen Xiang, Liu Shu Lin
Name of Accounting Firm: Deloitte & Touche Firm
Address: 20F, No. 100, Songren Rd., Xinyi Dist., Taipei City 11073
Phone: (02)2725-9988
Firm Corporate Website URL: http://www.deloitte.com.tw

5. Name of Exchange for Offering and Trading of Overseas Securities and Manners for Query of Such Securities: None.

6. Corporate Website URL: https://kaori.com.tw/tw/

Contents

I. Report to the Shareholders

Dear shareholders:

This year, KAORI is stepping into the 53rd anniversary. I am so grateful to all shareholders for your care and support to the Company; meanwhile, I would like to thank all partners for the hard work and contribution during the past years.

In the previous year, owing to the shortage of natural gas supply in Europe resulting from the Russo-Ukrainian War, the European Union actively sought alternative energy sources, which led to the trend of heat pump heaters as replacement of natural gas boilers, thereby driving the rapid growth of the Company's plate heat exchanger sales. With respect to the OEM of thermal energy products Hot Box for Bloom Energy, with the increase in customer demand from Q4 in conjunction with the partnership between Bloom Energy and SK Group, a steady growth momentum may be expected in the demand and orders received by the Company. It is hoped that the Company may benefit from the increased market demand of plate heat exchanger and Hot Box. Furthermore, due to the price increase effect starting from this year and introduction of acquired vacuum furnace in various phaces, the Company’s production capacity may proceed its increment. We are convinced that the revenue and profit this year may surpass the historic records of the Company in the midst of rosy outlook along the anticipated growth in operations. Now, I am going to report the Company's operating conditions last year, as well as its prospects for this year as follows:

1. Results of the Implementation of 2022 Annual Business Plan:

(1) 2022 Individual Financial Reports — Unit: NT$ thousands

Items	2021	2022	Increase/Decrease Amounts	Increase/Decrease Rate (%)
Operating Revenue	2,087,001	2,684,398	597,397	28.63%
Net Operating Profit	185,372	288,905	103,533	55.85%
Net Profit of the Current Period	149,156	301,020	151,864	101.82%
Total Comprehensive Income of the Current Period	115,129	308,234	193,105	167.73%
Basic EPS (NT$)	1.67	3.37	1.70	101.80%

(2) 2022 Consolidated Financial Reports — Unit: NT$ thousands

Items	2021	2022	Increase/Decrease Amounts	Increase/Decrease Rate (%)
Operating Revenue	2,231,273	2,843,540	612,267	27.44%
Net Operating Profit	230,355	346,136	115,781	50.26%
Net Profit of the Current Period	149,156	301,020	151,864	101.82%
Total Comprehensive Income of the Current Period	115,129	308,234	193,105	167.73%
Basic EPS (NT$)	1.67	3.37	1.70	101.80%

2. Budget Implementation

The Company did not unveil the financial forecast for 2022. As for the implementation of individual budgets in 2022, the operating revenue reached 108.65% of the budget amount at NT$

2,470,746 thousand, the net operating profit reached 114.42%, surpassing the target budget, and the Net profit after-tax reached 96.42% of the target budget. A record-breaking operation performance is expected this year due to the continued growth of plate type heat exchanger and other heat products.

3. Financial Expenditure and Profitability Unit: NT$ thousands

Items		2022 Individual Financial Reports	2022 Consolidated Financial Reports
Cash Flow	Net Cash Inflow (Outflow) from Operating Activities	(328,111)	(287,836)
	Net Cash Inflow (Outflow) from Investing Activities	(165,818)	(167,164)
	Net Cash Inflow (Outflow) from Financing Activities	203,941	203,941
Financial Structure (%)	Ratio of Liabilities to Assets(%)	49.99	50.46
	Ratio of Long-term Funds to Real Property, Plants and Equipment(%)	170.75	164.91
Solvency (%)	Current Ratio(%)	141.16	152.04
	Quick Ratio(%)	52.90	60.53
Profitability(%)	Return on Assets (%)	8.30	8.24
	Return on Equity (%)	15.27	15.27
	Ratio of Net Profit before-Tax to Paid-in Capital(%)	41.95	43.62
	Profit Margin (%)	11.21	10.59
	Basic EPS (NT$)	3.37	3.37

4. R&D Status

In terms of R&D, the Company proceeded its contribution to new product development in the previous year, and was committed to the development of hydrogen storage materials, dielectric fluid 2U3KW, insulating oil 2U3KW, 4U7kW immersion cooling tank products, standard vertical cabinet 4U80kW water cooling unit, Hot Box for hydrogen production through water electrolysis and other related products. The Hydrogen Energy Business Department of the Company obtained the utility patent of "device and method for the removal and reuse of organic waste liquid" in 2022; concerning the heat exchanger, the Company obtained the PED and UL certifications on pressure vessels for its new heat exchanger models in 2022, thereby facilitating promotions of the heat pump heat exchanger with increased demand in Europe and America. R&D of the Company responds to the demands for natural refrigerants and environmentally friendly refrigerants as well as the sharp increase in heat pump units. The developed models B076/B081 may effectively reduce the volume of refrigerant filling, reduce the use of greenhouse gases, improve COP of system, and reduce carbon footprint. To tackle the heat pump market in the North America through legal compliance, the Company has successfully developed D206 heat exchanger, usable as a condenser for commercial and industrial heat pumps and equipped with unique drain channel technology preventing refrigerants from leaking to the water storage. Kaori’s market competitiveness is effectively heightened through the introduction of new products.

This year, the Company will continue its contribution to R&D of energy-saving and green energy products in response to market demand. For the Heat Exchanger Department, it will engage in the heat pump domain by developing a new type of heat exchanger based on the application of asymmetric channel technology with an expectation to expand its product lines and production capacity, generating more business opportunities. For the thermal energy business department, it will adopt the principal operations on the cloud data center solutions through continued proposal of liquid-cooled heat dissipation system for servers. In addition, the Fuel Cell Business Department will cooperate with Bloom Energy to develop high-efficiency hydrogen generators and hydrogen energy power generators, striving for the new era of hydrogen energy and net-zero emission. For hydrogen energy, its R&D focuses on the development of hydrogen storage materials and carbon sequestration devices for carbon recovery through collection of carbon dioxide. It is expected that the development of new products will generate a more explosive growth in revenue and profits for the Company.

5. Summary of 2023 Business Plans

(1). Management Guideline

1. For implementing sustainable development, our company has the best policies such as enhancing the capability of manufacturing process and product design, actively developing new products or technologies in response to the demand for capacity of new products, and keeping on investing in R & D.
2. Develop corresponding products regarding the applications of special industries, grab the niche market, actively strive for the cooperation with large foreign equipment manufacturers and large agencies, and expand distribution points and sales market. Spare no effort to increase the sales in the markets at home and abroad through participation in oversea exhibitions and engagement on social media, enhance the market share, expand sales channels through alliances with dealers, actively improve online sales, and establish and enhance brand awareness.

(2). Expected Sales Quantity and its Basis

The expected sales budget of the Company is based on the existing orders according to customer demand, as well as market analysis status and the plan reports of overall situation of operation, production, and sales. We hope that the overall operation situation of the Company in 2023 will remain in a stable growth.

(3). Important Production and Sales Policies

1. Improving product quality, and continued expansion of production bases and production equipment.
2. Active expansion of domestic and export markets, seeking OEM opportunities from major international players, and continued strengthening of production and sales capabilities of the Company’s overseas subsidiaries.

6. Future Development Strategies of the Company

To achieve the goal of operation growth, the Company puts emphasis on making the capacity and efficiency of overall equipment meet the needs of future shipment growth. For the Company, the major key points in the future are mainly focusing on business expansion of heat exchanger products, liquid cooling module in servers, and hydrogen energy product. Following the Company’s capital expenditure plan in 2022 concerning the vacuum furnace and automation equipment, the entry of the said equipment and the expansion of the production lines are expected to be completed in the next two years to yield the production capacity corresponding to the rapid growth in market demand.

The Heat Exchanger Department will put its focus on the development of applications for B076, B080, B110 and D105 and D206 heat pumps. As the era of hydrogen energy is around the corner, electrolytic hydrogen production plants and hydrogen fuel cell vehicles require high-pressure nickel welded heat exchangers. In the future, we intend to plan and organize the R&D of relevant solder, aiming at promoting the development of clean energy in the aspects of low-carbon and zero-carbon transformation. In addition to the two types of mainstay-fuel cell and plate heat exchanger, the Company will also lay its foundation in the future based on the core technology of hydrogen and heat energy, to combine with the existing metal processing skills, striding forward to the fields such as waste hydrogen purification equipment development of hydrogen furnace, 20U100kw immersed dielectric liquid cooling tank development and various heat dissipation, so as to create the next opportunity for large growth of KAORI.

7. The impact caused by external competitive environment, regulatory environment, and overall business environment

In response to global warming and energy depletion, all governments around the world spare no effort to focus on energy preservation and carbon reduction as well as maintaining the ecological environment. In the midst of global efforts to achieve the goal of net zero carbon emissions by 2050, the development of hydrogen energy is one of the critical options. "Hydrogen fuel cells" boast environmentally friendly and clean energy, which undergoes electrochemical reaction for generation of electricity, producing only water as byproduct, and will not cause any pollution to the environment. Furthermore, it does not cause air pollution as it yields zero carbon emission in the power generation process. The “hydrogen energy” is the green energy development indicator in the future. Albeit the fact that the application of hydrogen energy is less extensive in Taiwan, the applications concerning power generation through fuel cell in the globe will lead to unlimited business opportunities in the future under the trend of zero carbon and carbon reduction. The Company plays an important role in Bloom Energy’s supply chains for its bumper deal worth USD 4.5 Billion from the SK Group (Korea) and its upcoming launch of high-efficiency hydrogen generator and and hydrogen energy power generators. It is estimated that the production value of fuel cells in 2023 will grow compared with that in 2022 owing to the certain growth in the momentum driven by demands of fuel cell parts and components. Furthermore, as developed countries in the world are actively promoting the goal of net zero carbon emissions by 2050 the EU have announced the 210-Billion-Euro REPowerEU project in 2021, various countries have expedited their transformation related to green energy in an attempt to ridding themselves off the embarrassment derived from excessive dependence on fossil fuels as soon as possible. The market demand for the green-energy-relevant heat pump industry has been elevating, bringing about a substantial increase in the overall demand for the Company's plate heat exchangers.

The Company is closely correlated with political and economic laws and regulations, policy trends, external environment, overall business surroundings, and business cycles. Currently, no major impact and influence have occurred yet. However, the global economy is facing several risks and challenges, such as geopolitical tension, inflation, skyrocketing and material prices, bringing about challenges to growth momentum in the future. The risk issues have an intimate connection with the supply chain in the industry.

As for legal issues, the Company hires Lawyer Tian-Jen Hsieh, the former Chairman of the Consumers' Foundation, as the legal consultant to serve as an important consultation source for future legal changes and reduce the operational risks thereof.

Since its establishment, KAORI has relied on its most premium core technology, abundant experiences, and excellent management in response to the changes in external competitive environment. In the future, all partners of the Company will still hold to the business philosophy of "Innovation, Quality, Responsibility and Honor", endeavor to achieve every business objective of the Company and maintain stable growth of the Company, so that we will never let shareholders down.

Wish all shareholders

Good health and happiness.

Chairman HAN HSIEN SON

President WU CHIH HSYONG

Accounting Supervisor WANG HSIN WU

II. Company Profile

1. Company Profile

(1) Date of Incorporation: October 11, 1970

(2) Milestones:

Month/Year Milestone(s)

Oct 1970: The Company was incorporated at No.1, Ln. 211, Huacheng Rd., Hsin-Chuan City, Taipei Coounty. The investment capital was NT$ 2,600,000.

Mar 1977: The Company made re-investment in Kaohsiung and established Kaori Heat Treatment, Co., Ltd.

Apr 1988: The Company relocated to Chung-Li Industrial Area for scaled-up production.

Jul 1989: The Company’s Chung-Li Plant obtained recognition of Japanese Industrial Standards (JIS) marking.

Nov 1989: The Company’s capital was increased to NT$ 86,304,000.

Feb 1990: A merger was made between the Kaori Heat Treatment Co., Ltd. and Kaori Precision Co, Ltd. The merged companies became Kaohsiung Plant and Brazing Plant.

Mar 1990: The Company’s capital was increased to NT$ 51,374,000.

Apr 1994: The Company established its Plate Heat Exchanger Plant for self development of Brazed Plate Heat Exchangers.

May 1994: The Company’s Chung-Li Plant was certified in the evaluation by McDonnell Douglas (US).

Jul 1997: A Capital increase out of earnings and capital surplus was made. The paid-in capital following Capital Increase was NT$ 20,000,000, and the Company’s public offering was approved by the Securities and Futures Management Committee.

Aug 1998: A Cash Capital Increase by NT$ 49,000,000 was made. The paid-in capital following Capital Increase was NT$ 249,000,000.

Jun 1999: The Company’s Chung-Li Plant was certified ISO 9002 by the International Organization for Standardization.

Jan 2001: The Company’s Brazed Plate Heat Exchanger obtained pressured vessel certification by US UL.

Jun 2001: The roll heat treatment of Yungan Plant was certified ISO 9001:2000.

Oct 2001: The Kaohsiung Main Plant in Benzhou Industrial Area, Kaohsiung was established.

Jul 2002: Kaori Technology (Ningbo) Co., Ltd., a subsidiary of the Company, was established.

Aug 2002: A Capital Increase out of Earnings by NT$ 12,450 thousand was made. The Company’s total capital became NT$ 261,450,000.

Jun 2003: The Company’s Plate Heat Exchanger Plant, Chung-Li Heat Treatment Plant and Brazing Plant were certified ISO 9001:2000.

Aug 2003: The Company’s Brazed Plate Heat Exchanger was certified by EU PED for pressurized vessels.

Aug 2003: A Capital Increase out of Earnings at NT$ 28,550 thousand was made. The Company’s total capital became NT$ 290,000,000.

May 2004: The Company's Heat Technology Business Department was established for the needs to respond to circumstances changes and expansion of heat energy market.

Aug 2004: Capital Increase out of Earnings at NT$ 29,000 thousand was made. The Company's paid-in capital became NT$ 319,000,000.

Sep 2004: The Company's registration for stock trading at ESB was approved.

Nov 2004: The HTU product by Heat Technology Business Department was released.

Mar 2005: Kaohsiung Benzhou Plant (specialized in manufacturing of Brazed Plate Heat Exchanger) was certified ISO 9001:2000.

Jun 2005: The Company made submissions for OTC exchanges.

Aug 2005: ACapital Increase out of Earnings at NT$ 28,710 thousand was made. The Company's paid-in capital became NT$ 347,710,000.

Jan 2006: The Company purchased lands and plants in the Chung-Li Industrial Area and completed ownership transfer for scaled-up production.

Feb 2006: Securities and Futures Bureau approved the Company's registration for OTC listing.

Jun 2006: The Company's listing at TPEx was effective, available for exchange.

Jul 2006: A Cash Capital Increaseat NT$ 42,290 thousand was made. The paid-in capital following Capital Increase was NT$ 390,000,000.

Aug 2007: The Company issued its 1st domestic Unsecured Convertible Corporate Bond at NT$ 150,000 thousand.

Sep 2007: A Cash Capital Increase at NT$ 50,000 thousand was made. The paid-in capital following Capital Increase was NT$ 440,000,000.

Apr 2008: Renovation of the Company's 2nd Plant in Chung-Li Industrial Area was completed and open for manufacturing.

Sep 2008: A Capital Increase out of Earnings at NT$ 22,000 thousand was made. The paid-in capital following Capital Increase was NT$ 462,000,000.

Month/Year Milestone(s)

Oct 2008: The Company commenced the development and research for the key heat exchange system in fuel cells.

Aug & Sep 2009: The Company made its Capital Increase out of its 1st Domestic Convertible Corporate Bond at NT$ 50,844,550 and a Capital Increase out of Earnings at NT$ 46,200 thousand. The paid-in capital following said Capital Increases was NT$ 559,044,550.

Oct 2009: The Company made its Capital Increase out of its 1st Domestic Convertible Corporate Bond at NT$ 14,105,810. The paid-in capital following Capital Increase was NT$ 573,150,360.

Jan 2010: The Company made its Capital Increase out of its 1st Domestic Convertible Corporate Bond at NT$ 3,061,220. The paid-in capital following Capital Increase was NT$ 576,211,580.

Feb 2010: A Cash Capital Increase at NT$ 50,000 thousand was made. The Company's registered paid-in capital after the said increase became NT$ 626,211,580.

Apr 2010: The Company made its Capital Increase out of its 2nd Convertible Corporate Bond at NT$ 9,112,150. The Company's registered paid-in capital after the said increase became NT$ 635,323,730.

Jul 2010: The Company made its Capital Increase out of its 2nd Convertible Corporate Bond at NT$ 30,334,450. The Company's registered paid-in capital after the said increase became NT$ 665,658,180.

Jul 2010: Construction of the Company's New Fuel Cell Plant in Chung-Li Industrial Area was completed.

Dec 2011: Construction of the Company's New Fuel Cell Plant in Benzhou Industrial Area, Kaohsiung was completed.

Sep 2012: A Capital Increase out of Earnings at NT$ 33,282,900 was made. The paid-in capital following Capital Increase was NT$ 698,941,080.

Aug 2013: The Company issued its 3rd Domestic Unsecured Convertible Corporate Bond at NT$ 100,000 thousand.

Aug 2013: A Capital Increase out of Earnings at NT$ 34,947,050 was made. The paid-in capital following Capital Increase was NT$ 733,888,130.

Sep 2013: A Cash Capital Increase at NT$ 40,000,000 was made. The paid-in capital following Capital Increase was NT$ 773,888,130.

Oct 2013: The Company made its submittion for change of listing to TWSE.

Dec 2013: The Company's registration for TWSE listing was approved.

Feb 2014: The Company's TWSE listing and exchange was made available.

Aug 2014: A Capital Increase out of Earnings at NT$ 38,694,410 was made. The paid-in capital following Capital Increase was NT$ 812,582,540.

May 2015: The Company held its CO_2 Air-Source Heat Pump Dissemination Seminar in Beijing.

Sep 2015: A Capital Increase out of Earnings at NT$ 81,258,260 was made. The paid-in capital following Capital Increase was NT$ 893,840,800.

Oct 2015: The Company developed the nation's only fuel cell power generator with natural gas as fuel.

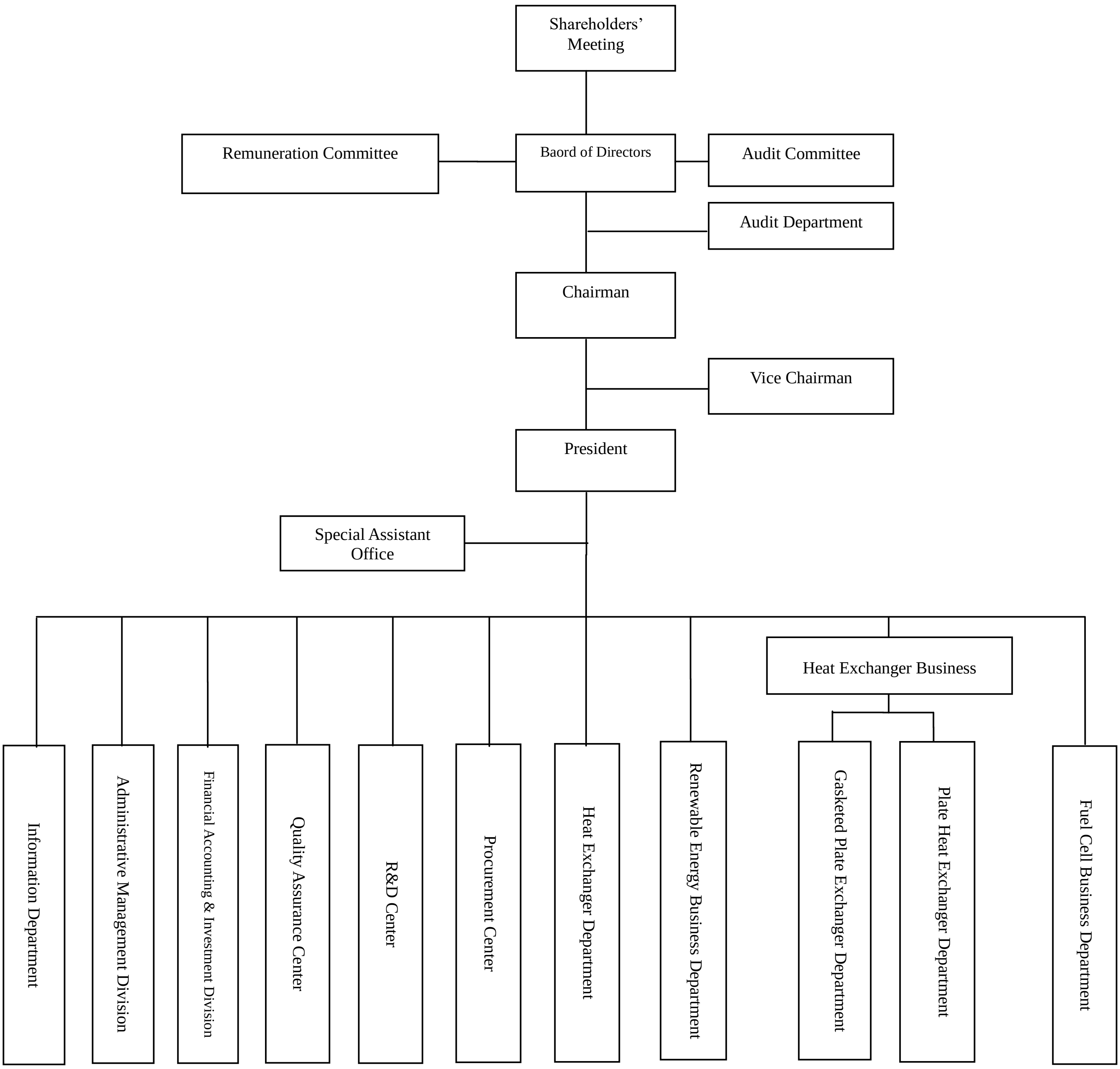
Feb 2017: The office building as global operational headquarters at the Company's main plant in Chung-Li Industrial Area was inaugurated.

Mar 2019: The product launch party for the Company's liquid-cooled heat dissipation system for servers was held at the Company's main Plant in Chung-Li District.
Feb 2020: The Company acquired lands and plants for its Zi Qiang Plant in Chung-Li Industrial Area.
Jun 2022: The Company made its first publication of Enterprise Sustainability Report.

III. Corporate Governance Report

1. Organizational System:

1. Organization Structure:



2. Businesses of Major Departments April 2023

Department	Responsibilities
Special Assistant Office (Headquarters)	1. Coordination of summarization, documentation, implementation, follow-up and nudge for plans and strategies under the Company's projects as a whole. 2. Legal affairs, litigation, and patent rights management. 3. Public relations.
Auditing Office	1. Formulating and revising internal audit systems. 2. Inspecting and evaluating internal control systems, along with recommendations at a timely manner and followup on improvements.
Administrative Management Division	1. Responsible for managing personnel, general affairs, and occupational safety of the Company and its subsidiaries. 2. Assisting in equipment maintenance and repair for various business units. 3. Assisting in project implementation for various business units.
Financial Accounting & Investment Division	1. Handling of financial, accounting, and tax affairs related to the Company and its subsidiaries. 2. Responsible for budgeting, stock affairs, financial planning, and investment planning of the Company and its subsidiaries.
R&D Center	Technical development for new products, and R&D of new technologies. Feasibility verification of R&D results and planning for commercialization.
Quality Assurance Center	Implementing internal audit of the quality assurance system and management of external audits and document control. Planning and implementation of various certification works.
Renewable Energy Business Department	Responsible for the design, development, and production and sales of methanol and natural gas fuel cell power generation systems.
Fuel Cell Business Department	Responsible for manufacturing and processing fuel cell components as well as metal product development, production technology R&D, and manufacturing and processing of related products.
Heat Exchanger Business Division	Responsible for the production and sales of brazed and gasketed plate heat exchangers, plates punching, vacuum furnace subcontracting, and R&D businessS.
Heat Exchanger Department	Responsible for market research, development, manufacturing, and sales of liquid-cooled heat dissipation system for servers.
Procurement Center	Responsible for procurement operations and import.
Information Department	Planning, maintenance, control, promotion, and information security management of computerized operations for the Company and its subsidiaries.

2. Information of Directors, Supervisors, General Manager, Assistant General Managers, Deputy Assistant General Manager, and the Chiefs of all the Company's Divisions and Branch Units:

1. Directors and Supervisors' Information: April 15, 2023

Title	Nationality or Place of Registration	Name	Gender and Age	Date the Current Position is Assumed	Term of Contract (Years)	Commence Date of First Term	Shares Held upon Assumption		Current Shares Held		Shares Held by Spouses and Children of Minor Age of Director		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Position(s) Held Concurrently in the Company and/or in any other company	Other Management Personnel, Directors or Supervisors within Spousal Relationship or 2nd Degree of Kinship			Remarks (Note)
							Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship	
Chairman	ROC	HAN HSIEN SON	Male 80-89	2020/06/17	3	1997/06/22	1,220,276	1.37%	1,240,276	1.39%	51,975	0.06%	0	0.00%	Bundesinstitut für Berufsbildung (Germany) Founder of Taiwan Society for Metal Heat Treatment	1. Chairman of the Company 2. Director, Kaori International Co., Ltd. 3. Director, Kaori Development Co., Ltd. 4. Chairman, Kaori Technology (Ningbo) Co., Ltd.	Vice Chairman of Board	HAN HSIEN FU	Brothers	
Vice Chairman of Board	ROC	HAN HSIEN FU	Male 80-89	2020/06/17	3	1997/06/22	1,488,388	1.67%	1,469,000	1.64%	489,702	0.55%	0	0.00%	Department of Mechanical Engineering, Tatung University President of Kaori since June 2000	1. Vice Chairman of Board of the Company 2. Director, Kaori Technology (Ningbo) Co., Ltd.	Chairman Assistant Manager	HAN HSIEN SON HAN WEN TENG	Brothers Son	
Director	ROC	WU CHIH HSYONG	Male 60-69	2020/06/17	3	2020/06/17	188,000	0.21%	210,000	0.24 %	0	0.00%	0	0.00%	Ph.D., Materials Science and Engineering, University of Illinois at Urbana Champaign Senior Vice President, Motech Industries Inc.	1. Director and President of the Company 2. Director, Tai-Saw Technology Co., Ltd.	None	None	None	None
Director	ROC	WANG HSIN WU	Male 50-59	2020/06/17	3	2011/06/28	300,356	0.34%	290,356	0.33%	0	0.00%	0	0.00%	Institute of Financial Management, National Central University Deputy General Manager of Kaori since January 2006	1. Director and Deputy General Manager of the Company 2. Kaori Technology (Ningbo) Co., Ltd.Director	None	None	None	None
Director	ROC	CHEN CHUN LIANG	Male 50-59	2020/06/17	3	2020/06/17	569,382	0.64%	569,382	0.64%	484,498	0.54%	0	0.00%	Master's Degree at Institution of Economics, National Taiwan University Department of Public Finance, National Taipei University	1. Director of the Company 2. Deputy General Manager, Enterprise Affairs Division, LPI Precision Inc. 3. Independent Director, Gigastorage Corporation	None	None	None	None
Director	ROC	HUANG HUNG HSING	Male 40-49	2020/06/17		2020/06/17	27,165	0.03%	219,165	0.25%	0	0.00%	0	0.00%	Institute of Technology Management, National Tsing Hua University Investment Manager, International Bills Finance Corporation	Director of the Company	None	None	None	None
Independent Director	ROC	CHEN FAN SHIONG	Male 80-89	2020/06/17	3	2006/06/30	0	0.00%	0	0.00%	117,134	0.13%	0	0.00%	Department of Mechanical Engineering, Tatung University Professor of Department of Mechanical Engineering/Material Engineering Tatung University	1. Independent Director of the Company 2. Honorary Professor, Tatung University	None	None	None	None
Independent Director	ROC	HONG HSIANG WEN	Male 60-69	2020/06/17	3	2014/06/20	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Institution of Business, National Taiwan University Funds Manager, Kwanghua Securities Investment & Trust Co., LTD.	1. Independent Director of the Company 2. Consultant, Li-Mei-Jia Investment Company	None	None	None	None

Title	Nationality or Place of Registration	Name	Gender and Age	Date the Current Position is Assumed	Term of Contract (Years)	Commence Date of First Term	Shares Held upon Assumption		Current Shares Held		Shares Held by Spouses and Children of Minor Age of Director		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Position(s) Held Concurrently in the Company and/or in any other company	Other Management Personnel, Directors or Supervisors within Spousal Relationship or 2nd Degree of Kinship			Remarks (Note)
							Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship	
Independent Director	ROC	WU CHUN YING	Male 40-49	2020/06/17	3	2020/06/17	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Doctor of Law, Tulane University Law School Venture Partner, MiiCs & Partners	1. Independent Director of the Company 2.Business Director, YUAN TSUN PLASTIC CO., LTD.	None	None	None	None

Note: Where the Chairman and General Manager of the Company or person of an equivalent post (the highest-level manager) are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed: None.

Note: Main Shareholder(s) of the Company’s Juristic Person Shareholders: Omitted.

(1). Disclosures of Information for Directors and Supervisors' Professional Qualifications and Independence of Independent Directors:

Qualifications / Name	Professional Qualifications and Experience (Note 1)	Independence (Note 2)	Number of TWSE/TPEx Listed Companies the Role Serves as an Independent Director at
HAN HSIEN SON	Kaori International Co., Ltd.- Director Kaori Development Co., Ltd.-Director Kaori Technology (Ningbo) Co., Ltd.-Chairman		None
HAN HSIEN FU	Kaori Technology (Ningbo) Co., Ltd.-Director		None
WU CHIH HSYONG	Tai-Saw Technology Co., Ltd.-Director		None
WANG HSIN WU	Deputy General Manager of the Company Kaori Technology (Ningbo) Co., Ltd.-Director		None
CHEN CHUN LIANG	LPI Precision Inc.-Deputy General Manager, Enterprise Affairs Division Gigastorage Corporation-Independent Director		1
HUANG HUNG HSING	International Bills Finance Corporation-Investment Manager		None
CHEN FAN SHIONG (Independent Director)	Tatung University-Honorary Professor	No occurrence of "Circumstances under Items 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"	None
HONG HSIANG WEN (Independent Director)	Li-Mei-Jia Investment Company-Consultant	No occurrence of "Circumstances under Items 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"	None
WU CHUN YING (Independent Director)	YUAN TSUN PLASTIC CO., LTD.-Business Director MiiCs & Partners-Venture Partner	No occurrence of "Circumstances under Items 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"	None

(2). Diversity and Independence of Board of Directors:

The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

1. Basic requirements and values: Gender, age, nationality, and culture.
2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties.

To achieve the ideal goal of corporate governance, the board of directors shall possess:

1. The ability to make judgments about operations.
2. Accounting and financial analysis ability.
3. Business management ability.
4. Crisis management ability.
5. Knowledge of the industry.
6. An international market perspective.
7. Leadership ability.
8. Decision-making ability.

The Company's 20th Board of Directors Board of Directors consists of 9 directors, with concrete management goals and implementations as follows:

Item	Management Goal	Implementation Status
1	A majority of all directors do not have spousal relationship or are not within 2nd degree of kinship with other directors.	Implemented
2	The Company's roles of Chairman and General Manager is not assumed by the same individual.	Implemented

The implementation of director diversification is as follows:

Item	Title	Director Name	Gender	Nationality	Concurrently an Employee of the Company	Age Group					Years of Service as an Independent Director				The ability to make judgments about operations	Accounting and Financial Analysis Ability	Business Management Ability	Crisis Management Ability	Knowledge of the industry	An international market perspective	Leadership Ability	Decision-making ability	Knowledge and Ability for Risk Management
						40 to 49	50 to 59	60 to 69	70 to 79	80+ yo	Under 3 Years	3 to 9 Years	9 to 12 Years	12+ Years									
1	Chairman	HAN HSIEN SON	Male	ROC						V					V		V	V	V	V	V	V	V
2	Vice Chairman of Board	HAN HSIEN FU	Male	ROC	V					V					V		V	V	V	V	V	V	V
3	Director	WU CHIH HSYONG	Male	ROC	V			V							V		V	V	V	V	V	V	V
4	Director	CHEN CHUN LIANG	Male	ROC			V								V	V	V	V	V	V	V	V	V

5	Director	WANG HSIN WU	Male	ROC	V		V								V	V	V	V	V	V	V	V	V
6	Director	HUANG HUNG HSING	Male	ROC		V									V	V	V	V	V	V	V	V	V
7	Independent Director	CHEN FAN SHIONG	Male	ROC						V				V	V		V	V	V	V	V	V	V
8	Independent Director	HONG HSIANG WEN	Male	ROC				V				V			V	V	V	V	V	V	V	V	V
9	Independent Director	WU CHUN YING	Male	ROC		V					V				V		V	V	V	V	V	V	V

(1) Diversification Background of Directors (including Independent Directors): Apart from a total of 4 directors who engages in the Company's operations, including 3 directors who are currently employees of the Company along with the Chairman, the rest of the directors (including independent directors) are all external professionals, among them includes 1 with background in corporate management, 2 with expertise in financial investment, 1 as the professor specializing in mechanical materials, and 1 Doctor of Law with expeetise in legal consultation.

(2) Age Distribution: Among the existing directors (including independent directors), 3 are aged 80 or above, 2 are between 60 and 70, 2 are between 50 and 60, and 2 are below 50. All of them are male.

2. General Manager, Assistant General Managers, Deputy Assistant General Managers, and the Chiefs of all the Company's Divisions and Branch Units

April 17, 2023; Unit: Shares

Title	Nationality	Name	Gender	Date the Current Position is Assumed	Shares Held		Shares Held by Spouses and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Concurrent Positions in the Company and Its Subsidiaries	Executive, director or supervisor who is his/her spouse or a second-degree relative of his/her clan			Remarks (Note 1)
					Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship	
President	ROC	WU CHIH HSYONG	Male	2018/05/09	210,000	0.24%	0	0.00%	0	0.00%	Ph.D., Materials Science Engineering, University of Illinois Urbana-Champaign President of Business Department of Tai-Saw Technology Co., Ltd. Senior Deputy General Manager of Motech Industries Inc.	Director, Tai-Saw Technology Co., Ltd.	None	None	None	None
Deputy General Manager	ROC	WANG HSIN WU	Male	95/01/01	290,356	0.33%	0	0.00%	0	0.00%	Institute of Financial Management, National Central University Deputy General Manager of Kaori since January 2006	Kaori Technology (Ningbo) Co., Ltd.Director	None	None	None	None
Deputy General Manager	ROC	CHOU WU HSING	Male	2020/03/02	6,000	0.01%	0	0.00%	0	0.00%	Ph.D. In Mechanical Engineering, University of Michigan President, AUO Envirotech President, BenQ ESCO Corp.	None	None	None	None	None
Deputy General Manager	ROC	CHIU HUNG YI	Male	2020/03/16	50,000	0.06%	0	0.00%	0	0.00%	Graduate Institute of Human Resource Management, National Central University Manager of Management Division , Excellence Opto	None	None	None	None	None
Deputy General Manager (Note 2)	ROC	LIN CHANG CHUN	Male	2021/11/29	0	0.00%	0	0.00%	0	0.00%	Department of Advertising, Chinese Culture University Assistant Manager of Business Department in Super Micro Computer, Inc.	None	None	None	None	None
Assistant Manager	ROC	TSAI MENG FANG	Male	2007/07/01	47,346	0.05%	606	0.00%	0	0.00%	Department of Energy and Refrigerating Air-conditioning Engineering, National Taipei University of Technology Manager of Industrial Products Divisionin Mettler Toledo Taiwan	None	None	None	None	None
Assistant Manager	ROC	CHU CHIU MING	Female	2010/08/01	47,516	0.05%	1,000	0.00%	0	0.00%	Law School of Myanmar University Salesman, Section Leader and Manager of Kaori PHE Business Division from May 1996 to July 2010	None	None	None	None	None
Assistant Manager	ROC	HSU YUNG CHENG	Male	2018/10/03	0	0.00%	0	0.00%	0	0.00%	Master’s degree of Department of Management, University of Texas at Arlington Master’s degree of the Institute of Mechanical Engineering, National Taiwan University Department Head of Chicony Power Tech Co.	None	None	None	None	None
Assistant Manager	ROC	CHIANG CHIH HUNG	Male	2019/02/18	2,000	0.00%	0	0.00%	0	0.00%	College of Electrical Engineering & Computer Science, Tamkang University Vice Leader of Information Technology Department in Motech Industries Leader of Information Technology Department in Topcell Solar International Co., Ltd.	None	None	None	None	None
Assistant Manager	ROC	LI CHING	Male	2019/04/01	22,000	0.03%	0	0.00%	0	0.00%	Ph.D., Institute of Applied Mechanics, National Taiwan University	None	None	None	None	None

Title	Nationality	Name	Gender	Date the Current Position is Assumed	Shares Held		Shares Held by Spouses and Children of Minor Age		Shares Held through Nominees		Principal Work Experience and Academic Qualifications	Concurrent Positions in the Company and Its Subsidiaries	Executive, director or supervisor who is his/her spouse or a second-degree relative of his/her clan			Remarks (Note 1)
					Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage			Title	Name	Relationship	
		CHUN									Postdoctoral Fellow, Institute of Applied Mechanics, National Taiwan University					
Assistant Manager	ROC	LIN YUEH HUNG	Male	2019/04/01	40,000	0.05%	16,000	0.02%	0	0.00%	Ph.D., Department of Mechanical Engineering, National Central University R&D Manager at Kaori since April 2014	None	None	None	None	None
Assistant Manager	ROC	HAN WEN TENG	Male	2020/03/15	40,007	0.05%	0	0.00%	0	0.00%	Master's Degree of Department of Materials Science and Engineering, Feng Chia University Manager at Kaori since September 2008	None	Vice Chairman of Board	HAN HSIEN FU	Father	None
Assistant Manager	ROC	HUANG YAO-CHUN	Male	2020/03/15	0	0.00%	0	0.00%	0	0.00%	Master's Degree, Department of Mechanical Engineering, National Cheng Kung University Manager of Component Manufacturing Department in Foxsemicon Integrated Technology, Inc.	None	None	None	None	None
Assistant Manager	ROC	CHEN YU CHUNG	Male	2021/04/06	0	0.00%	0	0.00%	0	0.00%	Ph.D., Department of Materials Science and Engineering, National Cheng Kung University Vice Leader of Electrics Department in Motech Industries	None	None	None	None	None
Assistant Manager	ROC	CHENG CHANG LI	Male	2022/03/16	0	0.00%	0	0.00%	0	0.00%	Ph.D., Department of Chemical Engineering, National Cheng Kung University Hydrogen Project Manager in, Chung-Hsin Electric and Machinery Manufacturing Corp. R&D Manager in Motech Industries Inc.	None	None	None	None	None
Corporate Governance Supervisor	ROC	LI CHIA JUNG	Male	2021/11/05	6,230	0.01%	0	0.00%	0	0.00%	MBA, College of Management, Yuan Ze University Audit Manager in Brightking Electronics Inc.	None	None	None	None	None

Note 1: Where the Chairman and General Manager of the Company or person of an equivalent post (the highest-level manager) are the same person, spouses, or relatives within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto (such as increasing the number of independent director seats, and more than half of all directors must not concurrently serve as employees or managers) must be disclosed.

Note 2: The Deputy General Manager LIN CHANG CHUN resigned on July 15, 2022.

3. Where the Chairman and General Manager of the Company or person of an equivalent post (the highest-level manager) are the same person, spouses, or relative within the first degree of kinship, the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto must be disclosed. (Table 1 and Table 1-1): None

3. Remunerations Paid to Directors, Supervisors, General Manager and Vice General Managers in the Most Recent Year

(1) Remunerations of General Directors and Independent Directors: (Disclose name and remuneration method for individual directors)

December 31, 2022 Unit: NT$ thousands

Title	Name	Directors' Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income		Remunerations Received by Directors Concurrently Serving as Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income		Remuneration from Ventures other than Subsidiaries or from the Parent Company
		Base Compensation (A)		Severance Pay and Pension (B)		Directors' Compensation (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay and Pension (F)		Employees' Compensation (G)						
																The Company		All Companies in the Financial Statements				
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	Cash Amount	Stock Amount	Cash Amount	Stock Amount	The Company	All Companies in the Financial Statements	
Chairman	HAN HSIEN SON	5,744	5,744	247	247	1,942	1,942	50	50	7,983 2.65%	7,983 2.65%	0	0	0	0	0	0	0	0	7,983 2.65%	7,983 2.65%	None
Vice Chairman of Board	HAN HSIEN FU	0	0	0	0	971	971	50	50	1,021 0.34%	1,021 0.34%	4,880	4,880	205	205	0	0	0	0	6,106 2.03%	6,106 2.03%	None
Director	WU CHIH HSYONG	0	0	0	0	971	971	50	50	1,021 0.34%	1,021 0.34%	4,780	4,780	108	108	48	0	48	0	5,957 1.98%	5,957 1.98%	None
Director	WANG HSIN WU	0	0	0	0	971	971	50	50	1,021 0.34%	1,021 0.34%	3,431	3,431	256	256	35	0	35	0	4,743 1.58%	4,743 1.58%	None
Director	CHEN CHUN LIANG	0	0	0	0	971	971	50	50	1,021 0.34%	1,021 0.34%	0	0	0	0	0	0	0	0	1,021 0.34%	1,021 0.34%	None
Director	HUANG HUNG HSING	0	0	0	0	971	971	50	50	1,021 0.34%	1,021 0.34%	0	0	0	0	0	0	0	0	1,021 0.34%	1,021 0.34%	None
Independent Director	CHEN FAN SHIONG	400	400	0	0	0	0	50	50	450 0.15%	450 0.15%	0	0	0	0	0	0	0	0	450 0.15%	450 0.15%	None
Independent Director	HONG HSIANG WEN	400	400	0	0	0	0	50	50	450 0.15%	450 0.15%	0	0	0	0	0	0	0	0	450 0.15%	450 0.15%	None
Independent Director	WU CHUN YING	400	400	0	0	0	0	50	50	450 0.15%	450 0.15%	0	0	0	0	0	0	0	0	450 0.15%	450 0.15%	None

1. Please specify payment policy, system, standard and structure of the remunerations received by independent directors, and the relevance of remunerations paid to the directors based on their duties, risks, duration of engagement and other relevant factors: The Company conducted a re-election of all directors on January 24, 2022, and the remunerations are calculated and distributed pro-rate based on years of service by individual directors.
   In accordance with the Coompany's Articles of Incorporation, the Company's remunerations for independent directors are distributed based on review by the Remuneration Committee by individual directors based on their degree of participation in Company operations, value of contributions in conjunction with performance evaluation results, diring which the reasonable and fare remunerations level are proposed, and resolution by the Board of Directors.
2. Remunerations received by director in the most recent year for provision of services (e.g. non-employee consultant) other than the above disclosed contents: NT$ 0

Note 1: In the Company's 2022 expenses, the Severance Pay and Pension recognized was NT$ 569 thousand, and the actual distribution for Severance Pay and Pension was NT$ 0.

Note 2: The Board of Directors of the Company adopted through resolution the Company's 2022 Earnings Distribution regarding Directors' Remunerations and Employee Bonus on March 22, 2023, which will be reported to the Shareholders' Meeting on June 13, 2023.

Remuneration Range Table

Range of Remunerations paid to Directors of the Company	DirectorName			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Companies in the Financial Statements H	The Company	All Companies in the Financial Statements I
Less than NT$ 1,000,000	CHEN FAN SHIONG, HONG HSIANG WEN, and WU CHUN YING	CHEN FAN SHIONG, HONG HSIANG WEN, and WU CHUN YING	CHEN FAN SHIONG, HONG HSIANG WEN, and WU CHUN YING	CHEN FAN SHIONG, HONG HSIANG WEN, and WU CHUN YING
NT$1,000,000 ~ NT$1,999,999	HAN HSIEN FU, WU CHIH HSYONG, WANG HSIN WU, CHEN CHUN LIANG, and HUANG HUNG HSING	HAN HSIEN FU, WU CHIH HSYONG, WANG HSIN WU, CHEN CHUN LIANG, and HUANG HUNG HSING	CHEN CHUN LIANG, and HUANG HUNG HSING	CHEN CHUN LIANG, and HUANG HUNG HSING
NT$2,000,000 ~ NT$3,499,999	-	-	-	-
NT$3,500,000 ~ NT$4,999,999	-	-	WANG HSIN WU	WANG HSIN WU
NT$5,000,000 ~ NT$9,999,999	HAN HSIEN SON	HAN HSIEN SON	HAN HSIEN SON, HAN HSIEN FU, and WU CHIH HSYONG	HAN HSIEN SON, HAN HSIEN FU, and WU CHIH HSYONG
NT$10,000,000 ~ NT$14,999,999	-	-	-	-
NT$15,000,000 ~ NT$29,999,999	-	-	-	-
NT$30,000,000 ~ NT$49,999,999	-	-	-	-
NT$50,000,000 ~ NT$99,999,999	-	-	-	-
Greater than or equal to NT$100,000,000	-	-	-	-
Total	9	9	9	9

(2). Remunerations for Supervisors: Not applicable.

(3). Remunerations for General Manager and Vice General Manager(s):

Remunerations for General Manager and Vice General Manager (Disclose name and remuneration method for individual managers) December 31, 2022 Unit: NT$ thousands

Title	Name	Salary (A)		Severance Pay and Pension (B)		Bonus and Special Disbursement (C)		Employees' Compensation Amount (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income(%)		Remuneration from Ventures other than Subsidiaries or from the Parent Company
		The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements	The Company		All Companies in the Financial Statements		The Company	All Companies in the Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	WU CHIH HSYONG	3,346	3,346	108	108	1,434	1,434	48	0	48	0	4,936 1.64%	4,936 1.64%	None
Deputy General Manager	CHOU WU HSING	3,109	3,109	108	108	1,314	1,314	45	0	45	0	4,576 1.52%	4,576 1.52%	None
Deputy General Manager	WANG HSIN WU	2,464	2,464	256	256	967	967	35	0	35	0	3,722 1.24%	3,722 1.24%	None
Deputy General Manager	CHIU HUNG YI	1,697	1,697	99	99	551	551	24	0	24	0	2,371 0.79%	2,371 0.79%	None
Deputy General Manager	LIN CHANG CHUN (Note 2)	1,373	1,373	59	59	625	625	0	0	0	0	2,057 0.68%	2,057 0.68%	None

Note 1: In the Company's 2022 expenses, the Severance Pay and Pension recognized was NT$ 630 thousand, and the actual distribution for Severance Pay and Pension was NT$ 0.

Note 2: The Deputy General Manager LIN CHANG CHUN resigned on July 15, 2022.

Remuneration Range Table

Range of Remunerations paid to Individual General Manager and Vice General Managers	Names of General Manager and Vice General Managers	
	The Company	All Companies in the Financial Statements
Less than NT$ 1,000,000	-	-
NT$1,000,000 ~ NT$1,999,999	-	-
NT$2,000,000 ~ NT$3,499,999	CHIU HUNG YI, and LIN CHANG CHUN	CHIU HUNG YI, and LIN CHANG CHUN
NT$3,500,000 ~ NT$4,999,999	WU CHIH HSYONG, CHOU WU HSING, and WANG HSIN WU	WU CHIH HSYONG, CHOU WU HSING, and WANG HSIN WU
NT$5,000,000 ~ NT$9,999,999	-	-

Range of Remunerations paid to Individual General Manager and Vice General Managers	Names of General Manager and Vice General Managers	
	The Company	All Companies in the Financial Statements
NT$10,000,000 ~ NT$14,999,999	-	-
NT$15,000,000 ~ NT$29,999,999	-	-
NT$30,000,000 ~ NT$49,999,999	-	-
NT$50,000,000 ~ NT$99,999,999	-	-
Greater than or equal to NT$100,000,000	-	-
Total	5	5

(4) Remunerations Received by the Top 5 the Highest Paid Supervisors in the TWSE/TPEx Company (Note 1)

Title	Name	Salary (A) (Note 2)		Severance Pay and Pension (B)		Bonus and Special Disbursement (C) (Note 3)		Employees' Compensation Amount (D) (Note 4)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 6)		Remuneration from Ventures other than Subsidiaries or from the Parent Company (Note 9)
		The Company	All Companies in the Financial Statements (Note 5)	The Company	All Companies in the Financial Statements (Note 5)	The Company	All Companies in the Financial Statements (Note 5)	The Company		All Companies in the Financial Statements(Note 5)		The Company	All Companies in the Financial Statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	WU CHIH HSYONG	3,346	3,346	108	108	1,434	1,434	48	0	48	0	4,936 1.64%	4,936 1.64%	None
Deputy General Manager	CHOU WU HSING	3,109	3,109	108	108	1,314	1,314	45	0	45	0	4,576 1.52%	4,576 1.52%	None
Deputy General Manager	WANG HSIN WU	2,464	2,464	256	256	967	967	35	0	35	0	3,722 1.24%	3,722 1.24%	None
Assistant Manager	HSU YUNG CHENG	2,072	2,072	108	108	665	665	30	0	30	0	2,875 0.96%	2,875 0.96%	None
Assistant Manager	CHU CHIU MING	1,902	1,902	114	114	747	747	25	0	25	0	2,788 0.93%	2,788 0.93%	None

(4). Name of Managerial Officer(s) Distributing Employees' Compensations and Distribution Status:

December 31, 2022 Unit: NT$ thousands

	Title	Name	Stock Bonus Amount	Cash Bonus Amount	Total	Ratio of Total to 2022 Individual Financial Reports (%)
Manager	Chairman	HAN HSIEN SON	0	741	741	0.25%
	Vice Chairman of Board	HAN HSIEN FU				
	President	WU CHIH HSYONG				
	Deputy General Manager	WANG HSIN WU				
	Deputy General Manager	CHIU HUNG YI				
	Deputy General Manager	CHOU WU HSING				
	Deputy General Manager	LIN CHANG CHUN				
	Assistant Manager	TSAI MENG FANG				
	Assistant Manager	CHU CHIU MING				
	Assistant Manager	CHEN YU CHUNG				
	Assistant Manager	LIN YUEH HUNG				
	Assistant Manager	LI CHING CHUN				
	Assistant Manager	HSU YUNG CHENG				
	Assistant Manager	CHIANG CHIH HUNG				
	Assistant Manager	HUANG YAO-CHUN				
	Assistant Manager	HAN WEN TENG				
	Assistant Manager	CHENG CHANG LI				

Note 1. The Company's 2022 Earnings Distribution regarding Directors' Compensation and Employee's Bonuses have been adopted through resolution by the Board of Directors on March 22, 2023, which will be reported to the Shareholders' Meeting on June 13, 2023.

4. Compare and describe the ratio of total remuneration to the Company's Directors, General Manager(s) and Assistant General Manager(s) to net income by the Company and All Companies in the Consolidated Report in the most recent 2 years, and specify the Company's remuneration payment policy, standard and combination, and the relevance of procedure for determining remunerations to business performance.

(1) The Company's remunerations received by the directors, supervisors, President and Deputy General Manager are only paid by the Company.
The total of remunerations paid in 2022 and 2021 account for 12.36% and 24.64% of the net incomes of the respective years.

For the year 2022, the total of remunerations received by the directors, supervisors, President and Deputy General Manager to the net incomes in the parent-only or individual financial reports paid by the Company and all companies in the financial statements in the last two years are compared, explained and analyzed as follows:

Unit: NT$ thousands

	Total of Remunerations			
	2022		2021	
	The Company	All Companies in the Financial Statements	The Company	All Companies in the Financial Statements
Director	19,523	19,523	18,932	18,932
Supervisor	Not Applicable	Not Applicable	Not Applicable	Not Applicable
General Manager and Vice General Manager	17,664	17,664	17,822	17,822

	Ratio of Total Remunerations to Net Income			
	2022		2021	
	The Company	The Company	The Company	The Company
Director	6.49%	6.49%	12.69%	12.69%
Supervisor	Not Applicable	Not Applicable	Not Applicable	Not Applicable
General Manager and Vice General Manager	5.87%	5.87%	11.95%	11.95%

Note: The Company established its Audit Committee on June 17, 2020, with all supervisors discharged simultaneously on the same date.

(2) Policies, standards, and composition of remunerations paid, the process for determining remuneration, and its relevance with business performance and future risks:

① The remunerations received by directors and supervisors of the Company include travel allowance and directors and supervisors' remunerations under theearnings distribution.
The travel allowances for the directors and supervsors are paid based at the amounts with reference to amount level of peers and in accordance with their attendance to the Board of Directors meetings; the directors' remunations under the earnings distribution is handled in accordance with the Company's Articles of Incorporation, which "after closing of accounts, if there are earnings, the Company shall first pay the tax, make up the losses for the preceding years, and set aside a legal reserve of 10% of the net profit. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Aside from the aforesaid legal reserve, the Company may set aside another sum as special reserve or revert such sum in accordance with relevant laws and regulations.
The balance following the distribution added with undistributed earnings from the former years are the cumulative distributable earnings, whose distribution shall be made into proposals by the Board of Directors based on the circumstances of the industry the Company is in and at the percentage ranging from 10 to 100 percent for submission to the meeting of shareholders for resolutions.
The Company's remunerations received by the President and the Deputy General Manager include salary, bonus, employees' remunerations, etc. are determined based on the role(s) held and the responsibilities assumed, with reference to level of remunerations paid by the peers to their equivalent roles.

② Relevance with business performance and future risks:
As the remunerations structure, including bonuses and earnings distribution items, within the Company, is determined based on the achievement of the Company's annual operating performance, taking into account the overall economic circumstances, relevant industry norms for remunerations, and the future capital requirements for the Company's development, the remuneration for directors,

supervisors, President, and Deputy General Manager at the Company (excluding fixed compensation for independent directors and supervisors) is positively correlated with their performance and future risks.

4. Implementation Status of Corporate Governance:

(1) Implementation Status of the Board:

1. A total of 5 Board meetings (A) in 2022. The attendance of director was as follows:

Title	Name (Note 1)	Attendance in Person B	By Proxy	Attendance Rate (%)[B/A](Note 2)	Remarks
Chairman	HAN HSIEN SON	5	0	100	
Director	HAN HSIEN FU	5	0	100	
Director	WU CHIH HSYONG	5	0	100	
Director	WANG HSIN WU	5	0	100	
Director	CHEN CHUN LIANG	5	0	100	
Director	HUANG HUNG HSING	5	0	100	
Director (Independent)	CHEN FAN SHIONG	5	0	100	
Director (Independent)	HONG HSIANG WEN	5	0	100	
Director (Independent)	WU CHUN YING	5	0	100	

Other information required to be disclosed:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:

(1) Matters referred to in Article 14-3 of the Securities and Exchange Act:

Board Meeting Date	Session	Proposal and Resolution	Independent Director's Opinions	The Company's Response	Objections or Qualified Opinions by the Independent Directors with Records or Written Statements
2022.3.25	20th Board of Directors (12th	Amendment to the Company's "Internal Control System". Resolution: Adopted as Proposed	None	None	None

	Meeting)	Preparation of the Company's 2021 "Statement on Internal Control". Resolution: Adopted as Proposed	None	None	None
		Amendment to the Company's "Handling Procedure for Acquisition or Disposal or Assets". Resolution: Adopted as Proposed	None	None	None

(2) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: None.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. A TWSE/TPEx listed company shall disclose the information concerning the cycle and period, scope, methods, and items of the Board of Directors' self-evaluation (or peer evaluation).

Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Items
Once a year	2022.1.1～2022.12.31	Board of Directors, Board Members, and Functional Committees	Self Evaluation	As shown in below

The Company's Board of Directors has adopted its "Regulations Governing Performance Evaluation of the Board of Directors". On March 22, 2022, the Board of Directors passed the self-evaluationreport on the performance of the 2022 Board of Directors. The evaluation results are as follows:

(1)Board of Directors Performance Evaluation

Five Major Aspects of Self-Evaluation	No. of Questions	Average Score
A. Degree of Participation in Company Operations	12	4.75
B. Enhancement of Quality concerning Decisions by the Board of Directors	12	4.75
C. Composition and Structure of the Board of Directors	7	4.86
D. Election and Continuing Education of Directors	7	4.43
E. Internal Control	7	4.86
Total/Average Score	45	4.73

(2)Board MembersPerformance Evaluation

Six Major Aspects of Self-Evaluation	No. of Questions	Average Score
A. Grasps over Company Goals and Tasks	3	4.96
B. Awareness of Directors' Duties	3	4.96
C. Degree of Participation in Company Operations	8	4.93
D. Management and Communications concerning Internal Relationship	3	4.85
E. Professionalism and Continuing Education of Directors	3	4.78
F. Internal Control	3	4.89
Total/Average Score	23	4.90

(3)Functional CommitteesPerformance Evaluation

Five Major Aspects of Self-Evaluation	Audit Committee		Remuneration Committee	
	No. of Questions	Average Score	No. of Questions	Average Score
A. Degree of Participation in Company Operations	4	5.00	4	5.00
B. Awareness of Functional Committees' Duties	5	4.93	5	4.73
C. Enhancement of Quality concerning Decisions by the Functional Committees	7	4.76	7	4.76
D. Composition of Functional Committees and Election of its Members	3	4.89	3	4.89
E. Internal Control	3	5.00	-	-
Total/Average Score	22	4.92	19	4.85

Overall, based on the evaluation results, the performance of the Board of Directors in 2022 has been assessed as "excellent", which are evidently indicating that the Company has strengthened the functions of the Board of Directors and the overall operations of the Functional Committees is in good condition. The Company will continue to strive for improvement and uphold shareholders' rights in order to enhance corporate governance effectiveness.

4. Goals for Strengthening Competency of the Board of Directors (e.g. establishment of Audit Committee, enhancement of information transparency, etc.) in the Current Year and the Most Recent Year and Evaluation on the Implementation Status:
On June 17, 2020, the Company established its Audit Committee consisting of a total of 3 members. The Company plans to engage the practicing eirector in the actual operations and business meetings of each business unit's management team for review purposes. Additionally, diversification education and training courses will be arranged for directors to enhance their corporate governance capabilities.

(2) Implementation Status of Audit Committee:

(1) The Company's Audit Committee was established on June 17, 2020, composed of 3 members.

(2) A total of 5 Audit Committee meetings (A) were held in the most recent year.
The attendance of members was as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) (B/A)	Remarks
Audit Member	CHEN FAN SHIONG	5	100	Assumed role on 2020/6/17
Audit Member	HONG HSIANG WEN	5	100	Assumed role on 2020/6/17
Audit Member	WU CHUN YING	5	100	Assumed role on 2020/6/17

Other information required to be disclosed:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified.

   1. Matters referred to in Article 14-3 of the Securities and Exchange Act:

Audit Committee	Proposal	Resolution	Company's Response to the Audit Committee's Opinion
1st Committee 9th Meeting 2022.3.25	1.2021 Business Reports and Financial Statements. 2. Proposal of 2021 "Statement on Internal Control". 3.Amendment to "Internal Control System". 4.Amendment to the Company's "Handling Procedure for Acquisition or Disposal or Assets".	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
1st Committee 11th Meeting 2022.8.5	1.Q2 2022 Financial Reports.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors

   2. Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

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

   1. Method of Meeting: Symposium.
   2. Material Finance and Business Matters of the Company under Communications and Results thereof:

Date	Venue	Communications	Results
2022.11.04	17F, No. 43, Sec. 1, Zhongxiao W. Rd., Taipei City (Cosmos Hotel Taipei)	1. Explanation of Indicators for the 2022 Corporate Governance Evaluation (2.15 and 2.30) 2. Report on the Professional Training of Audit Personnel in 2022	Opinions Exchanged
		1. Audit Plan for 2023 2. Imrpovement on the Unconformities Implemented in 2022 as of August	No Onjection
		1. Explanations on the Key Points for the Preparation and Planning on the Auditing of Consolidated Financial Statements and Recent Regulation Updates. 2. Important Schedule for ESG. Concerning the disclosure of the Financial Supervisory Commission's ESG carbon inventory, Kaori has gained advanced progress in terms of its capital. 3. The Financial Supervisory Commission requires the appointment of a dedicated information security supervisor and dedicated information security personnel by the end of 2023.	Opinions Exchanged

(3) Implementation Status of Corporate Governance and its Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons:

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has adopted relevant regulations and measures in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and disclosed the corporate governance practices on the corporate website.	None

2. Shareholding Structure & Shareholders' Right (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the Company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the Company establish internal rules against insiders trading with undisclosed information?	 V V V V		(1) The Company's finance department has designated dedicated personnel to handle shareholder suggestions, inquiries, disputes, and related matters. Where legal issues are involved are handled by the Company's legal personnel or legal firms entrsuted by the Company. (2) The company has entrusted Mega Securities Co., Ltd. to handle stock affairs, allowing the Company to promptly access information on major shareholders and the ultimate controllers of major shareholders. (3) The Company has adopted operational guidelines for financial transactions among affiliated enterprises, guidelines for managing short-and-long-term investments, and procedures for monitoring subsidiary companies and has implemented accordingly. (4) The Company has adopted its "Code of Ethics for Supervisors and Senior Professionals" and the "Procedures for Handling Material Information" to regulate and prohibit insider trading using undisclosed information in the market. All actions are conducted in compliance with applicable laws and regulations.	None
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its member? (2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the Company establish a standard to measure the performance of the Board and implement it annually, and are performance	 V V V		(1) The Company has adopted its "Regulations Governing Elections of Directors and Supervisors" and the "Corporate Governance Best-Practice Principles", and has formulated its policy on diversification for board members and set specific management objectives, gradually implementing them. For the implementation status, please refer to "Implementation of Director Diversification", pages 9~10 of this Annual Report (2) The Company has established the "Remuneration Committee" in compliance with the law and currently has no plans to set up other functional committees. (3) The Board of Directors of the Company has adopted the "Regulations Governing Performance Evaluation of the	None

evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?			Board of Directors" specifying that the Board of Directors shall conduct an internal performance evaluation of the board at least once a year, and that the evaluation shall be held at the end of each fiscal year following the evaluation procedures and indicators specified in these Regulations. In the future, the evaluation results can be reported to the Board of Directors and used as a reference for individual director's remuneration and nomination for re-election. The Company has completed the self-evaluation of the 2022 Board of Directors and its members. The evaluation criteria are as follows: "5 points" (Excellent), "4 points" (Good), "3 points" (Average), "2 points" (Needs Improvement), and "1 point" (Poor). (Best of 5 points for each criterion).	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company regularly evaluate the independence of attesting CPA?	V		Board of Directors Self-Evaluation on Performance includes five major aspects: Degree of Participation in Company Operations, Enhancement of Quality concerning Decisions by the Board of Directors, Composition and Structure of the Board of Directors, Election and Continuing Education of the Board of Directors, and Internal Control. The result in weighted average score in this evaluation is 4.73. Board Members Self-Evaluation includes five major aspects: Grasps over Company Goals and Tasks, Awareness of Directors' Duties, Degree of Participation in Company Operations, Management and Communications concerning Internal Relationship, and Internal Control. The result in weighted average score in this evaluation is 4.90. Functional Committees (Audit Committee and Remuneration Committee) Self-Evaluation on Performance includes five major aspects: Degree of Participation in Company Operations, Awareness of Functional Committees' Duties, Enhancement of Quality concerning Decisions by the Functional Committees, Composition of Functional Committees and Election of its Members, Internal Control. The results in weighted average score in this evaluation are 4.92 and 4.85. Overall, based on the evaluation results, the performance of the Board of Directors in 2022 has been assessed as "excellent", which are evidently indicating that the Company has	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			strengthened the functions of the Board of Directors and the overall operations of the Functional Committees is in good condition. The Company will continue to strive for improvement and uphold shareholders' rights in order to enhance corporate governance effectiveness. (4) On August 7, 2020, the Company's Board of Directors approved the "Assessment Method for Auditor Independence and Suitableness". On March 22, 2023, based on the information provided by the auditors in the "Auditing Quality Indicators Explanation" and the auditors' independence statement, the Board of Directors approved the independence and suitability of the attesting CPAs for the year 2023. The Company's attesting CPAs are Liu Shu Lin and Chen Wen Xiang of Deloitte & Touche Firm, who are not related parties of the Company and there are no circumstances indicating a lack of independence.	
4. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors	V		The designated unit responsible for handling the Company's board meeting affairs is the Finance Department, as appointed by the Company's Board of Directors. On November 5, 2021, the Board of Directors approved the appointment of a Corporate Governance Supervisor. Therefore, the meeting affairs unit is responsible for handling requests from the Board of Directors and Shareholders' Meetings, assisting directors and independent directors in complying with laws and handling Company registrations and change	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?			registrations, preparing board and shareholders' meeting minutes, and providing timely and effective assistance to directors in performing their duties as promptly as possible within 3 days.	
5. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has complied with the regulations by setting up a dedicated section for stakeholders on its corporate website and has appropriately responsed to important corporate social responsibility issues raised by stakeholders.	None
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has entrusted Department of Stock Affairs, Mega Securities Co., Ltd. to handle the affairs of the Shareholders' Meeting and relevant stock affairs.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the Company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit	V V V		(1) The Company has disclosed financial and corporate governance information on its corporate website. (2) The Company has made its corporate website available in English and has regularly and irregularly reports various financial and business information on the MOPS in compliance with regulations; a dedicated person responsible for information collection and disclosure within the company has been appointed, and a spokesperson system has been established. (3) On March 22, 2023, the Company's Board of Directors approved the 2022 Financial Reports, and the Company has timely disclosed and reported quarterly financial reports and monthly operating conditions within the prescribed deadlines set by the competent authority.	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		(1) Employee Rights and Employee Care: In addition to complying with the Labor Standards Act and relevant laws, The Company has established an Employee Welfare Committee and implemented a retirement pension system. It encourages employees to participate in domestic and international training programs and technical seminars, provides employee group insurance and regular health check-ups, emphasizes labor relations, and offers equal employment opportunities. (2) Investor Relations, Supplier Relations, and Stakeholders' Rights: The Company has set up an investor section on its corporate website (please refer to corporate website: https://www.kaori.com.tw/tw/) and provides contact numbers and email addresses for designated personnel to handle shareholder issues, suggestions, inquiries, and disputes. The Company maintains smooth communication channels with investors, suppliers, and customers, maintains good interactive relationships, adheres to the principle of integrity in business dealings, and complies with the Company's internal control systems and management practices. (3) Continuing Education for Directors: In the 2022 fiscal year, The Company's directors have received education on corporate governance topics, including courses on finance, business, legal matters, and accounting. Independent directors also receive a minimum of six hours of annual education on law, finance, or	None

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			accounting. The status of the said education has been disclosed in the "Corporate Governance Section" of the MOPS. (4) Implementation of Risk Management Policies and Standards: The Company has established various internal management regulations and risk management policies in compliance with the law. Furthermore, the Company's internal audit units regularly or irregularly implements various risk management, assessment, and auditing activities according to these regulations. (5) Implementation of Customer Policy: The Company has established customer policies and complaint handling procedures and maintains regular contact with customers through its designated personnel. For customer complaints, the Company properly identifies the issues and accountability, proposes rapid and effective measures to address the issues, and proposes preventive improvement measures to prevent recurrence. Meanwhile, the Company ensures maximum benefits for both parties through good negotiation and communication channels. (6) Directors' and Supervisors' Liability Insurance and Social Responsibility: The Company has insured liability insurance for its directors and supervisors, with coverage of USD 1 million, to strengthen the protection of shareholders' equity.	

Evaluation Items	Implementation Status (Note 1)			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measure: In the 2021 evaluation of corporate governance for TWSE/TPEx listed companies, the evaluation system consists of seven levels. The Company's evaluation result in 2021 falls within the sixth level at 66% to 80%; areas pending improvement by the Company: strengthening the structure and operation of the Board of Directors, disclosure of information in English, and implementation of evaluation items related to corporate social responsibilities, etc.; other matters and measures to strengthen in priority: enhancing the structure and operation of the Board of Directors and implementing evaluation items related to corporate social responsibilities. The 2022 Corporate Governance Evaluation results have not been acquired.				

Note 1: For each indicator, specify measures and conducts at the Abstract Illustration field, no matter if "Yes" or "No" is ticked at the Implementation Status.

(4) Implementation Status: Composition, Responsibilities and Operations of the Remuneration Committee, where the Company has established its Remuneration Committee:

1. Composition of the Remuneration Committee:

Information of Members of the Remuneration Committee December 31, 2022

Role (Note 1)	Conditions / Name	Professional Qualifications and Experience (Note 2)	Independence (Note 3)	Number of Companies the Member Concurrently Serve as a Remuneration Committee Member
Independent Director (Convenor)	CHEN FAN SHIONG	Tatung University-Honorary Professor	No occurrence of "Circumstances under Items 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"	None
Independent Director	HONG HSIANG WEN	Li-Mei-Jia Investment Company-Consultant	No occurrence of "Circumstances under Items 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"	None
Independent Director	WU CHUN YING	Yuan Tsun Plastic Co. Ltd.-Director of Business Development MiiCs & Partners-Venture Partner	No occurrence of "Circumstances under Items 5~8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies"	None

2. Duties of Remuneration Committee:

The relevant matters regarding the authority of the Company's Remuneration Committee are performed in accordance with the provisions under the "Organizational Charter of the Remuneration Committee" adopted in accordance Artilce 3 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange". Unless otherwise provided by laws or the Company's Articles of Incorporation, the conducts shall be performed in accordance with the provisions of the said organizational charter.

The functions of this committee involve the evaluation of remunerations policies and systems for directors, supervisors, and managers of the Company from a professional and objective perspective as well as making recommendations to the Board of Directors as reference for their decision-making.

3. Information for Implementation Status of Remuneration Committee:

(1) The Company's Remuneration Committee is composed of 3 members.

(2) Term of Contract for the incumbent members:

from Jun1 17, 2020 to June 16, 2023. In the most recent year, the Remuneration Committee convened 3 meetings (A), with attendance and member qualifications as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A) (Note)	Remarks
Convenor	CHEN FAN SHIONG	3	0	100	Assumed role on
Member	HONG HSIANG	3	0	100	Assumed role on
Member	WU CHUN YING	3	0	100	Assumed role on

Other information required to be disclosed:

1. Where the Board of Directors does not adopt or amends suggestions by the Remuneration Committee, Board of Directors meeting date, period, contents of proposal, Board of Directors resolutions and Company response to Remuneration Committee opinions should be specified (e.g. where the remunerations adopted by the Board of Directors if more preferable than the amounts suggested by Remuneration Committee, the deviation and cause for such deviation shall be specified): None.
2. Where a member expresses objection or reserved opinions to resolution by the Remuneration Committee and a record or written statement is in place, Remuneration Committee meeting date, period, contents of proposal, opinions of all members and response to member opinions should be specified: None.

Remuneration Committee	Proposal	Resolution	Response by the Company
4th Committee 5th Meeting 2022.1.21	1. 2021 Year-end and Operation Bonuses for the Entire Company. 2. 2021 Distribution of Year-end and Operation Bonuses for the Managerial Officers.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
4th Committee 6th Meeting 2022.3.25	1. 2021 Distribution of Employees and Directors' Remunerations.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors
4th Committee 7th Meeting 2022.8.5	1. 2021 Distribution of the Amounts of Compensations for Employees and Directors.	Approved by all Audit Committee Members	Submitted to the Board of Directors meeting to be approved by all attending directors

(5) Fulfillment of Sustainable Development: Implementation of Sustainable Development and its Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons

Implementation Items	Implementation Status (Note 1)			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company promote governance structure for sustainable development and establish a dedicated (concurrent) unit for promoting sustainable development, with corresponding handling by senior management under authorization of the Board of Directors? If so, please describe the status of supervision by the Board of Directors.	V		The framework for promoting sustainable development within the Company is organized with the Chairman as the chairperson, the Vice Chairman of the Board as the vice chairperson, the President as the convenor, and the Deputy General Manager of the Administrative Management Division as the deputy convenor. The implementing units are organized based on four dimensions: environmental management, corporate governance, social engagement, and green sustainable products. The Board of Directors supervises and guides the environmental, social, and corporate governance issues related to sustainable development and arranges periodic meetings throughout the year to report on the progress of implementation to management and the Board of Directors. For details on the governance structure of the members involved in such promotion, please refer to the "Implementation Status of the Company's Sustainable Development" (Pages 32-33) in this Annual Report. On May 6, 2022, the Board of Directors adopted through resolution the schedule and plan for greenhouse gas inventory and verification. On August 5, 2022, the Board of Directors reported on the progress of the greenhouse gas inventory and verification plan. On November 4, 2022, the Board of Directors reported that the greenhouse gas inventory and verification plan had been certified	None

Implementation Items	Implementation Status (Note 1)			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			through third-party verification.	
2. Does the Company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? (Note 2)	V		The Company has adopted its "Sustainable Development Best Practice Principles" to fulfull corporate governance conduct risk assessments related to environmental, social, and corporate governance issues relevant to the Company's operations, develop a sustainable environments, promote social welfare, meanwhile establishing risk management strategies and measures for materiality issues. Please refer to the "Implementation Status of the Company's Sustainable Development" (Pages 32-33) in this Annual Report.	None
3. Environmental Issues (1) Does the Company establish proper environmental management systems based on the characteristics of their industries?	V		The Company has established an appropriate environmental management system in accordance with the requirements of environmental regulations, with industry characteristics taken into consideration. The Company's Kaohsiung Plant obtained ISO 14001 certification for environmental management systems, demonstrating the Company's implementation of effective environmental management systems and legal basis of relevant regulations.	None
(2) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		Through process optimization, the Company enhances energy efficiency, promotes paperless electronic signatures, domestic waste reduction, and recycling activities to achieve continuous energy conservation and carbon reduction.	None
(3) Does the Company evaluate the potential risks and opportunities in climate change	V		In 2022, the Company voluntarily adopted the international guidelines Task Force on Climate －related Financial Disclosures	None

<table>
<tr><th rowspan="2">Implementation Items</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td>with regard to the present and future of its business, and take appropriate action to counter climate change issues?</td><td></td><td></td><td>(TCFD) and discloses the four core elements recommended by the TCFD- “Governance”, "Strategy", “Risk Management”, and “Metrics and Targets”, and in the meantime identifies significant risks and opportunities posed by climate change and proposes relevant response strategies. For more information, please refer to the ESG section on the corporate website and Pages 81-87 of the Company’s 2021 ESG Sustainability Report.</td><td></td></tr>
<tr><td>(4) Does the Company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?</td><td>V</td><td></td><td>1. Staistics
(1) Greenhouse Gas:
<table>
<tr><th>Emission Category/Total (tons of CO_2e)</th><th>2021</th><th>2022</th></tr>
<tr><td>Scope 1</td><td>326.6783</td><td>Statistical Operations in Progress</td></tr>
<tr><td>Scope 2</td><td>7,031.5215</td><td>Statistical Operations in Progress</td></tr>
<tr><td>Scope 3</td><td>8,594.9524</td><td>Statistical Operations in Progress</td></tr>
<tr><td>Total</td><td>15,953.1522</td><td>Statistical Operations in Progress</td></tr>
</table>
(2) Water Resources: The water usage mainly consists of</td><td>The statistical operations for the 2022 greenhouse gas emissions data are currently in progress and are expected to be completed by the end of April or early May 2023. The total emissions will be disclosed in the Company’s 2022 ESG</td></tr>
</table>

<table>
<tr><th rowspan="2">Implementation Items</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>domestic purpuses, and the water source is tap water, which has no major impact on natural water sources, and the wastewater produced is limited to general domestic wastewater. The Company will continue its implementation of water-saving policies through relevant advocacy campaigns.
<table><tr><td rowspan="2">Total Usage (in Million Liters)</td><td>2021</td><td>2022</td></tr><tr><td>5.85</td><td>6.095</td></tr></table>
(3) Wastes:
<table><tr><th>Waste Category\Volume (tons)</th><th>2021</th><th>2022</th></tr><tr><td>Hazardous Wastes</td><td>0</td><td>0</td></tr><tr><td>Non-Hazardous Wastes</td><td>72.466</td><td>89.157</td></tr><tr><td>Total</td><td>72.466</td><td>89.157</td></tr></table>
2. 2. The Company has adopted its “Energy Conservation and Carbon Reduction Management Measures”, with the policy objectives of reducing water and electricity usage, enhancing energy efficiency, and raising awareness of sustainable development.
3. The Company’s greenhouse gas emissions for the year 2021 have been verified through an inspection conducted by SGS Taiwan Limited on August 10, 2022, in accordance with ISO 14064-1:2018, Inventory and Verification for Greenhouse</td><td>report.</td></tr>
</table>

Implementation Items	Implementation Status (Note 1)			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			Gases.	
4. Social Issues (1) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		The Company complies with relevant national laws, including the Labor Standards Act, Employment Service Act, Act of Gender Equality in Employment, and other applicable laws, meanwhile advocating international human rights bills including "Universal Declaration of Human Rights", "United Nations Guiding Principles on Business and Human Rights", and conventions of the International Labour Organization (ILO), among others. Through internal policies such as the "Employee Working Rules" and "Internal Communication Procedures," the Company provides channels for grievances to safeguard the rights and interests of its employees and ensure that every employee are treated fairly and with respect. Additionally, the Company has never engaged in child labor, forced labor, or any other activities that violate human rights.	None
(2) Does the Company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		The Company regularly holds labor-management meetings and weekly meetings to maintains a good two-way communication, and formulates and implements reasonable employee welfare measures including salaries, vacations and other benefits in accordance with the Labor Standards Act and related laws and regulations, with business performance and outcome reflected in the form of employee compensations: (1) The Board of Directors has established its Remuneration Committee responsible for payment policy, system, standard and structure of the remunerations.	None

Implementation Items	Implementation Status (Note 1)			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			(2) Bonus Distribution: Liked with Company operation performance, net income of each fiscal year and employee evaluation results. (3) Childbirth Allowance: Eligible for employees with children under the age of 6 registered under his/her household. (4) Childcare Allowance: Distributed per year for one infant per household until the infant is 6 years old. (5) The Company recognizes employees who make performance improvement proposals with outstanding outcome during monthly meetings and rewards them with performance bonuses as an encouragement for their excellence.	
(3) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		The Company conducts annual employee health check-ups and regularly promotes a safe and healthy working environment during monthly meetings. Regular safety and health education participated by all employees have been organized. Through these events, regular communications and interaction with employees as well as the dissemination of policy plans and educational training are implemented. Employees can gain a comprehensive understanding of the Company's operational updates through these meetings. The Company provides and maintains a safe and healthy working environment in compliance with industrial practices and legal requirements, and conducts regularly the labor safety education and prevention training in accordance with legal regulations.	None

Implementation Items	Implementation Status (Note 1)			Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the Company provide its employees with career development and training sessions?	V		In response to rapid technological changes in the industry and to ensure employees' skills and career development, the Company has adopted its “Employee Education and Training Guidelines”for the objectives to enhance employees' knowledge and skills, thereby improving work efficiency and quality. Furthermore, the Company provides non-periodic on-the-job training or encourages employees to participate in external professional training. Employee learning and development are prioritized in human resources management of the Company to cultivate outstanding professionals and enhance operational performance to achieve the Company's business objectives.	None
(5) Do the Company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V		In terms of marketing and labeling of products and services, the Company follows relevant regulations and does not engage in deceptive, misleading, or any hidden practices which may impair consumer rights. The Company has adopted its a customer complaint management procedure and established a customer-oriented quality system. Additionally, the Company values customer feedback and has set up a stakeholder section on the Corporate Website, providing contact information and channels for inquiries, complaints, or suggestions to ensure customer rights.	None
(6) Does the Company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human	V		To seek excellent suppliers, the Company has adopted its “Supplier Control Operation Procedure” for seeking transactions with suppliers in reasonable pricing anr requiring suppliers to comply with regulatory requirements in environmental protection, occupational health and safety, and labor rights, thereby building	None

Implementation Items	Implementation Status (Note 1)			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
rights? If so, describe the results.			good rapports; the Company also requests suppliers to comply with the European Union's Restriction of Hazardous Substances Directive (RoHS Directive) (latest version EU2015) or other relevant environmental directive requirements in its provision of materials. Regular supplier evaluations are conducted by the Company to continuously optimize the Company's supplier base. The contracts entered by and between the Company and its major suppliers include adherence to policies on corporate social responsibility by both parties and that "the Company reserves the right to terminate or rescind the contracts if a supplier violates the policies and significantly impacts the environment and society". Outstanding suppliers are recognized and appreciated every year during the annual year-end party (banquet).	
5. Does the Company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third-party verification unit?	V		The Company has issued the 2021 Sustainability Report, whose contents follow the Global Reporting Initiative (GRI) Standards and align with the United Nations' Sustainable Development Goals (SDGs). The report is voluntarily disclosed, pending assurance by an engaged third-party verifier in the future. Please refer to the ESG section on Kaori's corporate website for more information.	None
6. Describe the difference, if any, between actual practice and the sustainable development principles, if the Company has implemented such principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies: The Company's "Corporate Social Responsibilities Best Practice Principles" adopted in August 2016, as approved by the Board of Directors were later revised into "Sustainable Development Best Practice Principles" following approval by the Board of Directors on				

<table>
<tr><th rowspan="2">Implementation Items</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviations from the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td colspan="5">January 21, 2022 to align with the Company's commitment to corporate social responsibility and to contribute to economic, environmental, and social progress towards sustainable development goals. The Company regularly assesses its performance based on these principles and makes improvements accordingly. To date, there have been no significant deviations from the implementation of these Principles.</td></tr>
<tr><td colspan="5">7. Other useful information for explaining the status of corporate social responsibility practices:
The Company is committed to integrating ESG principles into its operational processes and striving for sustainable management with the core principles of “energy conservation, carbon reduction, people-oriented, and sustainable operation” in a more systematic and organized manner. In response to the risks of climate change, Kaori grasps international trends and advocates for actions towards achieving net-zero carbon emissions. As achieving net-zero is crucial for the long-term strategic development of the Company, priority is given to promoting sustainable practices focused on “low carbon X emission reduction” before the net-zero carbon emission is realized:
(1) Self-Initiated Low-carbon generation and emission reduction: The Company improves its manufacturing process and brazing technology, replaces energy-consuming production equipment to enhance energy productivity and efficiency, and continuously reduces carbon emissions during the manufacturing and processing stages of its products. Efforts are also made to continuously reduce waste generated from operational activities.
(2) Green renewable energy: The Company has installed a roof-mounted solar photovoltaic system with a capacity of 744.51 kW, which is expected to generate 18,448,369 kWh of green energy over the next 20 years. The power generation of renewable energy through such system is expected to reducing 9,390 metric tons of CO2 emissions-equivalent to the carbon absorption capacity of approximately 23 Da'an Forest Parks.
(3) Low-carbon technologies: The Company takes pre-emptive deployment for the sustainable development of the supply chain and builds a complete low-carbon transformation structure with liquid cooling technology and hydrogen energy technology. The Company engages in continuous development of key green and low-carbon technologies, bringing new possibilities and business models to the conventionally energy-consuming industry.
In recent years, the Company has been actively collaborating with international major manufacturers to develop and produce various energy-saving, hydrogen energy, and green energy products, actively venturing into the green energy market and moving towards the green energy industry. The Company's commitment to environmental responsibility is reflected in its transition from using energy to saving energy and now to manufacturing energy, contributing to the planet's well-being and creating a green energy future. The Company also makes</td></tr>
</table>

Implementation Items	Implementation Status (Note 1)			Deviations from the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
donations from time to time to various organizations supporting underprivileged students, education, social welfare, and programs for disadvantaged children. Examples include donations to the Xingsha Social Welfare Foundation, Eden Social Welfare Foundation, Taitung Christian Medical Foundation, and Taiwan Thermal Management Association. The Company actively participates in activities organized by charitable and public welfare organizations as a means to fulfill its corporate social responsibility.				

Note 1: If "Yes" is ticked in the "Implementation status" column, please concretely describe the major policies, strategies, and measures adopted and the status of their implementation. If "No" is ticked in the "Implementation status" column, please explain the deviations and the reasons in the "Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and the Reasons" column and explain the Company's plans for adoption of related policies, strategies, and measures in the future. However, for Items 1 and 2, the TWSE/TPEx listed company shall describe its governance and supervisory framework for sustainable development, including but not limited to management policy, strategy and goal formulation, review measures, etc. It additionally shall describe the company's risk management policies or strategies for operations-related environmental, social, and corporate governance issues, and their assessment status.

Note 2: The materiality principle refers to focusing on environmental, social and corporate governance issues likely to have a material impact on the Company's investors and other stakeholders.

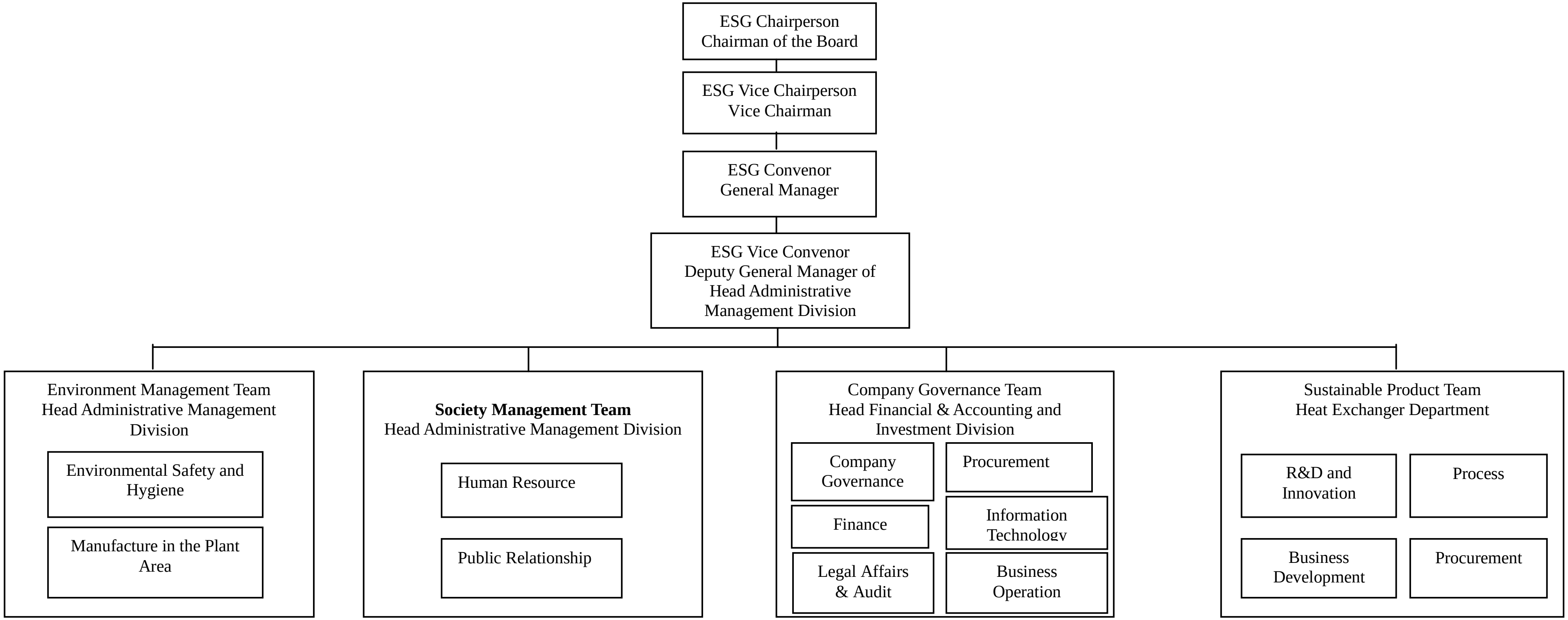
Note 3: Regarding the method for disclosure, please refer to the "SAMPLE ANNUAL REPORT" page on the website of the Taiwan Stock Exchange Corporate Governance Center.

[Explanations for Amendment] To enable TWSE/TPEx listed companies to enhance their valuing gover the sustainable development governance frameworks, the TWSE/TPEx listed companies shall describe their implementations of Items 1 and 2 with respect to governance aspect of the Company.

Implementation status of the Company's promotion of sustainable development:

1. Framework for Sustainable Development Promotions

Kaori's ESG Promotion Committee primarily organizes initiatives based on four dimensions: environmental management, corporate governance, social engagement, and green sustainable products:



2. Governance and Responsibilities for the Promotion

(1) Environmental Management Team: Led by the Administrative Management Division, the team focuses on developing and implementing environmental policies and management systems, global climate change mitigation and adaptation, pollution control, energy efficiency, carbon emission management, and mechanisms to respond to environmental issues; occupational safety and health policies, workplace safety, prevention of occupational diseases, and health promotion; ensuring communication and compliance with environmental, safety, and health regulations while managing labor relations.

(2) Social Management Team: Led by the Administrative Management Division, the team focuses on attracting and retaining talent, promoting employee physical and mental well-being, work-life balance, labor-management relations, labor rights, employee development and career growth, and integration of public relations efforts for stakeholder interactions and management.

(3) Corporate Governance Team: Led by the General Division of Finance and Investment, the team is responsible for promoting and managing material topics concerning corporate governance, procurement, finance, information technology, legal affairs, auditing, and operations.

(4) Sustainable Product Team: Led by the operating unit of the Heat Exchanger Business Division, the team promotes R&D innovation, green processes, green procurement, and business development related to sustainable products.

3. Evaluation on the Risks in Sustainable Development Promotion

Materiality Topic	Risk Evaluation Items	Risk Management Strategies and Measures
Environmental	Environmental Protection Climate Change	1. Reducing the impact of Company operations on the natural environment and human beings: (1) ReducING the consumption of resources and energy in products and services. (2) Minimizing emissions of pollutants, toxic substances, and waste, and handling waste properly. (3) Enhancing the recyclability and reuse of raw materials or products. (4) Maximizing the sustainable use of renewable resources. (5) Extending the durability of products. (6) Increasing effects of products and services 2. Conducting a greenhouse gas inventory and disclosure thereof in accordance with the international standard ISO 14064-1. The scope should include: (1) Direct greenhouse gas emissions: Emissions from sources owned or controlled by the Company. (2) Indirect greenhouse gas emissions: Emissions resulting from the consumption of purchased electricity, heat, or steam. (3) Other indirect emissions: Emissions generated by the Company's activities that are not related to energy consumption but originate from sources owned or controlled by other companies.
Social	Workplace Safety Employee Recruitment and Training	1. Providing a safe and healthy working environment for employees inclusive of necessary health and emergency facilities, and striving to reduce hazards to employee safety and health to prevent occupational accidents. 2. Regular safety and health education and training. 3. Establishing an effective career development and training program. 4. Reflecting the Company's business performance or achievements appropriately in the compensation policy to ensure the recruitment, retention, and motivation of human resources, thereby achieving the goals of sustainable operation.
Corporate Governance	Social-economics and Legal Compliance	By establishing a governance organization and implementing effective governance structures, ethical standards, and internal control mechanisms, the Company ensures that all personnel and operations comply with relevant legal and regulatory requirements, thereby fostering sound corporate governance.

(6) Status of the Company's Fulfillment of Ethical Corporate Management and Measures Adopted:

Implementation of Ethical Corporate Management and its Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons

Evaluation Items	Implementation Status(Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Establishment of ethical corporate management policies and programs (1) Does the Company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy (2) Does the Company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies? (3) Does the Company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and	V V V		(1) To ensure fulfillment of the ethical corporate management, the Company has formulated an Ethical Corporate Management policy, which has been approved by the Board of Directors. The Company has also established accounting and internal control systems, with its internal auditors regularly auditing compliance with these systems. The core values of the Company's operations-innovation, quality, responsibility, and honor- are explicitly stated in external documents. The policy of Ethical Corporate Management emphasizes guidelines for Directors, Supervisors, senior management, employees, and substantial controllers to follow in conducting business. The Company has adopted its "Ethical Corporate Management of the Company", "Operational Procedure and Guideline of Conducts for Ethical Corporate Management", and the "Guidelines for Ethical Conductss" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies". (2) Ethical Corporate Management. To prevent instances of dishonest behavior, The Company has implemented	None

Evaluation Items	Implementation Status(Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
amendments?			preventive measures in its internal control management regulations. These measures specifically target activities with higher risks of unethical conduct as outlined in the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" Article 7, Paragraph 2, or other business operations within the scope. These measures are in place to ensure the promotion and implementation of Ethical Corporate Management. (3) The Company has established a strict "Risk Management Policy" to prevent and mitigate the risks associated with business activities that have a higher potential for dishonest behavior within its scope of operations. Additionally, the Company has implemented an appropriate reporting system and channels for whistleblowing, and treats related reports and handling records as confidential information, fulfilling its responsibility to maintain confidentiality. The Company regularly reviews and revises the aforementioned measures to ensure their effectiveness.	

Evaluation Items	Implementation Status(Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
2. Ethical Corporate Management Fulfill Operations Integrity Policy (1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (2) Does the Company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations? (3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Does the Company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits? (5) Does the Company regularly hold internal and external educational trainings on operational integrity?	V V V V V		(1) The Company avoids conducting transactions with individuals or entities with a history of unethical conducts. Integrity clauses are included in the commercial contracts. Important legal documents of the Company are reviewed by legal personnel or legal consultants, who provide professional opinions and advice. (2) The Company has designated its Special Assistant Office as the dedicated unit to handle the procedures and revisions, execution, interpretation, consultation services, and record-keeping related to the operational procedure and Code of Conduct, supervised by the auditing unit. The Company's auditing unit is an independent department affiliated with the Board of Directors. The Auditing Office conducts regular audits to ensure compliance, monitors various operations, and prepares audit reports to be submitted to the Board of Directors. (3) The Company has established a policy to prevent conflicts of interest and provides appropriate channels for statements, whistleblowing, and complaints. The General Affairs Department is responsible for the authority and duties related to this policy. (4) The Company promotes the avoidance of any behavior that goes against integrity in all business activities. To implement Ethical Corporate Management, all	None

Evaluation Items	Implementation Status(Note 1)			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			operations are required to comply with accounting systems, internal control systems, and relevant policies. Regular audits conducted by internal auditors have not revealed any violations against ethical corporate management. (5) The Company organizes regular monthly meetings for advocacy that all conducts against integraity shall be avoided in all business activities. Employees are encouraged to participate in internal and external education and training.	
3. Implementation Status Operation of the Integrity Channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the Company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures? (3) Does the Company provide proper whistleblower protection?	V V V		(1) The Company has established strict preventive measures and disciplinary actions to guide employees in maintaining high ethical standards within the business scope and prevent illegal activities. Additionally, a reporting and complaint channel has been established, with the General Affairs Department responsible for its management. If an employee violates the ethical behavior standards outlined in the Company's work rules, appropriate discipline measures will be administered in accordance with the relevant provisions. If the disciplined employee as mentioned in the preceding paragraph believes that the Company has handled the matter improperly and their legitimate rights and interests have been violated, they may file a complaint with the General Affairs Department in accordance with the Company's relevant complaint	None

<table>
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<tr><th>Yes</th><th>No</th><th>Abstract Illustration</th></tr>
<tr><td></td><td></td><td></td><td>handling regulations for appropriate remedies.
(2) The Company has formulated processing principles and confidentiality mechanisms for reported matters.
(3) The Company ensures the confidentiality of whistleblowers and treats case-related information and processing records as confidential documents, which are properly archived and retained.</td><td></td></tr>
<tr><td>4. Strengthening Information Disclosure
Does the Company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</td><td>V</td><td></td><td>The Company currently has disclosed contents related to Rules of Ethical Corporate Management on the corporate website.</td><td>None</td></tr>
<tr><td colspan="5">5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation:
The Company has adopted its “Ethical Corporate Management of the Company”, “Operational Procedure and Guidelines for Ethical Corporate Management”, “Guidelines for Ethical Conducts”, ~, “Internal Communication Procedures”, “Investor Relations Handling Procedures”, and risk management policies in accordance with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”. The two did not reveal any discrepancy.</td></tr>
<tr><td colspan="5">6. Other important information to facilitate a better understanding of the Company’s ethical corporate management policies (e.g., review and amend its policies): None</td></tr>
</table>

(7) Where Corporate Governance Principles and relevant regulations have been adopted, the Company shall disclose the matters for inquiry of such regulations:

The Company has, based on the essence of the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies", adoptrd its corporate governance rules and relevant chapters. Inquire relevant contents at:

Corporate Website https://www.kaori.com.tw/tw/

MOPS https://mops.twse.com.tw

(8) Other important information sufficient to improve understanding of implementation status for corporate governance may be disclosed altogether:

1. The Company has established the "Procedures for Handling Internal Material Information" for managing internal significant information and has informed all directors, supervisors, managers, and employees. This procedure is disclosed on the "electronic bulletin board" at the Company's internal network for all employees to follow, so as to avoid violations or occurrences of insider trading.
2. Directors, supervisors, managers, and newly appointed internal personnel of the Company are distributed with the Insider Equity Transactions Advocacy Handbook for TWSE/TPEx Listed Companies upon assuming their positions. This Handbook informs the internal personnel themselves (directors, supervisors, managers, and shareholders holding more than 10%) and their related parties (spouse, childred of minor age, and nominees) about the relevant laws and regulations regarding insider trading and the precautions that should be taken by internal personnel of a TWSE/TPEx Listed Companies.
3. Other ways to inquire about the implementation status of the Company's corporate governance that are sufficient to enhance understanding:
   Corporate Website: https://www.kaori.com.tw/tw/投資人專區
   MOPS: https://mops.twse.com.tw

(9) Disclosures Required for the Implementation of the Internal Control System

1. Internal Control Statement:

Kaori Heat Treatment Ind., Co., Ltd.
Statement on Internal Control

Date: March 22, 2023

The Company hereby releases this Statement concerning the results of self-inspection on the Company's internal control system made in 2022:

1. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The Company has established such a system aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three objectives mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
3. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets (hereinbelow, the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. control environment 2. risk assessment 3. control activities 4. information and communications 5. monitoring activities. Each element further contains several items. Please refer to the Regulations for details.
4. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
5. Based on the findings of the assessment mentioned in the preceding paragraph, the Company believes that as of December 31, 2022 its internal control system (including its supervision and management of subsidiaries and its overall implementation of information security), encompassing internal controls for understanding the degree of achievement of operational effectiveness and efficiency objectives, the reliability, timeliness, and transparency of reporting, and compliance with applicable norms and applicable laws, regulations, and bylaws, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.
6. This Statement will become a major part of the content of the Company's Annual Report and Prospectus and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement has been passed by the Board of Directors Meeting of the Company held on March 22, 2023, where none of the nine attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Kaori Heat Treatment Ind., Co., Ltd.

Chairman: HAN HSIEN SON Signature

President: WU CHIH HSYONG Signature

2. Review on Internal Control System by Entrusted Auditors, where the Company has entrusted a CPA for the review of Internal Control System on a Project Basis: Please refer to Attachment 1.

(10) If, in the Most Recent Year and as of the Publication Date of this Annual Report, the Company and its internal personnel have been punished according to law, or the Company has punished its internal personnel for violating the internal control system regulations, whose result may have a material impact on shareholders' rights and interests or securities prices, the punishment content, main deficiencies and improvement status shall be specified: None.

(11) Major Resolutions of Shareholders' Meeting and Board Meetings in the Most Recent Year and as of the Publication Date of this Annual Report:

1.Shareholders' Meeting:

The Company's 2022 Annual General Shareholders' Meeting was held on June 16, 2022 (THU) at 9:30AM at No.5-2, Chi-Lin North Road, Chung-Li District, Taoyuan City, Taiwan. (Large conference room on 5F of the operational headquarters at the head office). The resolutions adopted in the Shareholders' Meeting were as follows:

Date of Shareholders' Meeting	Major Resolutions
2021/6/24	1. Report Items: Item 1: 2021 Business Reports. Item 2: 2021 Audit Committee's Review Report. Item 3: 2021 Employee and Director Remuneration Distribution Reports. Item 4: 2021 Shareholders' Dividend and Bonus Distribution Reports. Implementation Status of Report Items: Apart from the ex-dividend date for earnings distributions sets at July 11, 2022 and the full payment to be completed on July 25, 2022 (earnings in the form of cash dividend NT$1.5 per share), all other proposals were passed as proposed. 2. Ratification Items: Item 1: 2021 Business reports and Financial Statements. Implementation Status: The 2021 Business Report and Financial Statements were ratified, among which the all-year consolidated revenue was approx. NT$2,231,273 thousand, the net profit after tax was approx. NT$149,156 thousand, and the EPS was approx. NT$1.67. 3. Discussion and Election Items: None

2. Board of Directors:

The Company has convened 8 Board of Directors Meetings in 2022, with proposals and resolutions summarized as follows:

Board of Directors Date/ Session	Proposal and Resolution
2022/1/21 20th Board of Directors 11th Meeting	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. 2.To adopt the 2021 Year-end and Operation Bonuses for the Entire Company. 3.To adopt the 2021 Distribution of Year-end and Operation Bonuses for the Managerial Officers. 4.To adopt the Company's 2022 Annual Budget.

Board of Directors Date/ Session	Proposal and Resolution
	5.To adopt the Amendment to the Company's "Corporate Social Responsibilities Best Practice Principles". 6.To adopt the Amendment to the Company's "Corporate Governance Best Practice Principles".
2022/3/25 20th Board of Directors 12th Meeting	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. 2.To adopt the 2021 Business Reports and Financial Statements. 3.To adopt the 2021 Earnings Distribution. 4.To adopt the 2021 Distribution of Employees and Directors' Remunerations. 5.To adopt the Proposal of 2021 "Statement on Internal Control". 6.To adopt the Formulation of Stock Affairs in the 2022 Annual General Shareholders' Meeting. 7.To adopt the Company's Evaluations on the Independence and Suitability of Attesting CPAs. 8.To adopt the The CompanyAmendment to "Internal Control System" 9.To adopt the Amendment to the Company's "Articles of Incorporation". 10.To adopt the Amendment to the Company's "Rules of Procedure for Shareholders' Meeting". 11.To adopt the The CompanyAmendment to the Company's "Handling Procedure for Acquisition or Disposal or Assets". 12.To adopt the Amendment to the Company's "Corporate Governance Best Practice Principles".
2022/5/6 20th Board of Directors 13th Meeting	1.To adopt the Q1 2022 Financial Reports. 2.To adopt the schedule and plan for greenhouse gas inventory and verification for the Company.
2022/8/5 20th Board of Directors 14th Meeting	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. 2.To adopt the Q2 2022 Financial Reports. 3.To adopt the The Company2021 Distribution of the Amounts of Compensations for Employees and Directors.
2022/11/4 20th Board of Directors 15th Meeting	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. 2.To adopt the Q3 2022 Financial Reports. 3.To adopt the Company's 2023 Annual Auditing Plans. 4.To adopt the Amendment to the Company's "Rules of Procedure for Board of Directors Meeting". 5.To adopt the Amendment to the Company's "Procedures for Handling Internal Material Information".
2023/1/17 20th Board of Directors 16th Meeting	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. 2.To adopt the 2022 Year-end and Operation Bonuses for the Entire Company 3. To adopt the 2022 Distribution of Year-end and Operation Bonuses for the Managerial Officers. 4.To adopt the 2023 Annual Budget. 5.To adopt the Action Plans for Investments by Returing Taiwanese Merchants. 6.To adopt the Amendment to the Company's "Corporate Governance Best Practice Principles".

Board of Directors Date/ Session	Proposal and Resolution
	7.To adopt the Amendment to the Company's "Sustainable Development Best Practice Principles".
2023/3/22 20th Board of Directors 17th Meeting	1.To adopt the Application for Credit Line to Financial Institutions for the Operation Needs and Relevant Credit Matters. 2. To adopt the 2022 Business Reports and Financial Statements. 3. To adopt the 2022 Earnings Distribution. 4.To adopt the Decisions on Schedules for Distribution of Cash Dividend as Part of 2022 Earnings Distribution. 5. To adopt the 2022 Distribution of Employees and Directors' Remunerations. 6.To adopt the Proposal of 2022 "Statement on Internal Control". 7.To adopt the Independence and Suitability of Attesting CPAs. 8.To adopt the Proposal of pre-approval of Attesting CPAs, their Firms, and Firm-affiliated Enterprises Concerning Provision of Non-assurance Services to the Company and its subsidiaries. 9.To adopt the schedule and plan for greenhouse gas inventory and verification on the Subsidiaries of the Company. 10.To adopt the Amendment to the Company's "Rules of Procedure for Board of Directors Meeting". 11.To adopt the Amendment to the Company's "Regulations Governing Distribution of Year-end Bonuses". 12.To adopt the Re-election of All Directors of the Company. 13.To adopt the Proposal of List of Candidates for the 2023 Directors (incl. Independent Directors) Proposed by the Board of Directors of the Company. 14.To adopt the Proposal of Releasing Prohibitions on the New Directors from Participation in Competitive Businesses. 15.To adopt the Formulation of Affairs Relevant to 2023 Annual General Shareholders' Meeting.
2023/4/21 20th Board of Directors 18th Meeting	1.To adopt the Review on the List of Candidates for the 2023 Directors (incl. Independent Directors) Proposed by Shareholders of the Company.

(12) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors in the Most Recent Year and as of the Publication Date of this Annual Report: None.

(13) Resignation or Dismissal of the Company's Key Individuals, including the Chairman, General Manager, Accounting Manager, Chief Internal Auditor Corporate Governance Supervisor and R&D Supervisor:

1. Summarized Table Concerning Resignation or Dismissal of Relevant Personnel of the Company:

April 17, 2023

Title	Name	Commence Date	Dismissal Date	Reason for Resignation or Dismissal
	None			

Note: The Key Individuals mentioned herein refers to Chairman, General Manager, Accounting Manager, Chief Internal Auditor, Corporate Governance Supervisor and R&D Supervisor.

2. Obtaining of Certificates specified by Competent Authority by the Company's Personnel relevant to Financial Information Transparency: None

5. Information Regarding the Company's Audit Fee:

Audit Fee Information

Unit: NT$ thousands

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Audit Fee	Non-Audit Fee	Total	Remarks
Deloitte & Touche Firm	Liu Shu Lin, Chen Wen Xiang	2022. 01.01 ~ 2022.12.31	3,000	3,540	6,540	1. Tax and transfer pricing auditing and attesting: NT$3,450 thousand. 2. Review of Annual Report for Shareholders' Meeting: NT$70,000. 3. Table of Salary Information Check for Full-time employee Assuming Non-executive Positions: NT$30 thousand. 4. Translation of financial statements to English: NT$ 260 thousand. 5. Audit fee for Direct Deduction Method Applications at NT$ 135 thousand. 6. ESG Consultation Project at NT$2,580 thousand (by Deloitte Risk Management Consulting Co., Ltd.). 7. Business registration at NT$15 thousand.

Table of Ranges for Information of CPA Audit Fees

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche Firm	Chen Wen Xiang	Liu Shu Lin	2022.01.01～2022.12.31	

Unit: NT$ thousands

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$ 2,000,000			
2	NT$2,000,001 ~ NT$4,000,000	3,000	3,540	6,540
3	NT$4,000,001 ~ NT$6,000,000			
4	NT$6,000,001 ~ NT$8,000,000			
5	NT$8,000,001 ~ NT$10,000,000			
6	Over NT$100,000,000			

(1) Where the attesting CPAs, accounting firms, and their affiliated enterprises receive non-audit fees equal to or more than one-fourth of the audit fees, the details of audit and non-audit fees as well as the disclosure of non-audit service content shall disclosed as follows: None.

(2) Where a replacement of accounting firm is made and the audit fee paid in the year of replacement is less than the audit fee in the previous year, the amount and reasons for the audit fee before and after the replacement shall be disclosed: None.

(3) Where audit fees have decreased by more than 10% compared with the previous year, the amount, proportion and reasons for the decrease in audit fees shall be disclosed: The audit fees at NT$3,550 thousand for the previous year did not exclude the non-audit service fees at NT$550 thousand were. After excluding these non-audit service fees, the audit fees remained at NT$3,000 thousand, indicating no reduction.

6. Replacement of CPA: None.

7. Where the Chairman, General Manager, or Manager in charge of Financial or Accounting affairs have worked in the accounting firm affiliated company of the attesting CPA in the last year, the name, title and employment period in the firm or affiliated enterprise of attesting CPA period of affiliated enterprise shall be disclosed: None.

8. Changes in Equity Interest Transfer and Pledge of Stock Rights Amongst Directors, Supervisors, Managers and Shareholders with Shareholding Percentage over 10 Percent in the Most Recent Year and as of the Publication Date of this Annual Report

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

Unit: Shares

Title	Name	2022		As of April 15, 2023		Remarks
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	
Chairman	HAN HSIEN SON	(5,000)	None	(15,000)	None	Trust 2,000,000 Shares
Director (and Vice Chairman of Board)	HAN HSIEN FU	(39,388)	None	0	None	Trust 1,200,000 Shares
Director (President)	WU CHIH HSYONG	4,000	None	0	None	
Director (and Deputy General Manager)	WANG HSIN WU	0	None	(10,000)	None	
Director	CHEN CHUN LIANG	0	None	0	None	
Director	HUANG HUNG HSING	3,000	None	0	None	
Independent Director	CHEN FAN SHIONG	0	None	0	None	
Independent Director	HONG HSIANG WEN	0	None	0	None	
Independent Director	WU CHUN YING	0	None	0	None	
Deputy General Manager	CHOU WU HSING	0	None	0	None	
Deputy General Manager	CHIU HUNG YI	(79,325)	None	0	None	
Deputy General Manager	LIN CHANG CHUN	0	None	0	None	Resigned on July 15, 2022
Assistant Manager	TSAI MENG FANG	(5,000)	None	(9,000)	None	
Assistant Manager	CHU CHIU MING	0	None	0	None	

Title	Name	2022		As of April 15, 2023		Remarks
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	
Assistant Manager	HSU YUNG CHENG	(12,000)	None	(6,000)	None	
Assistant Manager	CHIANG CHIH HUNG	0	None	(2,000)	None	
Assistant Manager	LI CHING CHUN	0	None	(19,000)	None	
Assistant Manager	LIN YUEH HUNG	0	None	0	None	
Assistant Manager	HAN WEN TENG	0	None	(27,000)	None	
Assistant Manager	HUANG YAO-CHUN	(13,000)	None	0	None	
Assistant Manager	CHEN YU CHUNG	0	None	0	None	
Assistant Manager	CHENG CHANG LI	0	None	0	None	
Other	LI CHIA JUNG	(19,770)	None	(5,000)	None	

(2) Information Concerning Counterparty for Transfer of Share by Director, Manager, and Major Shareholder as a Related Party

Name (Note 1)	Reason for Transfer (Note 2)	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT$)
None						

Note 1: Enter name of the Company’s Director, Supervisor, Manager, and Major Shareholder(s) Holding 10 percent of More of the Company’s Shares.
Note 2: Enter Acquisition or Disposal.

(3) Information Concerning Counterparty for Pledges by Director, Manager, and Major Shareholder as a Related Party: None.

9. Relationship among the Top Ten Shareholders, including Related Parties or Spouse or Relatives within 2nd Degree of Kinship:

April 17, 2023

Name	Shares Held		Shares Held by Spouses and Children of Minor Age of Director/Supervisor		Shares Held through Nominees		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives within 2nd Degree of Kinship (Note)		Remarks
	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Shares	Shareholding Percentage	Name of Entity (or Individual)	Relationship	
Citi (Taiwan) Commercial Bank Custodial Investment Account of Norges Bank-Fund Mgr. Neuberger Berman Europe Limited	2,579,000	2.89%	0	0.00%	0	0.00%	None	None	
WANG GUI HSIANG	2,396,000	2.68%	0	0.00%	0	0.00%	None	None	
GU HUNG DAO	2,318,000	2.59%	129,000	0.14%	0	0.00%	None	None	
Concord Securities Co., Ltd.	2,181,000	2.44%	0	0.00%	0	0.00%	None	None	
LI TSUNG HUI	2,128,449	2.38%	0	0.00%	0	0.00%	TSAI HE LING	Aunt and Nephew	
TSAI HE LING	2,006,268	2.24%	0	0.00%	0	0.00%	LI TSUNG HUI	Aunt and Nephew	
HAN HSIEN SON TRUST PROPERTY ACCOUNT under Custody of HAN CHENG MEI HUI	2,000,000	2.24%	0	0.00%	0	0.00%	None	None	
CHEN SHI YUN	1,939,000	2.17%	0	0.00%	0	0.00%	None	None	
TU SHUI CHENG	1,900,000	2.13%	0	0.00%	0	0.00%	None	None	
Mega International Commercial Bank Custodial Trust Property Account for Employees of Kaori Heat Treatment Ind., Co., Ltd.	1,874,591	2.10%	0	0.00%	0	0.00%	None	None	

Note: The shareholders mentioned above include both juristic persons and natural persons, and their relationships should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

10. Shares of the Same Re-invested Businesses held by the Company and Directors, Managers and Businesses under Direct or Indirect Control of the Company, with Combined Calculation of the Comprehensive Shareholding Percentages:

December 31, 2022; Unit: Shares; ％

Re-invested Businesses	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/ Managers		Comprehensive Investments	
	Shares	%	Shares	%	Shares	%
KAORI INTERNATIONAL CO., LTD	5,100,000	100.00%	0	0.00%	5,100,000	100.00%
KAORI DEVELOPMENT CO., LTD	5,050,000	100.00%	0	0.00%	5,050,000	100.00%
Kaori Technology (Ningbo) Co., Ltd.	—	100.00%	0	0.00%	—	100.00%

IV. Capital Overview

1. Capital and Shares:

(1) Source of Capital:

1. Capital Constitution History:

Unit: thousand shares; NT$ thousand

Year and Month	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
2002.10	10	35,000	350,000	26,145	261,450	Capital Increase out of Earnings at 12,450	None	Approved per 16 August 2002 Order (91)-Taiwan-Finance-Securities (I) No. 0910145673
2003.09	10	35,000	350,000	29,000	290,000	Capital Increase out of Earnings at 28,550	None	Approved per 15 August 2003 Order (92)-Taiwan-Finance-Securities (I) No. 0920137148
2004.10	10	35,000	350,000	31,900	319,000	Capital Increase out of Earnings at 29,000	None	Approved per 13 August 2004 Order Finance-Management-Securities (I) No.0930136246
2005.09	10	35,000	350,000	34,771	347,710	Capital Increase out of Earnings at 28,710	None	Approved per 9 August 2005 Order Finance-Management-Securities (I) No.0940132241
2006.07	13	50,000	500,000	39,000	390,000	Cash Capital Increase 42,290	None	Approved per 8 May 2006 Order Finance-Management-Securities (I) No.0950115746
2007.10	20	100,000	1,000,000	44,000	440,000	Cash Capital Increase 50,000	None	Approved per 12 July 2007 Order Finance-Management-Securities (I) No.0960034033
2008.09	10	100,000	1,000,000	46,200	462,000	Capital Increase out of Earnings at 22,000	None	Approved per 16 July 2008 Order Finance-Management-Securities (I) No.0970035837
2009.08	21.3	100,000	1,000,000	51,284	512,845	Capital Increase thru Convertible Bonds at 50,845	None	Approved per 14 August 2009 Order MoEA-Authorization-Commerce No. 09801184360
2009.09	10	100,000	1,000,000	55,904	559,045	Capital Increase out of Earnings at 46,200	None	Approved per 13 July 2009 Order Financial-Supervisory-Commission-Issuance No.0980034711
2009.10	10	100,000	1,000,000	57,315	573,150	Capital Increase thru Convertible Bonds at 14,105	None	Approved per 20 October 2009 Order MoEA-Authorization-Commerce No. 09801241260
2010.01	10	100,000	1,000,000	57,621	576,211	Capital Increase thru Convertible Bonds at 3,061	None	Approved per 19 January 2010 Order MoEA-Authorization-Commerce No. 09901012620

Year and Month	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital Increased by Assets Other than Cash	Others
2010.02	32	100,000	1,000,000	62,621	626,211	Cash Capital Increase 50,000	None	Approved per 26 October 2009 Order Financial-Supervisory-Commission-Issuance No.0980054536
2010.04	10	100,000	1,000,000	63,532	635,324	Capital Increase thru Convertible Bonds at 9,113	None	Approved per 15 April 2010 Order MoEA-Authorization-Commerce No. 09901072230
2010.07	10	100,000	1,000,000	66,566	665,658	Capital Increase thru Convertible Bonds at 30,334	None	Approved per 21 July 2010 Order MoEA-Authorization-Commerce No. 09901164400
2012.08	10	100,000	1,000,000	69,894	698,941	Capital Increase out of Earnings at 33,283	None	Approved per 22 August 2012 Order MoEA-Authorization-Commerce No. 10101172810
2013.08	10	100,000	1,000,000	73,389	733,888	Capital Increase out of Earnings at 34,947	None	Approved per 22 August 2013 Order MoEA-Authorization-Commerce No. 10201170270
2013.09	48	100,000	1,000,000	77,389	773,888	Cash Capital Increase 40,000	None	Approved per 26 September 2013 Order MoEA-Authorization-Commerce No. 10201199280
2014.08	10	100,000	1,000,000	81,258	812,582	Capital Increase out of Earnings at 38,694	None	Approved per 22 August 2014 Order MoEA-Authorization-Commerce No. 10301175910
2015.09	10	100,000	1,000,000	89,384	893,840	Capital Increase out of Earnings at 81,258	None	Approved per 16 September 2015 Order MoEA-Authorization-Commerce No. 10401195310
2019.02	10	150,000	1,500,000	89,384	893,840	-	None	Approved per 2 August 2019 Order MoEA-Authorization-Commerce No. 10801091240

2. Type of Stock: April 17, 2023 Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary Shares	89,384,080	60,615,920	150,000,000	TWSE-Listed Company Shares

3. Information concerning the soliciting and issuance of securities through shelf registration system shall be disclosed: None.

(2) Shareholder Composition: April 17, 2023

Shareholder Composition / Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	18	268	106	15,315	15,711
Shareholding (shares)	1,383,000	6,470,117	7,514,284	13,355,075	60,661,604	89,384,080
Percentage	2%	7%	8%	15%	68%	100%

(3) Shareholding Distribution Status: Par Value NT$ 10: April 17, 2023

Class of Shareholding	Number of Shareholders	Shares Held	Shareholding Percentage(%)
1 to 999	11,577	458,522	0.51
1,000 to 5,000	3,282	5,588,789	6.25
5,001 to 10,000	295	2,295,730	2.57
10,001 to 15,000	100	1,292,931	1.45
15,001 to 20,000	99	1,804,842	2.02
20,001 to 30,000	70	1,820,600	2.04
30,001 to 40,000	37	1,353,085	1.51
40,001 to 50,000	39	1,799,154	2.01
50,001 to 100,000	77	5,761,827	6.45
100,001 to 200,000	56	8,363,974	9.36
200,001 to 400,000	31	8,941,798	10.00
400,001 to 600,000	18	8,885,376	9.94
600,001 to 800,000	7	4,483,328	5.02
800,001 to 1,000,000	3	2,880,498	3.22
1,000,001 and more shares	20	33,653,626	37.65
Total	15,711	89,384,080	100.00

(4) List of Main Shareholders:

Name, Shares held and Shareholding Percentage for Shareholders with over 5%of all shares or Top 10 shareholders of the Company

April 17, 2023

Shares / Name of Main Shareholders	Shares Held	Shareholding Percentage
Citi (Taiwan) Commercial Bank Custodial Investment Account of Norges Bank-Fund Mgr. Neuberger Berman Europe Limited	2,579,000	2.89%
WANG GUI HSIANG	2,396,000	2.68%
GU HUNG DAO	2,318,000	2.59%
Concord Securities Co., Ltd.	2,181,000	2.44%
LI TSUNG HUI	2,128,449	2.38%
TSAI HE LING	2,006,268	2.24%
HAN HSIEN SON TRUST PROPERTY ACCOUNT under Custody of HAN CHENG MEI HUI	2,000,000	2.24%

Name of Main Shareholders \ Shares	Shares Held	Shareholding Percentage
CHEN SHI YUN	1,939,000	2.17%
TU SHUI CHENG	1,900,000	2.13%
Mega International Commercial Bank Custodial Trust Property Account for Employees of Kaori Heat Treatment Ind., Co., Ltd.	1,874,591	2.10%

(5) Market Price, Net Worth, Earnings, and Dividends per Share in the Recent Two Years

Items \ Year			2021	2022	Current Year as of March 31, 2023
Market Price per Share	Highest Market Price		65.70	188.00	250.50
	Lowest Market Price		38.50	49.20	174.50
	Average Market Price		50.98	88.91	217.56
Net Worth per Share	Before Distribution		21.09	23.04	22.99
	After Distribution		19.59	21.54	-
Earnings per Share	Weighted Average Shares		89,384,080	89,384,080	89,384,080
	EPS		1.67	3.37	1.42
Dividends per Share	Cash Dividends		1.5	1.5	-
	Stock Dividends Distribution	Dividends from Retained Earnings	0	0	-
		Dividends from Capital Surplus	0	0	-
	Accumulated Undistributed Dividends		0	0	-
RoI Analysis	Price / Earnings Ratio		30.53	26.38	-
	Price / Dividend Ratio		33.99	59.27	-
	Cash Dividend Yield Rate		2.94	1.69	-

＊If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: List the highest and lowest market price of common shares in each fiscal year and calculate the average market price by weighing transacted prices against transacted volumes in each respective fiscal year.

Note 2: Calculate the net worth per share based on the number of outstanding shares at year- end. Calculate the amount of distribution based on the amount resolved by the board of directors or resolved in the next year's shareholders meeting.

Note 3: If retrospective adjustments are required because of issuance of stock dividends, the earnings per share should be disclosed in the amounts before and after the retrospective adjustments.

Note 4: If equity securities are issued with terms that allow undistributed dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year should be disclosed separately.

Note 5: Price / Earnings Ratio＝average closing price per share for the year / earnings per share.

Note 6: Price / Dividend Ratio＝average closing price per share for the year / cash dividends per share.

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

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of the annual report. For all other fields, calculations are based on the data for the current year as of the date of publication of the annual report.

Note 9: The 2022 Earnings Distribution in the form of Cash Dividend at NT$ 1.5 was adopted through resolution by the Board of Directors on March 22, 2023.

(6) Dividend Policy and Implementation Status:

1. Dividend Policy under the Company's Articles of Incorporation:

After closing of accounts, if there are earnings, the Company shall first pay the tax, make up the losses for the preceding years, and set aside a legal reserve of 10% of the net profit. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Aside from the aforesaid legal reserve, the Company may set aside another sum as special reserve or revert such sum in accordance with relevant laws and regulations. The balance following the distribution added with undistributed earnings from the former years are the cumulative distributable earnings, whose distribution shall be made into proposals with a percentage between 10 and 100 percent by the board of directors based on development circumstacnes of the industry. Where the distribution is to be made in issuance of new shares, the proposal shall be submitted to the meeting of shareholders for resolutions. According to Article 240, Paragraph 5 of the Company Act, the Board of Directors under authorization distributes dividends and bonuses or allocate all or a portion of the statutory retained earnings and capital reserve specified in Article 241, Section 1 of the Company Act in the form of cash, provided that the resolution is approved by a majority of the attending directors in a meeting attended by two-thirds or more of all directors. The Board of Directors shall report this to the Shareholders' Meeting.

The Company will take into consideration the Company's environment and growth stage, future funding requirements and long-term financial planning along with interests of shareholders and dividend policies by distributing cash dividends not less than 10 percent of the total amount of shareholder dividends.

2. Proposed Dividend Distribution in the year:

For the year 2022, the Company's net income was NT$ 301,020,393. After addition of the beginning retained earnings at NT$60,917,677 and remeasurement of defined benefit plans recognized as retained earnings in the amount of NT$5,690,886 to, and deducting the required 10% legal reserves at NT$30,671,128, the total distributable earnings for the period amount to NT$336,957,828. A dividend distribution at NT$1.5 per share totaling NT$134,076,120 is proposed. The aforementioned profit distribution plan was adopted by the Board of Directors on March 22, 2023.

(7) Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

For the fiscal year 2022, the Company's earnings per share were NT$3.37. On March 22, 2023, the Board of Directors approved a cash dividend distribution of NT$1.5 per share, totaling NT$134,076,120. Due to the stable net cash inflows from revenue and operating activities of the Company, there is no significant impact on business performance, earnings per share, and return on shareholders' investment resulting from the said stock dividend distribution.

(8) Compensations of Employees and Directors:

1. Percentage or Scope of Compensations of Employees and Directors under the Company's Articles of Incorporation:

If there is a profit for the current year, a distribution no less than 2 percent of the said profits shall be made as employees' remuneration, and a distribution no more than 5 percent shall be made as directors' remuneration. The distribution of employees' remuneration in the form of stock or cash shall be resolved by the Board of Directors, and individuals entitled to receive shares or cash may include employees inclusive of the employees of parents or subsidiaries of the company meeting certain specific requirements. However, when the Company still has accumulated losses, the compensation shall be made up first before distributing the employees' remuneration and directors' remuneration in the aforementioned percentages.

2. Estimation basis for employees', directors' and supervisors' compensations in the current period, Calculation basis for shares distributed as employees' compensation, and accounting handling for deviations of actual distribution amount from estimates:

Concerning the estimation basis for the Company's 2022 employee and director compensation amounts, the calculation basis for employee compensation distributed in the form of stock, and the handling where actual distribution amount differs from the estimated amount, if there are significant changes in the distribution amount decided by the Board of Directors at the end of the fiscal year, the necessary adjustments are made to the originally provisioned annual expenses responding to such changes. By the date of the Shareholders' Meeting resolution, if the amount is still subject to change, it will be handled based on accounting estimates and adjusted in the fiscal year of the Shareholders' Meeting resolution.

3. Situation of Compensation Distribution Approved by the Board of Directors:

(1) The amounts for distribution of the compensation of employees, directors and supervisors made in cash or stock:

For the fiscal year 2022, the Company's net profit before tax was NT$374,938,520. It is proposed to distribute employee compensation in the amount of NT$8,340,793, and directors' compensation in the amount of NT$13,901,322, in accordance with the Company's articles of incorporation.

(2) The Amount of Employees' Compensation Distributed in Stock and Its Proportions to the Sum of Net Income and Employees' Compensation in the Current Comprehensive or Company Only Financial Statements

The Company did not make any employees compensation distribution in the form of stock in 2022.

4. The actual distribution of the compensation of employees, directors and supervisors in the previous year (including the distribution of shares, amount and stock price); if there is any difference from the recognized compensations employees, directors and supervisors, the difference, reason and handling situation shall be specified: None.

(9) Buyback of Outstanding Shares of the Company: None.

2. Implementation Status of Corporate Bonds:

(1) Corporate Bonds Outstanding and Handling in Progeess

1. Handled: None.

2. Handling in Porogress: None.

(2) With Maturity within a year: None.

(3) Informaton of Conversion: None.

(4) Exchangable Corporate Bond Issued: None.

(5) Solicitation and Issuance of Ordinary Corporate Bond by the Company using the Shelf Registration Method: None.

(6) Equity Warrant Bonds Issued: None.

(7) Handling of Privately Placed Corporate Bonds within the Most Recent 3 Years and as of the Publication Date of this Annual Report: None.

3. Implementation Status of Preferred Shares: None.
4. Implementation Status of Global Depository Receipt (GDR): None.
5. Implementation Status of Employee Stock Warrant: None.
6. Implementation Status of Restricted Stock Awards: None.
7. Implementation Status of M&A or New Shares in Connection with Receiving Transfer of Shares of another Company: None.
8. Implementation Status of the Funds Utilization Plan: As of the Quarter preceding to the Publication Date of this Annual Report, the securities in previous issuances have been completed and the plan benefits are reasonably reflected.

V. Operation Highlight

1. Business Activities

1. Scope of Business:

(1) Main Contents:

1) CA02010 Manufacture of Metal Structure and Architectural Components.
2) CA02090 Metal Wire Products Manufacturing.
3) CA02990 Other Fabricated Metal Products Manufacturing Not Elsewhere Classified.
4) CA03010 Heat Treatment.
5) CB01010 Mechanical Equipment Manufacturing.
6) CB01990 Other Machinery Manufacturing.
7) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
8) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing.
9) CD01020 Tramway Cars Manufacturing.
10) CD01060 Aircraft and Parts Manufacturing.
11) CP01010 Hand Tools Manufacturing.
12) F106010 Wholesale of Hardware.
13) F113990 Wholesale of Other Machinery and Tools.
14) F401010 International Trade.
15) E599010 Pipe Lines Construction.
16) E601010 Electric Appliance Construction.
17) E601020 Electric Appliance Installation.
18) E604010 Machinery Installation.
19) IG03010 Energy Technical Services.
20) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

(2) Proportions in Operations by the Company’s 2022 Main Products:

Unit: NT$ thousand; %

Main Products	Individual Financial Reports	Proportion (%)	Consolidated Financial Reports	Proportion (%)
Plate Heat Exchanger	1,401,739	52.22	1,560,881	54.89
Thermal Products	1,282,659	47.78	1,282,659	45.11
Total	2,684,398	100.00	2,843,540	100.00

(3) Current Line of Products and New Products under Development

1). Brazed and Gasketed Plate Heat Exchanger Products.
2). Fuel Cell Reactor Components and Reformer.
3). Heat Pump Industry-UsePlate Heat Exchanger.
4). Development of Air Dryer Industry-Use Plate Heat Exchanger.
5). Highly Effective Next-Generation Plate Heat Exchanger.
6). Methanol Fuel Cell Power Generation System/Methanol Reforming and Hydrogen Production Machine/PSA Hydrogen Purifier.
7). Liquid-Cooled Heat Dissipation System.

2. Industry Overview

(1) Status Quo and Development of the Industry:

The Company initially focused on metal heat treatment processing and expanded into brazing processing, manufacturing and selling stainless steel cold rolling machine rollers, and Plate Heat Exchangers. In 2007, leveraging years of experience in the development and manufacturing of heat treatment, brazing, and Plate Heat Exchangers, the Company successfully developed dust-free steel frame floor products and plate frozen air dryers. Concerining the industries which Company belongs, it can be described as starting from the midstream processing industry of the steel industry, and then applying metal heat treatment and brazing processing technologies to products such as rollers and plate heat exchangers, thus entering the downstream application industry of the steel industry. In addition, in response to the green energy market, the Company established a relevant department in 2009 to enter the production of components such as Stationary Solid Oxide Fuel Cell (SOFC) Reactors. In 2016, the company ended its Heat Treatment and Processing and roller business in Kaohsiung. The land and plant previously used by the roller division are planned to be transferred to the profitable plate heat exchanger and fuel cell departments, in order to improve the overall profitability of the company. It is expected that with the driving force of energy-saving, green energy products, and the continuous growth of plate heat exchangers, the operating performance for the current year will guarantee outstanding results.

Currently, the Company engages in businesses of metal products and processing, plate heat exchangers, thermal products, fuel cell reactor components, etc. The industry overview, industry characteristics, and future development trends of the industry to which the Company belongs are analyzed as follows:

1) Status Quo of the Industry

① Fuel Cell Industry

In recent years, due to the depletion crisis of petrochemical energy and the environmental pollution that has caused abnormal climate change on Earth, countries around the world have been actively seeking and developing alternative energy sources. Fuel cells, with their advantages of low pollution and high power generation efficiency, are a type of power generation device. However, unlike typical disposable non-rechargeable batteries or rechargeable batteries that need to be recharged after use, fuel cells, as their name suggests, continue to add fuel to maintain their power. Therefore, countries worldwide are currently actively developing the fuel cell industry.

Fuel cells are energy conversion power generation devices that can directly convert fuel into electricity through electrochemical reactions without combustion. Therefore, the energy conversion efficiency is quite high. They have a wide range of fuel sources, including coal, oil, natural gas, and other hydrocarbon fuels, from which a large amount of hydrogen can be extracted through reforming reactions. They can also directly use alcohols such as methanol as the fuel input for the fuel cell. The working principle of a fuel cell is composed of positive and negative electrodes and an electrolyte with ion conduction properties. Hydrogen enters the fuel cell from the anode, while oxygen (or air) enters from the cathode. Currently, fuel cells can be classified into six types based on different electrolytes: Alkaline Fuel Cell (AFC), Proton Exchange Membrane Fuel Cell (PEMFC or PEFC), Phosphoric Acid Fuel Cell (PAFC), Molten Carbonate Fuel Cell (MCFC), Solid Oxide Fuel Cell (SOFC), and Direct Methanol Fuel Cell (DMFC). Fuel cells have a wide range of applications, with the current main areas being automobiles, stationary power generators, and portable electronic devices. The Company mainly engages in the production of Solid Oxide Fuel Cells (SOFC), primarily used in large-scale stationary fuel cell power generation systems.

In response to the global net-zero carbon emissions trend, many countries are looking to introduce a significant amount of renewable energy as the optimal solution in the current stage, with major countries actively promoting and supporting the energy storage industry through policy initiatives. The orientation of “energy policies” drives the development of renewable energy. The proportion of renewable energy directly affects the demand for energy storage in the power system, and different policy content will also influence the demand for different energy storage applications and market development. "Policy" can be considered a crucial driving force for the development of the energy storage industry, and collaboration among industry, government, and academia can accelerate the expansion of the energy storage market. For example, in Mainland China, the proportion of renewable energy in the energy structure is gradually increasing, and various provinces are encouraged or required to increase the construction of renewable energy plants with energy storage systems; the U.S. federal government actively supports the research and application of energy storage systems, and local government policies in various states mainly stimulate industry development through tax incentives and installation subsidies; in Australia, each province has adopted its own renewable energy development goals and implemented subsidies, low-interest loans, or other incentive policies; Korea promotes phased nuclear reduction and an "energy transition policy" with a focus on renewable energy development, as well as the Renewable Energy Certificate (REC) system, aiming to rapidly deploy energy storage systems through policy initiatives; in UK, after the introduction of the "Energy Storage Deployment Enabling Act 2020", which removed the limit on project capacity not exceeding 50MW, there is uncertainty in the capacity market, leading UK companies to explore opportunities for behind-the-meter energy storage applications. In Europe as a whole, the lack of government support has resulted in slower growth in the energy storage industry.

Strategies for the Introduction of Major Electrochemical Energy Storage in the

	Mainland China	**US**	**UK**	**Germany**	**Australia**	**Korea**	**Japan**
Strategies for the Introduction of Major Electrochemical Energy Storage	• Subsidy • Empirical Experiments thru Virtual Power Plant	• Obligations of Establishment • Subsidy • Reorganization of Market • Electricity Pricing Model Design	• Reorganization of Electricity Trading Market	• Subsidy	• Subsidy	• Obligations of Establishment • Subsidy	• Subsidy • Empirical Experiments thru Virtual Power Plant

Energy Storage Market of Major Countries around the World

Source: Mitsubishi Research Institute, Inc. (2021); Industrial Economics and Knowledge Center, ITRI (2021)

②. Heat Exchanger Industry

As industries across various sectors seek ways to reduce energy consumption and lower carbon emissions, heat exchangers have gained increasing attention. The future growth of the market can be attributed to several factors:

1. Depletion of energy resources and climate change have heightened awareness of energy efficiency and carbon reduction, thus driving the demand and application of heat exchangers.

2. Industries with high energy consumption are increasingly focusing on innovative technologies and efficiency improvements, making heat exchangers appealing to a wider range of sectors. Particularly, the growing demand in industries such as heat pumps, refrigeration and air conditioning, and air dryers is expected to exceed initial projected sales of heat exchangers.

3. The issue of greenhouse gases has led to increased demand for new refrigerants, equipment replacements, and improvements in thermal conductivity efficiency, which are also expected to contribute to the vibrant development of the market.

4. Government regulations: Governments worldwide are introducing regulations to

reduce greenhouse gas emissions and promote energy efficiency. Switching from fossil fuel-based heating equipment, such as boilers, to efficient heat pumps is gradually becoming the preferred choice for sustainable comfort systems. Heat pumps for heating and cooling can reduce energy costs and carbon footprints, helping to mitigate the impact of greenhouse gases globally. Heat exchangers are essential components within heat pump systems, and well-designed heat exchangers can minimize the refrigerant charge and enhance the performance of heat pump systems. Therefore, in the era of a more sustainable and greener environment, heat pumps play a crucial role within heat exchanger systems. In a net-zero emission scenario by 2050, efficient heat pumps are the main technology driving emission reduction in the building sector. Amid the ongoing global energy crisis, heat pumps have been identified as a solution to enhance energy security. The European Committee has proposed the REPowerEU plan to double the deployment rate of heat pumps in the coming years to reduce dependence on Russian natural gas. In the United States, heat pumps have been designated as a priority technology under the Defense Production Act (DPA) to ensure clean energy independence.

Overall, as businesses seek to reduce energy consumption, improve the environment, and comply with regulations, Heat Exchangers, with their low energy costs, reduced carbon footprint, and low maintenance requirements, play a significant role. Therefore, the Heat Exchanger market is expected to continue to grow.

2) Industry Characteristics

① Processing Industry restricted by Geographical Factors

Due to the nature of steel processing, workpieces are often large in quantity, heavy in weight, or have large dimensions, with short processing deadlines. Considering the transportation costs and time required for delivery, downstream customers for outsourcing processing will look for nearby external processing manufacturers for convenience. Therefore, professional processing plants must establish facilities near downstream customers, making geographical proximity one of the characteristics of the steel midstream processing industry.

② Intense Competition and Limited Specialization in Metal Product Processing

Steel midstream processing plants require abundant processing experience and significant financial and manpower resources. However, most domestic specialized processing plants are limited by their own financial and equipment constraints, making it difficult for them to accumulate experience, enhance professional skills, and expand their business. As a result, the scale of these plants is not large. On the other hand, there are numerous small-scale processing businesses in various types of downstream processing, leading to a situation where the steel midstream processing industry in the country is mainly comprised of small-scale, simple processing operations, with few large specialized steel processing plants.

③. Solid Oxide Fuel Cell with High Energy Efficiency, Plus Promising Outlook for Distributed Energy Systems

Solid Oxide Fuel Cells use water, natural gas, or biomass as raw materials and emit only water and carbon dioxide, making them clean energy sources. Solid Oxide Fuel Cells generate electricity through reactions at high temperatures, with an efficiency of 50% to 65%. If the waste heat at high temperatures is recovered, the overall energy efficiency can reach up to 90%. The design complexity of Solid Oxide Fuel Cells can be compared to that of jet engines, requiring long-term operation without failure. Their small size and easy installation and maintenance make them another irresistible feature of Fuel Cells, with each unit being approximately the size of a traditional diesel generator. Stationary Fuel Cell systems can be large-scale power plants, residential Fuel Cell generators, or portable backup power sources. When combined with uninterruptible power supply systems, Fuel Cells can provide high-efficiency power supply capabilities while functioning as UPS devices.

Distributed energy systems refer to energy systems that are different from traditional centralized energy supply systems. Traditional centralized systems use large-capacity equipment (thermal, hydroelectric power plants, nuclear power plants) for centralized production and then transport various forms of energy to numerous users within a larger area through dedicated transmission facilities. In contrast, distributed energy systems directly produce and supply energy on-site according to user demand, featuring various functions and meeting multiple goals in medium to small-scale energy conversion and utilization systems. Types of distributed energy systems include solar power generation, wind power generation, Fuel Cell power generation, geothermal power generation, and biomass power generation.

④ Heat Exchanger industry

Heat Exchangers are marketed globally and are related to various industries related to daily life. The main characteristics of the industry include:

A) Characteristics of Pressure Vessel:

Heat exchangers, depending on their application and product design, often fall into the category of high-pressure vessels, requiring a focus on product safety. Therefore, each country sets standards and regulations for heat exchangers, such as UL and ASME in the US, CE in Europe, KHK in Japan, KRAIA in Korea, and CRN in Canada. In many cases, selling heat exchangers in local markets requires certification obtained through relevant inspections.

B) Application Characteristics:

Heat Exchangers need to meet industry standards and certifications according to the specific characteristics of different industries. Examples include certifications for marine applications (DNV-GL, ABS, KR), drinking water certifications (KIWA), and HVAC performance certifications (AHRI) for air conditioning and refrigeration.

C) Environmental Protection Characteristics:

In countries with higher environmental awareness, there are requirements to reduce refrigerant charges or regulate GWP (Global Warming Potential) and ODP (Ozone Depletion Potential). Manufacturers are encouraged to use environmentally friendly refrigerants and develop new-generation products under the incentives through appropriate subsidies.

For government projects, COP (Coefficient of Performance) and EER (Energy Efficiency Ratio) are often required to meet the requirements of the Kyoto Protocol for controlling and reducing greenhouse gases such as carbon dioxide.

D) General characteristics:

Heat exchangers span across the three fields including residential, commercial, and industrial sectors, with many industries and related equipment requiring refrigeration, heating, and heat recovery. The difference lies in the type of heat exchanger used. Plate heat exchangers, in particular, have the characteristics of high efficiency and energy savings. They are currently the most efficient heat exchangers and have been adopted in many advanced industrial countries and new system designs, leading to a continuously expanding market.

(2) Correlation among Upstream, Midstream, and Downstream of the Industry:

①Fuel Cell Industry

Taiwan's hydrogen and Fuel Cell industry has a complete supply chain, ranging from upstream to downstream, including precious metal catalysts, proton exchange membranes, Fuel Cell assemblies and components, control systems and peripheral components, stationary power generation systems, portable power products, and transportation vehicles. In addition to upstream material technologies, Taiwan's industry has abundant mass production experience and cost advantages, giving it a relative advantage in entering the midstream and downstream product markets. The region already has a strong foundation in industries such as power generators, electronics, and motorcycles. With the introduction of fuel technology, products become more competitive internationally, offering energy efficiency and environmental characteristics.

The development of Taiwan's Fuel Cell industry started with research institutions, and after successful technology development, it gradually formed into an industry involving private companies. The supply chain of Taiwan's fuel cell industry includes upstream, midstream, and downstream manufacturers, as shown in the figure below.

List of domestic and foreign participants in the fuel cell manufacturing industry

	Materials (Upstream)	Battery Components (Midstream)	System Applications (Downstream)	Peripheral Accessories
	Proton-exchange membrane	Battery modules	Fuel Cell Systems	Hydrogen Supply
Main Corporations	Microcosm Technology Co. Ltd. DuPont (US) DSM (Netherlands) JSR(Japan) Hitachi Chemical Co., Ltd. (Japan) Tokuyama Chemical Engineering (Japan) Mitsui Chemicals (Japan) Nitto Denko (Japan) Toagosei (Japan)	Chung Hsin Electric & Machinery Leatec Fine Ceramics Eco-Energy Technology Asia Pacific Fuel Cell Technologies Toplus Energy SDI Corporation Fucell Leadtech Green Hydrogen Power NGK Insulators (Japan) Hitachi (Japan) Fuji Electric (Japan) JOMO (Japan) Daihatsu (Japan) TOYOTA (Japan) HONDA (Japan) TOSHIBA (Japan) KYOCERA (Japan) PANASONIC (Japan) NISSAN (Japan) ENEOS (Japan) Siemens (Germany) Daimler(Germany) UTC POWER (US) FuelCell Energy (US)	Chung Hsin Electric & Machinery Toplus Energy Asia Pacific Fuel Cell Technologies Enermaster Technology Boyam Power Systems M-Field Energy YC Synergy Eco-Energy Technology Green Hydrogen Power Hephas Energy Fucell Noveltek Industrial Manufacturing Kaori Heat Treatment Asia Hydrogen Energy Neo Solar Power Hitachi (Japan) Fuji Electric (Japan) JX (Japan) Fuji Electric (Japan) TOYOTA (Japan) HONDA (Japan) TOSHIBA (Japan) KYOCERA (Japan) PANASONIC (Japan) NISSAN (Japan) ENEOS (Japan) Siemens (Germany) Daimler (Germany) FuelCell Energy (US)	Air Products San Fu LienHwa Air Liquide Far Eastern CPC Corporation Linde Group (Germany) Biocoke Lab (Japan)
	MEA			Methanol Supply
	Yangtze GOC International NGK Insulators (Japan) Nippon Shokubai (Japan)			LCY Chemical Merck Electronic Chemicals (US) Mitsubishi Gas Chemical Company (Japan) Kurita Water Industries (Japan) Methanex (Canada)
				Methanol Fuel Tanks
				Asia Vital Components Toyo Seikan (Japan)
				Hydrogen storage alloy tank
				HBank

	Materials (Upstream)	Battery Components (Midstream)	System Applications (Downstream)	Peripheral Accessories
	Catalysts		Bloom Energy (US) Doosan (Korea)	Technology Asia Pacific Fuel Cell Technologies Boyam Power Systems Taiwan Innovative Space Canon (Japan) General Motors (US) Japan Metals & Chemicals (Japan) Toyota (Japan) Samtech (Belgium)
	Green Hydrotec Sumitomo 3M (Japan) Hitachi Maxell (Japan) Showa Denko (Japan)			
	GDL			
	Carbon energy technology			**Fuel reformer**
	Bipolar plate	**BOP components**		Chung Hsin Electric & Machinery Asia Hydrogen Energy Green Hydrotec Kaori Heat Treatment JOMO (Japan) ENEOS (Japan) Idemitsu Kosan (Japan)
	Porite Taiwan Plus Metal Tech Toplus Energy SDI Corporation Gallant Precision Machining Carbon energy technology FJ Composite (Japan) Seikoh Giken (Japan) Hitachi Cable (Japan)	Kaori Heat Treatment AcBel Polytech Hephas Energy Apexgreen Tech		**Hydroelectrolysis Equipment**
				Epoch Energy Technology GOC International Optodisc Co. Ltd.

Source: Taiwan Hydroden & Fuel Cell Partnership, IEK, ITRI, compiled by Taiwan Industry Economics Services, March 2020.

Specifications of Main Fuel Cells

Fuel Cell Type	Working Temperature	Electrolyte	Catalytic	Fuel Used	Energy Efficiency	Power	Applications
Proton Exchange Membrane Fuel Cell	Room Temperature ~ 100 ℃	High Polymer Membrane	Platinum etc.	Hydrogen	25~60%	1~1000kW	Distributed Power, Transportation, Portable Energy

Direct Methanol Fuel Cell (DMFC)	Room Temperature ~ 120 ℃	High Polymer Membrane	Platinum etc.	Methanol	40~47%	1W~1kW	Small Batteries, Power for Electronics, Backup Power
Alkaline Fuel Cell (AFC)	120~ 200 ℃	35~85 % KOH	Ni, Ag Precious Metal	Hydrogen	25~50%	1~100kW	Distributed Power, Transportation
Phosphoric Acid Fuel Cell (PAFC)	150~ 200 ℃	Phosphoric Acid Solution	Platinum	Hydrogen	25~40%	0.1~1000kW	Distributed Power, Large Power Plants
Molten Carbonate Fuel Cell (MCFC)	600~ 700 ℃	Molten Carbonate	Ni, NiO	Hydrogen, Fossil Fuel	30~55%	1~100MW	Distributed Power
Solid Oxide Fuel Cells (SOFC)	700~ 1000 ℃	Zirconia Ceramics Membrane	-	Hydrogen, Fossil Fuel	35~80%	1 kW ~100MW	Distributed Power, Transportation, Large Power Plants

Source: INER, compiled by Taiwan Industry Economics Services, January 2010.

② Heat Exchanger Industry

The main materials for heat exchangers are stainless steel, copper foil, nickel foil, and other rubber products. Currently, most of the raw materials are imported, while the remaining materials are sourced domestically.

Kaori's Heat Exchanger Department has two plants located in the Chung-Li Industrial Area in Taiwan, specializing in the production of Brazed Plate Heat Exchangers. The raw materials undergo processing using equipment such as punching machines, milling machines, and laser cutting machines to produce semi-finished products. They are then manually assembled and undergo vacuum brazing in vacuum furnaces to become the final products. Most of the processing is done in-house, while special accessories, protective sleeves, and castings are outsourced. The high level of in-house production allows for efficient order processing and reduces reliance on outsourcing and procurement.

Kaori is the only manufacturer in Taiwan that produces Brazed Plate Heat Exchangers. In addition to having a market share of over 80% in Taiwan, Kaori also exports to more than 70 countries. Kaori has distributors worldwide and, in response to the delivery requirements of European customers, provide warehousing services in the Netherlands.

Correlation Between Upstream And Downstream Vendors	Raw materials →	Plate Heat Exchanger manufacturer →	Distribution →	End user
Product supply	Stainless steel Copper Nickel Nitrile Butadiene Rubber (NBR) Chloroprene rubber (CR)	Brazed Gasketed Semi-Welded	Third-party sales Electronic platform	Heating, ventilation and air conditioning (HVAC) Air oil pressure Power generation facilities Food and Beverage Industry
Name Of supplier	Jindal Steel and Power North American Stainless Nippon Yakin Kogyo Co.,Ltd	Kaori Heat Treatment Co., Ltd. Polaris Plate Heat Exchangers	R744 Heat Exchangers Online Genemco R.W. Baron Delta T Heat Exchangers	BP Shell SabMiller Voltas Scottish & Newscastle TATA Power

AIC S.A, API Heat Transfer, Danfoss,Kelvion, Guntner, Hisaka Works

Alfa Laval, HRS Group,Kaori Heat treatment Co., LTD,SWEP International AB, Xylem

Source: (GrandView Research Plate & Frame Heat Exchanger Market Analysis, Market Size, Application Analysis, Regional Outlook, Competitive Strategies And Forecasts, 2015 To 2022; compiled by Kaori)

(3) Various Development Trends of Products

1) Expansion of Applications for Steel and Metal Products

The traditional scope of services covered by heat treatment and processing is extremely broad. In the industrial product classification of the Ministry of Economic Affairs, the only directly related coding to heat treatment products is the metal surface treatment industry. However, other indirectly related coding includes metal machinery tools and parts, screws and nuts, metal molds, automotive components, motorcycle components, and bicycle components. Additionally, the value-added rate of the metal product industry is mainly influenced by fluctuations in international steel prices.

Currently, the plate heat exchangers are used in a wide range of applications, including refrigeration and air conditioning, water dispensers, petrochemical industries, pharmaceutical and food industries, heat pumps, heat recovery, wind power generation, and cooling equipment in the machinery industry. In the future, the scope of diverse applications can be further expanded to include seawater desalination equipment on offshore fishing vessels, battery cooling in electric vehicles, cooling solutions for data centers, and more.

2) Improvement in Quality Requirements

In recent years, due to technological advancements and industrial progress, various machinery and industrial products have higher standards and requirements for product quality and manufacturing processes. This necessitates the use of higher-quality heat treatment and processing and heat exchanger services to fully leverage the properties of metals and meet the increasing demand for brand differentiation, thereby facilitating smooth industrial upgrades.

The internals of heat exchangers often contain corrosive or flammable substances. If an explosion occurs, it can cause significant pollution and damage to the operating personnel and the surrounding environment. Therefore, to minimize the probability of such hazards, heat exchangers are classified as pressure vessels, and the safety and quality of the products become the primary considerations for customers.

3) Global Active Development of Alternative Energy Sources

Countries worldwide have generally recognized the necessity and urgency of combating global warming, climate change, and related issues. In December 1997, they jointly signed the "United Nations Framework Convention on Climate Change" and its "Kyoto Protocol." Since its entry into force in 2005, signatory countries are obligated to reduce greenhouse gas emissions. Fuel Cells, which directly convert chemical energy into electrical energy, have high efficiency and low pollution compared to traditional combustion of fossil fuels. They have a wide range of applications and have become a key industry for the development of alternative energy sources worldwide. For example, Fuel Cell types used for stationary power generation, such as Phosphoric Acid Fuel Cells (PAFC), Molten Carbonate Fuel Cells (MCFC), and Solid Oxide Fuel Cells (SOFC), emit fewer greenhouse gases and pollutants per unit of electricity generated compared to thermal power generation. They also do not have concerns about radiation pollution from nuclear power generation. Therefore, they have become popular options for decentralized power generation. Many countries, including Taiwan, have recently implemented research funding subsidies, tax reductions, and subsidies for fuel cell-related products to encourage the development of this industry. To further achieve the goal of reducing carbon emissions, major countries and companies are actively promoting the practical application of hydrogen and fuel cell technologies.

The development of hydrogen energy and fuel cells in the European Union (EU) can be traced back to the publication of the "2030 Climate and Energy Policy Framework" draft in 2014. The EU set short- to medium-term goals based on 1990 as the reference year, aiming to achieve by 2020: (1) a 20% reduction in greenhouse gas emissions, (2) a 20% reduction in primary energy consumption, and (3) an overall energy consumption of 20% from renewable sources (with the transportation sector consuming 10% from renewables). To achieve these goals, the EU is committed to developing various green energy technologies, and hydrogen energy and fuel cells are among the solutions. In terms of R&D in applications technology, the EU primarily integrates resources through the Framework Program (FP) plan. Starting in 2014, the eighth phase of the program, called Horizon 2020, was launched and implemented from 2014 to 2020. To coordinate and manage various projects, the EU established The Fuel Cells and Hydrogen Joint Undertaking (FCH JU) in 2008 as a platform for better integration. However, in the past, the EU mainly focused on proton exchange membrane fuel cell (PEMFC) technology, while the R&D of solid oxide fuel cells (SOFC) received more funding and resources under the Horizon 2020 program. During this period, the SOFC technology and industry experienced more significant growth.

From 2017 to 2018, due to the temporary suspension and gradual withdrawal of subsidies from the US ITC, and the slowing growth of the domestic market, countries in Asia, apart from Japan, continued their investments. The South Korean government introduced the Renewable Portfolio Standard (RPS), which mandates that power companies generating more than 500MW must have at least 2% of their electricity from renewable sources starting in 2012, increasing to 10% by 2022. Many large electricity consumers and private power producers in South Korea began purchasing solid oxide fuel cell (SOFC) models that have rapidly caught up in terms of power generation efficiency, apart from using high-efficiency molten carbonate fuel cells (MCFC). In addition, mainland China provides subsidies to the fuel cell industry under the "Thirteenth Five-Year Plan," primarily focusing on new energy vehicles. However, this has also driven the R&D speed of SOFC technology and various applications. Within the research projects funded by the National Natural Science Foundation, SOFC-related technologies constitute a significant portion of recent research items. On the other hand, emerging economies in Asia have experienced rapid economic development in recent years, but their power infrastructure has not kept pace, leading to contradictions in overall national development. To ensure a solid foundation for economic development, most countries prioritize power infrastructure as a key development area. In addition to addressing power supply gaps, issues such as improving power reliability, reducing power theft losses, and promoting the development of renewable energy have gradually gained attention. This has led countries worldwide to include hydrogen energy and fuel cells as key development areas in recent years.

SOFC has a wide range of fuel options, including natural gas, biogas, hydrogen, coal gas, methanol, and diesel. The catalytic electrode does not require the use of precious metals, reducing production costs. The operation of SOFC is not limited by climate conditions and can run continuously without interruption. The overall efficiency of solid oxide fuel cells is above 85%, significantly higher than any other energy converter. The high efficiency of solid oxide fuel cells is a crucial factor in sustainable energy supply and is why it is considered a significant alternative energy source.

(4) Competition Landscape

1) Substitute services for heat treatment and processing:

Due to the essential role of metal heat treatment and processing in various industrial processes, there are currently no alternative services available.

2) Substitute products for plate heat exchangers:

Heat exchangers, as fundamental equipment for heat conduction and exchange, have been widely applied in modern industries and mechanical equipment, including automobiles, aerospace, heating and air conditioning systems in commercial buildings, and heat recovery in industrial facilities. As a crucial component of all thermal energy systems, heat exchangers make the most important and irreplaceable contribution to energy efficiency. With continuous technological development and innovation, this market will continue to advance. Heat exchanger devices are indispensable components for energy exchange between hot and cold substances and are commonly used in daily life, industrial processes, and various applications that rely on the transfer and exchange of thermal energy. While there are alternative products such as finned tube heat exchangers for applications involving gases as the medium, plate heat exchangers still hold advantages in terms of performance and compact size.

3) Substitute products for fuel cells

In recent years, countries around the world have actively sought and developed clean and pollution-free alternative energy sources due to the depletion crisis of fossil energy and increasing environmental pollution. These include solar energy, wind energy, biomass energy, and fuel cells derived from hydrogen energy. The future trend of energy development aims to replace existing traditional power plants and nuclear power plants with safe and clean alternative energy sources. While solar and wind power are affected by natural weather conditions and may have fluctuations in power output, fuel cells can provide stable, continuous, low-cost, and low-pollution power. Most importantly, the shift from centralized power generation to distributed power generation reduces significant capital investments and significantly minimizes power transmission losses. In terms of power generation efficiency and supply stability, fuel cells are the most efficient and stable among various alternative energy sources, giving them an advantage in terms of development potential. Although different alternative energy sources have their complementary roles, fuel cells still hold a dominant position.

3. Technology and R&D Overview:

Unit: NT$ thousand

Year / Items	2022 Parent-Only	Current Year as of March 31, 2023 (Self-Settlement by Parent)	2022 Consolidated	Current Year as of March 31, 2023 (Amount in Consolidated Financial Reports)
R&D Expense	80,561	19,138	80,506	19,138

Successfully Developed Technologies or Products:

Year	R&D Results
2022	1. Development of Large-scale DW Heat Exchanger D205 2. Development of Different Channel Heat Exchanger B076 3. Development of Second-generation Industrial Waste Organic Solvent Degradation and Recycling Technology 4. Development of Cooling Module for 25U100KW Liquid-cooled Servers

4. Long and Short-Term Business Development Plans:

(1). Short-Term Business Development Plan:

① Expanding international orders to drive revenue growth. Actively penetrateing the heat pump market and collaborate with major brands through new product development. Meanwhile grasping market trends and aiming to provide more professional and high-quality services to meet customer demands, thereby increasing market share.

② Improving internal management processes to establish efficient production management, reduce defect rates, and minimize rework.

③ Establishing RoHS-complaint process management and environmental regulations for enahcned product competitiveness.

④ Introducing experienced technical and management talents, providing training for R&D and international marketing personnel.

⑤ Securing appropriate and cost-effective funding aligned with business development needs, and adoption of electronic processes to establish efficient production management and enhance operational efficiency.

⑥ Continuously investing in R&D to enhance product technology and performance.

(3) Long-Term Business Development Plan:

① Continuously exploring international markets to expand product presence globally.

② Serving customers with high-quality, cost-effective, and fast-delivery products.

③ Continuously developing products that meet customer demands.

④ Innovating to gain competitive advantages and maximize shareholder value.

⑤ Expanding market share through obtaining of testimonials by renowned manufacturers.

2. Market and Sales Overview:

1. Market Analysis:

(1) Sales Regions of Main Products:

The Company's main products include metal products and processing, production of plate heat exchangers, and thermal products. The demand for metal components requiring heat treatment and processing is widespread, including industries such as automotive, machinery, molds, hardware, home appliances, and defense manufacturing. Heat treatment and processing are essential in the production process of these industries. In the meantime, plate heat exchangers are primarily sold to domestic and international renowned air conditioning manufacturers; thermal energy-related products mainly target green energy manufacturers involved in the production and sales of power generators, and fuel cells are primarily exported to the United States. In 2022, the total revenue was NT$ 2,843,540 thousand, with export revenue accounting for NT$ 2,226,915 thousand. The domestic sales proportion was 21.69%, and the export proportion was 78.31%, with the export presence covers various locations worldwide.

Unit: NT$ thousand(Source: Consolidated Financial Reports)

By Region	Year	2021 Amount	2021 %	2022 Amount	2022 %
Domestic		564,812	25.31	616,625	21.69
Export	Asia	291,306	13.06	366,530	12.89
	Africa	-	-	370	0.01
	Oceania	7,717	0.35	6,953	0.24
	Europe	410,170	18.38	524,378	18.44
	America	957,268	42.90	1,328,684	46.73
Total		2,231,273	100.00	2,843,540	100.00

(2) Market Share:

The Company is currently the largest and only publicly traded company in Taiwan specializing in the manufacturing and sales of Brazed Plate Heat Exchangers. It holds a market share of over 90% in the domestic market and has expanded its presence to more than 70 countries worldwide. The Company is the leading designer and producer of Plate Heat Exchangers domestically. Considering its technological, scale, and operational capabilities, the Company is a leading manufacturer in the industry. Heat Treatment and Processing are integral parts of various manufacturing processes, making the industry's scope extensive. Based on current estimates and statistics, the Company's market share in plate heat exchangers worldwide is approximately 5%.

(3) Future Market Supply and Demand Situation and Growth Prospects:

The Company's core market businesses include energy-saving products, heat dissipation products, and green energy products. The overall development and market conditions are outlined as follows:

1) Heat Exchanger Market Growth Trends:

The Company produces heat exchangers, which are essential components for various industries such as refrigeration and air conditioning, semiconductor and electronics, low-temperature frozen food, machinery equipment, transportation, medical devices, data centers, shipping, and steel industries. The Company's heat exchangers, developed through technology transfer from the Industrial Technology Research Institute (ITRI), have been continuously researched and developed to cater to various product applications and new areas. In recent years, the Company has obtained multiple patents and has been adopted by renowned air conditioning manufacturers both domestically and internationally. The demand for the Company's plate heat exchangers is expected to increase indirectly with the stable growth of the global refrigeration and air conditioning equipment market.

Due to the Russia-Ukrainian War, the Fit for 55 decarbonization plan, and the EU's Repower EU subsidy, heat pumps have experienced rapid growth in the European market. In 2022, the installed base reached 3 million units, including air-to-air, air-to-water, and geothermal heat pumps. While the refrigeration and air conditioning industry is mature and markets in developed countries such as Europe and the United States are gradually saturating, the increased demand for replacement units in recent years, driven by heatwaves and rising environmental awareness, has led to a higher demand for new, energy-efficient equipment. Additionally, the promotion of environmentally friendly refrigerants by governments has generated a new wave of demand, which will undoubtedly drive the development and specialized manufacturing of next-generation Heat Exchangers.

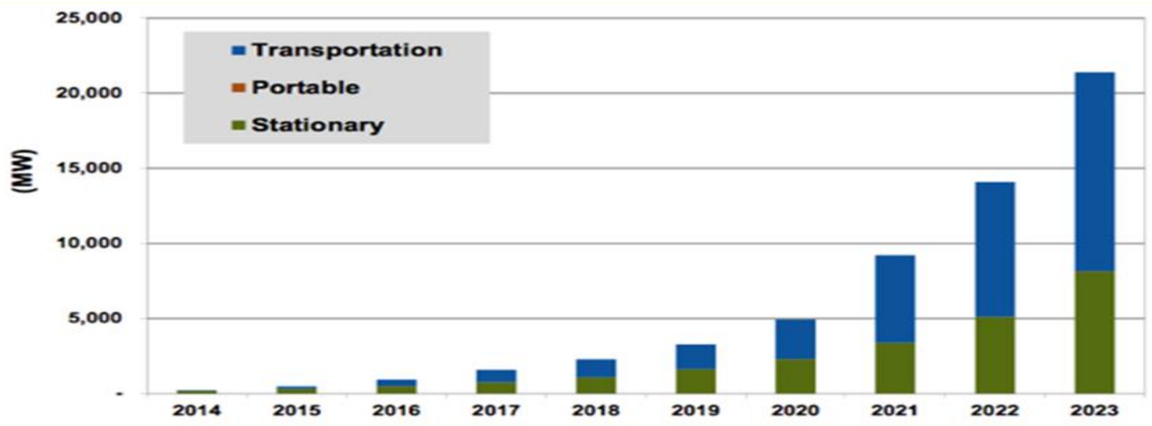
2) Green Energy Thermal Products Industry Growth Trends:

The Company's green energy products include fuel cells and hydrogen energy applications. Kaori’s business may be mainly divided into two sectors: A. The Fuel Cell Business Department responsible for Solid Oxide Fuel Cell-related components, and B. Hydrogen Energy Business Department focusing on methanol-to-hydrogen and backup power systems. The contents and market applications are shown in the following figure.

Amongst the Company's thermal products, the fuel cells exhibit high efficiency and low pollution as well as wide applications, making them a key industry for the development of alternative energy sources worldwide.

According to Navigant Research, the fuel cell market is expected to grow tenfold from 2014 to 2023 in terms of shipment capacity for power generation, and stationary fuel cells are projected to account for 30% of the overall fuel market for power generation. These estimations indicate that the demand for Fuel Cells will continue to experience significant growth in the future.

Chart 1.1 Fuel Cell System Capacity Shipped by Market Sector, World Markets: 2014-2023



(Source: Navigant Research)

In terms of the distribution of fuel cell market applications, the global Fuel Cell market size was approximately 136.3 billion Japanese yen in 2014. Among them, the Industry-Use Fuel Cell market had the largest size, attributable to favorable policies introduced by major advanced countries in Europe and the US for companies installing Fuel Cells, as well as the increasing maturity of SOFC technology. Therefore, with the adoption of fuel cells by businesses, the global Industry-Use Fuel Cell market reached 81.5 billion Japanese yen in 2014. In Japan, the government implemented measures to encourage households to purchase fuel cells, leading to a market size of 41.9 billion Japanese yen for residential fuel cells in 2014, ranking second around the world. The main types of fuel cells used in households are PEMFC and SOFC. Although the market size for fuel cells in fuel cell vehicles was only 1.1 billion Japanese yen in 2014, with the gradual popularization of hydrogen refueling infrastructure and the tightening of environmental regulations, Fuji-Keizai estimates that the market size for fuel cells in this category will significantly increase to 4.752 trillion Japanese yen by 2030.

Overview of Scales for Global Fuel Cell Markets

單位:Unit:100 Million Yen

	2014	2030(f)
Industry-Use	815	6,813
Residential Use	419	7,910
Fuel Cell Vehicles	11	47,520
Other Vehicles (Forklift, Bus, Motorcycle, etc.)	61	830
Movable Power/Backup Power	56	1,595
Portable Electronics	1	255
Total	1,363	64,923

Source: Fuji-Keizai, compiled by Taiwan Industry Economics Services, April 2016.

(4) Competitive Niche

1). Company Position in the Industry

According to the compilation of heat treatment vendors under Project ITIS by MIRDC, most heat treatment vendors are small to medium-sized enterprises with fewer than 100 employees. Also, based on the membership directory of the Taiwan Society for Metal Heat Treatment, there are only nine vendors with a paid-in capital of over NT$ five million: Kaori, GMTC, SDI, Starpoly, San Yung, SHIN KWANG, BASSO Industry, YUND DAH, China Steel, and Chentai, among which the Company is the only entity primarily engaged in heat treatment and processing and listed at TWSE/TPEx.

Currently, Alfa Laval is the largest manufacturer of plate heat exchangers globally, with an estimated market share of over 35%. Its main competitors in the heat exchanger industry are SWEP, Kelvion, Danfoss, Hisaka, and others. In Taiwan, the Company is the first domestic manufacturer of brazed plate heat exchangers. As of the end of 2022, the Company is the only TWSE/TPEx listed company specialized in heat exchanger manufacturing.

Based on the Taiwan Hydroden & Fuel Cell Partnership 's vendor directory and the major product information of each vendor, the main domestic manufacturers of fuel cell stacks mainly focus on two types of technology: Proton Exchange Membrane Fuel Cells (PEMFC) and Direct Methanol Fuel Cells (DMFC). The Company, on the other hand, focuses on Solid Oxide Fuel Cells (SOFC) as its development foundation. Currently, there are no major competitors in Taiwan producing the same products as the Company.

2). Key Factors and Their Impact on Company Achievement or Failure

①. Stability of Quality and Accumulation of Experience

Heat treatment and processing services have a wide range of applications, including automotive, machinery, molds, hardware, appliances, and defense products. If the quality of heat-treated metal components is poor, it can result in defects ranging from minor issues affecting the smooth operation of the parts to major failures of the entire machine, leading to downtime and even posing risks to machine operators or users of transportation equipment. Therefore, the stability of processing quality is the primary key factor for success in the metal heat treatment industry.

The Company has extensive experience in heat treatment, and its technical team has the ability to determine various metal materials and is well-versed in their physical properties. They can effectively control the heat treatment quality of various components under different processing methods and conditions. Furthermore, the accumulated practical experience over the years helps The Company maintain stable heat treatment quality, expand the scope of services, and pursue various potential business opportunities, thereby expanding its operational scope.

②. Mastery of Core Product Technologies

Based on its expertise in heat treatment and brazing technology, the Company has ventured into the manufacturing of plate heat exchangers. Kaori is the only company with the capability to manufacture plate heat exchangers in Taiwan due to the solid brazing technology required; similarly, the rollers in Sendzimir cold rolling machines requires a good understanding of steel material properties and heat treatment technology to achieve the desired hardness and wear resistance, and only Kaori has the manufacturing technology capability amongst domestic vendors. Kaori's Heat Technology Business has a core advantage in Fuel Cell Core Reactors. The Company has fully mastered the key technologies of each business unit, and its advantages in capital, specialized technology, and accumulated experience are not easily matched by competitors in a short period of time.

③. Possession of International Quality Assurance Certifications

As the quality requirements for heat treatment and processing become increasingly stringent, some manufacturers, particularly Japanese automotive and component manufacturers, consider the possession of quality certifications as one of the main factors when selecting heat treatment vendors. The Company has scrutinized quality control requirements and has obtained the Japanese Industrial Standard (JIS) certification in 1988. In 1994, the Company further obtained the special process certifications for "Steel Heat Treatment" and "Wet Brazing of Aluminum Alloy" from McDonnell Douglas Aerospace Corporation. Subsequently, the Heat Exchanger Business Unit obtained certifications from international quality organizations such as ISO, CE, and UL; the Company's Metal Products Business Unit also obtained ISO, US UL pressure vessel, and European Union Pressure Equipment Directive (PED) certifications; furthermore, the Company is an approved partner approved by the

Corporate Synergy Development Center and holds the quality system certificate from AIDC and the certificate of qualified national defense industry manufacturer. These certifications and evaluations are proofs that the Company's strict quality control requirements and establish its important position in the domestic and international professional heat treatment industry.

(5) Favorable and Unfavorable Factors for Future Development and Countermeasures

1). Favorable Factors for Future Development:

① Large-scale Operations and Experienced Management Team

According to reports on the heat treatment industry in the United States, Japan, and Taiwan under Project ITIS by MIRDC, more than 50% of heat treatment vendors have fewer than 20 employees, while large-scale heat treatment plants are very few. The Company has the greatest capital among domestic heat treatment providers. Compared to small-scale heat treatment plants or heat treatment divisions in manufacturing companies, the Company has greater flexibility in financial management and workforce allocation. Additionally, when accepting new heat treatment orders, a heat treatment and processing provider under go the evaluation process involving feasibility assessments, cost-benefit analyses, equipment procurement, workforce deployment, and technical improvements. The Company's extensive experience and advantages as a large professional heat treatment plant enable it to provide comprehensive and diverse services with its professional and comprehensive machinery to meet various customer needs.

② Crucial Role in Facilitating Industrial Upgrade

Heat treatment and processing are indispensable manufacturing processes for various metal machinery products. In the early stages, the Company focused on improving related processes to ensure that the metal characteristics are fully utilized through heat treatment, thus extending the lifespan of machinery and reducing the material costs for manufacturers. The Company's Heat Treatment and Processing services contribute to the enhancement of product quality in industries such as a7utomotive components, various machinery equipment, and metal products, bringing them up to international standards while enjoying price advantages, thereby strengthening international competitiveness. The Company plays an essential role in the industrial upgrading process.

In line with the government's aerospace industry development policy, the Company has obtained certification from McDonnell Douglas Aerospace Corporation and the AIDC quality system, positioning itself as a forerunner in the heat treatment industry's entry into the aerospace industry

Since 2009, The Company has actively entered the fuel cell industry. With its professional vacuum brazing and precision manufacturing technologies, the Company has obtained product quality verification from Bloom Energy and become its global strategic partner for fuel cell development, making a significant step forward for Taiwan's fuel cell industry.

③ Wide Scope of Product Applications

Traditional heat treatment and processing services cover a wide range of applications, including metal machinery tools and components, screws, metal molds, automotive components, motorcycle components, and bicycle components. However, with the rapid development of industries such as electronics and aerospace, new demands for various types of metal heat treatment and processing have emerged, expanding the scope of heat treatment and processing services.

Currently, plate heat exchangers are used in various applications such as air conditioning, water dispensers, petrochemical industries, pharmaceuticals, and food industries. However, in practice, the need for heat exchange extends beyond these industries. Future applications may include small air conditioning systems in automobiles, seawater desalination equipment on deep-sea fishing vessels, and solar and geothermal heat collection systems.

Fuel cells have a wide range of product applications, including consumer electronics, transportation, household electricity, and industrial electricity. The main application areas for fuel cells currently cover automobiles, stationary generators, and portable electronic products. Moreover, since the nuclear disaster in Japan, the world has placed more emphasis on clean and pollution-free energy sources. According to news released by Bloom Energy, household fuel cells will be introduced in the next 5-10 years. With the active development of alternative energy sources worldwide, fuel cells are expected to expand their application areas sustainably.

The advantages of a distributed energy system:

a) Reduced Transmission Losses: Due to their proximity to the power supply area, losses caused by long-distance power transmission can be avoided.

b) Increased Power Generation Capacity.

c) Improved Power Supply Quality and Stability reducing the possibility of large-scale power outages and the resulting hazards.

d) Lower Construction Costs compared to Centralized Power Generation.

e) Waste heat from power generation can be utilized in supplies of hot water and heating, and even for cooling purupse when used in conjunction with absorption cooling systems.

3) Unfavorable Factors for Future Development:

① Processing Capacity affected by Downstream Industries

With technological advancements, traditional heavy and light industries have matured, resulting in a stable demand for heat treatment and brazing processing. Additionally, changes in the business circumstances such as increased labor costs, land costs, and environmental protection requirements have caused relocation of downstream industries in the steel sector, such as automotive component manufacturers and metal product manufacturers, reducing the volume of traditional heat treatment and brazing processing business.

[Countermeasures]

While the volume of traditional heat treatment and brazing processing business may decrease due to the relocation of downstream industries, the Company focuses on improving its heat treatment and brazing processing technologies and maintains close collaboration and knowledge exchange with research institutions. In terms of brazing 7processing, the Company continues to acquire new equipment to enter the field of welding large-scale components.

Furthermore, besides its core business of heat treatment and processing, the Company has expanded into roller and plate heat exchanger production. By transforming from a metal processing industry to a manufacturing industry with its own products, the Company may reduce its reliance on heat treatment and brazing processing and mitigate the impact of customer relocation. In addition, the Company actively expands its overseas market for plate heat exchangers, reducing the risk of market decline in the domestic market. It also continues to develop new heat exchanger products and applications to expand the breadth and depth of its products.

In 2002, the Company established through indirecr investments the Kaori Technology (Ningbo) Co., Ltd., primarily focused on the production of brazed plate heat exchangers and providing better services to Taiwanese businesses in that region. The purpose of the investment in Kaori Ningbo is to reduce production costs, strengthen export capabilities, and expand the Mainland Chinese market.

② Labor Shortage in the Domestic Market

In recent years, the domestic manufacturing industry has faced a labor shortage, leading to increased labor costs and impacting industry competitiveness.

[Countermeasures]

In addition to increasing the automation level of machinery and equipment to reduce the demand for labor, the Company has introduced legal foreign labor and enhanced employee welfare to address the labor shortage. Furthermore, the Company actively invests in R&D, striving to continuously improve its services in line with the upgrading of domestic industries. It also enhances employee education and training to improve their professional skills, thereby providing services with a higher level of technical expertise.

③ Currently Compact and Less Competitive Domestic Energy Market

Advanced countries such as the United States, Japan, and the European Union nations have entered the alternative energy market earlier and have a larger market scale, hence having advantages in upstream raw materials, critical components, and R&D talents. On the other hand, as Taiwan entered the market relatively late, and the overall market scale is smaller, the development of upstream, midstream, and downstream industries are relatively confined. As a result, the competitiveness of domestic fuel cell manufacturers in the international market requires improvement.

[Countermeasures]

The Company established its Fuel Cell Business Department in August 2008, leveraging its expertise in vacuum brazing and precision manufacturing technologies. Through collaboration with Bloom Energy, a US-based fuel cell company, the Company aims to seize the international fuel cell market. Currently, the Compny continues to invest in expanding production facilities, acquiring machinery and equipment, and manufacturing key components for Solid Oxide Fuel Cells (SOFC). Additionally, the Company actively engages in the development of fuel cell-related products including fuel reformers with the goal of enhancing its competitiveness in the international market.

2, Significant Applications and Manufacturing Processes of the Main Products:

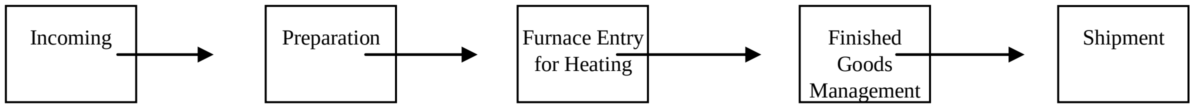
(1) Significant Applications of the Company's Main Products

Main Products	Significant Usage of Product
Metal Products and Processing	Metal Product Processing: Brazing is mainly used for welding automotive and air conditioning appliance parts, as well as annealing and solution treatment of stainless steel pipes and electric heating tubes.
Plate Heat Exchanger	Heat exchangers are primarily used in the refrigeration and air conditioning industry, air compressors, hydraulic machinery, food industry, fuel cells, electric vehicles, and general industrial applications (for heat exchange of water and cooling water within machinery and equipment).
Thermal Products	Newable energy fuel cell reformer and fuel cell core reactor components are applied to commercial large engines, cogeneration plants, geothermal power plants, hot springs, and general industrial and commercial power generation; cryogenic air dryers: used in electronic industries, spray painting, pneumatic tools, food, chemical industries, laboratories, biotechnology industries, precision mechanical component processing, measurement instruments, and equipment. Fuel cell core reactor components are applied to stationary fuel cell systems, which are distributed energy systems directly serving users by producing and supplying energy on-site according to their needs. With multiple functions, they can meet the objectives of small and medium-sized energy conversion and utilization systems. Fuel cells have a wide range of applications, including various power products such as consumer electronics, transportation vehicles, household electricity, and industrial

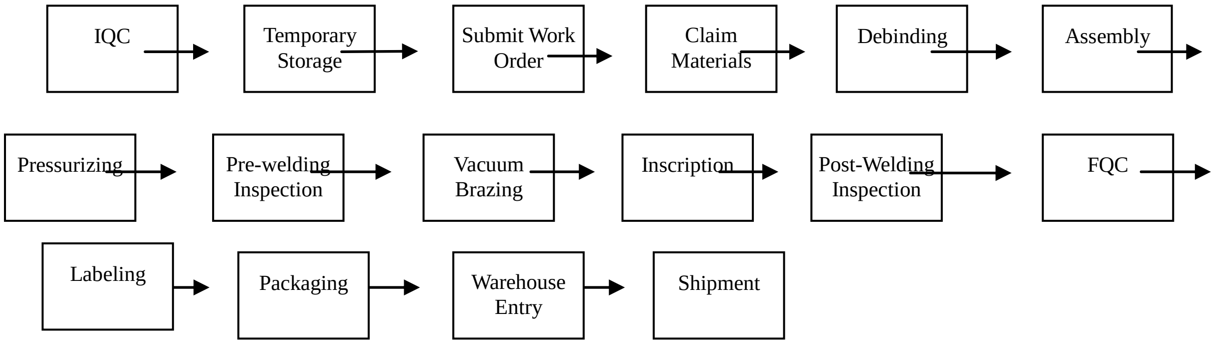
Main Products	Significant Usage of Product
	electricity. Currently, the main applications for fuel cells are automobiles, stationary generators, and portable electronic products. Furthermore, they can also be applied to server cooling systems modules in data centers or cloud computing centers.

(2) Manufacturing Process of Main Product

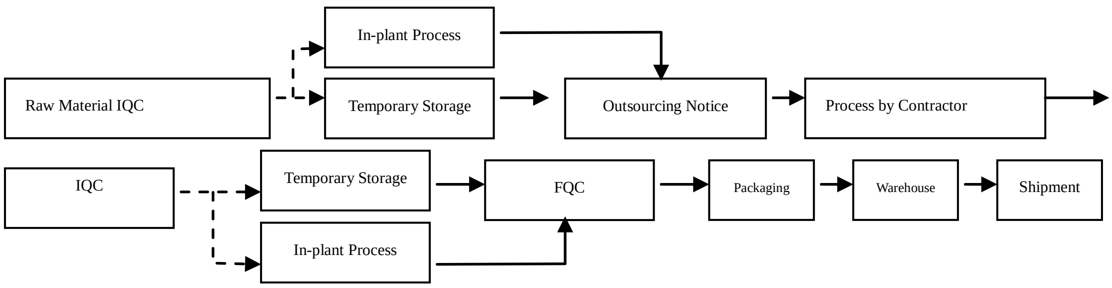
〈2.1〉Metal Products and Processing: Processing at Brazing Plant



〈2.2〉Plate Heat Exchanger:



〈2.3〉Thermal Products:



3. Supply Status of Main Raw Materials:

Main Raw Materials	Main Source	Supply Status
Stainless Steel Coils, Steel Materials	UEX /METAL ONE/Tang Eng	Good
INCONEL Sheet Materials, TOMBSTONE, Ceramic Pieces, Heat Insulating Materials	United P., VDM, CHUANG CHENG, Coors Tek, PROMAT	Good
Copper Foil. Copper Coil	AML, KME	Good

4. Name of Customers Engaged in Supply (Sales) Accounting for over 10% of Total Supplies (Sales) in Any of the Last Two Years, Amount(s) of Supply (Sales), Proportion to Total Supplies (Sales), and the Reason for Such Increase, Decrease or Change.

(1) Customer: Unit: NT$ thousand (Source:Individual Financial Reports)

Items	2021 Name	2021 Amount	2021 Percentage to All-year Net Sales〔%〕	2021 Relation with Issuer	2022 Name	2022 Amount	2022 Percentage to All-year Net Sales〔%〕	2022 Relation with Issuer	2023 as of Q1 Name	2023 as of Q1 Amount	2023 as of Q1 Percentage to Net Sales of the Current Year as of the Preceding Quarter〔%〕	2023 as of Q1 Relation with Issuer
1	BLOOM ENERGY	877,492	42.05	None	BLOOM ENERGY	1,199,349	44.68	None	BLOOM ENERGY	447,447	47..23	None
	Others	1,209,509	57.95		Others	1,485,049	55.32		Others	499,934	52.77	
	Net Sales	2,087,001	100.00		Net Sales	2,684,398	100.00		Net Sales	947,381	100.00	

Unit: NT$ thousand (Source: Consolidated Financial Reports)

Items	2021 Name	2021 Amount	2021 Percentage to All-year Net Sales〔%〕	2021 Relation with Issuer	2022 Name	2022 Amount	2022 Percentage to All-year Net Sales〔%〕	2022 Relation with Issuer	2023 as of Q1 Name	2023 as of Q1 Amount	2023 as of Q1 Percentage to Net Sales of the Current Year as of the Preceding Quarter〔%〕	2023 as of Q1 Relation with Issuer
1	BLOOM ENERGY	877,492	39.33	None	BLOOM ENERGY	1,199,349	42.18	None	BLOOM ENERGY	447,447	46.10	None
	Others	1,353,781	60.67		Others	1,644,191	57.82		Others	523,064	53.90	
	Net Sales	2,231,273	100.00		Net Sales	2,843,540	100.00		Net Sales	970,511	100.00	

Reason for Increase / Decrease:

From 2021 to 2022, the customer BLOOM ENERGY accounted for a significant portion of the net sales, ranging from 39.33% to 42.18% and ranked 1st of all customers, indicating stable transactions. This is mainly due to fluctuations in the shipment of processed fuel cell components by the Company.

(2) Supplier:

Unit: NT$ thousand (Source:Individual Financial Reports)

	2021				2022				2023as of Q1			
Items	Name	Amount	Percentage to All-year Net Purchase 〔%〕	Relation with Issuer	Name	Amount	Percentage to All-year Net Purchase 〔%〕	Relation with Issuer	Name	Amount	Percentage to Net Purchase of the Current Year as of the Preceding Quarter 〔%〕	Relation with Issuer
1	United P.	137,887	14.03	None	VDM.	190,405	10.52	None	Outokumpu Europe	101,868	17.49	None
2	UEX	111,530	11.34	None	CoorsTek	186,298	10.29	None	CoorsTek	69,155	11.87	None
	Others	733,693	74.63		Others	1,433,872	79.19		Others	411,366	70.64	
	Net Purchase	983,110	100.00		Net Purchase	1,810,575	100.00		Net Purchase	582,389	100.00	

Unit: NT$ thousand (Source: Consolidated Financial Reports)

	2021				2022				2023 as of Q1			
Items	Name	Amount	Percentage to All-year Net Purchase 〔%〕	Relation with Issuer	Name	Amount	Percentage to All-year Net Purchase 〔%〕	Relation with Issuer	Name	Amount	Percentage to Net Purchase of the Current Year as of the Preceding Quarter 〔%〕	Relation with Issuer
1	United P.	137,887	13.59	None	VDM.	190,405	10.08	None	Outokumpu Europe	101,868	17.46	None
2	UEX	111,530	10.99	None	CoorsTek	186,298	9.86	None	CoorsTek	69,155	11.86	None
	Others	765,090	75.42		Others	1,513,240	80.06		Others	412,310	70.68	
	Net Purchase	1,014,507	100.00		Net Purchase	1,889,943	100.00		Net Purchase	583,333	100.00	

Reason for Increase / Decrease:

Concerning items with higher amounts of purchases, the Company's stainless steel coils required in manufacturing of plate heat exchangers are from suppliers UEX, Tang Eng, METAL ONE, as well as copper foil from AML and KME; as for the high-nickel steel sheet materials required for fuel cell component manufacturing, the Company has a higher proportion of purchases from United P. However, the procurement of other raw materials is relatively diversified. In terms of raw material procurement, the Company selects suppliers based on their quotations, quality, and transaction conditions. There have been no instances of shortages or interruptions in the supply chain in the past two years.

5. Production in the Last Two Years:

Units: metric tons, 1K PCs, m^2, tons, frozen tons, KW, Watt; NT$ thousand

Source: Individual Financial Reports

Year / Output / Major Products (or by Department)	2021			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Brazing Processing	1,200	314	7,977	-	-	-
Plate Heat Exchanger	313,840	329,661	864,898	439,928	405,764	1,197,044
Thermal Products	164,516	1,236	703,879	164,516	2,717	1,196,549
Total	-	-	1,576,754		-	2,393,593

Units: metric tons, 1K PCs, m^2, tons, frozen tons, KW, Watt; NT$ thousand

Source: Consolidated Financial Reports

Year / Output / Major Products (or by Department)	2021			2022		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Brazing Processing	1,200	314	7,977	-	-	-
Plate Heat Exchanger	348,651	400,739	1,012,492	474,739	498,044	1,396,844
Thermal Products	164,516	1,236	703,879	164,516	2,717	1,196,549
Total	-	-	1,724,348		-	2,593,393

Note: 1. The units for capacities and quantities of heat treatment and processing and roller are in metric tons; the unit for brazing processing is in thousand pieces; the units for capacity and euantity of heat exchanger are in square meters.
2. Due to different calculation units for each main product, the summation of capacity and euantity is not meaningful, hence not provided above.
3. The roller and peripheral accessories share the same equipment as heat treatment and processing, hence the capacity of roller and peripheral accessories are not listed.
4. Thermal products include new energy green power generation modules, waste heat generators, and fuel cell components. The summation of capacity and quantity is not meaningful.

6. Shipments and Sales in the Last Two Years:

Units: metric tons, 1K PCs, m^2, tons, frozen tons, KW, Watt; NT$ thousand

Source: Individual Financial Reports

Year / Shipment & Sales / Main Products (or by departments)	2021				2022			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Brazing Processing	314	10,142	-	–	-	-	-	-
Plate Heat Exchanger	64,900	271,883	264,087	885,001	61,764	279,411	308,944	1,122,328
Thermal Products	281	54,035	1,317	865,940	743	80,618	1,614	1,202,041
Total		336,060		1,750,941		360,029		2,324,369

Unit: tons, 1K PCs, m^2, tons, frozen tons, KW, Watt; NT$ thousand

Source: Consolidated Financial Reports

Year / Shipment & Sales / Main Products (or by departments)	2021				2022			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Brazing Processing	314	10,142	-	–	-	-	-	-
Plate Heat Exchanger	131,354	500,635	266,857	800,521	70,299	536,007	389,191	1,024,874
Thermal Products	281	54,035	1,317	865,940	743	80,618	1,614	1,202,041
Total		564,812		1,666,461		616,625		2,226,915

3. Distribution of Incumbent Employees by Number in Each Role, Average Years of Service, Average Age and Education in the Last 2 Calendar Years and as of the Publication Date of this Annual Report:

Source: Individual Financial Reports

Year		2021	2022	As of March 31, 2023
Number of Employees	Direct Labor	257	326	353
	Indrect Labor	230	238	245
	Total	487	564	598
Average Age		40.18	40.34	40
Average Years of Service		10.35	9.52	9.11
Education	Ph.D.	1.64%	1.60%	1.51%
	Masters	11.50%	10.28%	9.87%
	Bachelor's Degree	53.18%	49.12%	50.16%
	Senior High School	31.62%	36.70%	35.95%
	Below Senior High School	2.06%	2.30%	2.51%

Source: Consolidated Financial Reports

Year		2021	2022	As of March 31, 2023
Number of Employees	Direct Labor	283	357	383
	Indrect Labor	263	271	281
	Total	546	628	664
Average Age		41.0	40.22	39.94
Average Years of Service		10.3	9.53	9.18
Education	Ph.D.	1.47%	1.44%	1.36%
	Masters	10.26%	9.31%	8.89%
	Bachelor's Degree	53.48%	49.76%	50.90%
	Senior High School	31.87%	36.44%	35.69%
	Below Senior High School	2.92%	3.05%	3.16%

4. Environmental Protection Expenditure

1. Disclose the losses suffered by the Company resulting from violations against environmental pollution in the most recent year and as of the publication date of this Annual Report (including compensation and violations against environmental protection laws and regulations, per environmental protection audit result, and date of disposition, disposition document number, articles the Company has violated against, contents of violated laws and regulations, and content of disposition shall be disclosed), and disclose the estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, facts preventing the reasonable estimations shall be explained: None.
2. Implementaton of Measures in Reeponse to European Union's Restriction of Hazardous Substances Directive: The Company has complied with the regulations under the RoHS Directive and established appropriate management systems. Regular sampling inspections have been conducted, and all results are in compliance with the regulations.

5. Labor Relations

1. Various Employee Welfare Measures, Continuing Education, Training, Pension System and the Implementations thereof, and the Circumstances of Employer-Employee Agreements and Various Employee Rights Maintenance Measures

(1) Employee Welfare Measures:

① The Company has established a Welfare Committee to implement various employee welfare measures. Each month, 0.15% of the operating revenue and 20% of the income from selling scrap materials are allocated for welfare funds. The following employee welfare initiatives are implemented:

A. Domestic and international group travel activities.

B. Subsidies for childbirth, marriage celebration or condolence for funeral service, hospitalization due to illness, and military service.

(A) Childbirth Allowance: Eligible for employees with children under the age of 6 registered under his/her household.

(B) Childcare Allowance: Distributed per year for one infant per household until the infant is 6 years old.

C. Emergency Allowances.

D. Education Scholarship for Children of Employees.

E. Gift Money at Chinese New Year.

F. Organizing of Birthday Celebrations.

② Other Welfares include:

A．Insuring of Group Life and Accident Insurances.

B. Subsidies for childbirth and childcare.

(2) Implementation of Continuing Education and Training for Employees:

To adapt to the rapid changes in industry technology and ensure employees' abilities and career development align with the Company's operational goals, the Company has prioritized employee learning and development as a key item in human resources management. Starting from the core competencies and linking them to the company's operational strategy and professional functional training blueprint, various training activities and talent development programs are being promoted.

The Company provides multiple ways and opportunities for employees to pursue further education, including subsidies for on-the-job training, assignments for professional enhancement training, and language learning assistance. Rich training resources are provided to employees. The following are the achievements in the company's education and training in 2022:

	Items	Classes	Attendees	Total Hours	Total Fees
1	Supervisor Talent Training	3	10	31	29,560
2	Self Inspiration Training	8	8	1,422	165,670
3	Professional Competencies Training	103	765	1,704	226,634
4	General Knowledge Training	25	309	2,234	0
5	Labor Safety and Health	44	637	1,478	68,040
Total		183	1,729	6,869	489,904

To provide the best learning environment for employees, the Company has introduced diversified learning platforms. In addition to traditional classroom learning, e-learning and knowledge management systems are also provided. A mechanism for conducting satisfaction surveys on the effectiveness of learning has been established to ensure the benefits of learning. The Human Resources Department is responsible for planning and promoting various learning activities and talent development projects. “Miss Training” consisting of supervisor representatives from different departments are engaged to assist in evaluating and implementing learning activities. Through collaboration with the organization, the following learning programs have been constructed:

A.Supervisor Talent Training:

Providing the necessary courses for managers at all levels. Such training specifically enhances various leadership abilitie through course learning and sharing of practical experiencess.

B.Self Inspiration Training:

Scholarships are offered to support employees in pursuing further education to acquire higher levels of knowledge or skills, encouraging self-growth among employees.

C.Professional Competencies Training:

A professional training blueprint is drafted based on job positions, years of experience, and hierarchical levels. Various types of professional training are also conducted to assist employees in acquiring the necessary professional competencies required for their work.

D.General Knowledge Training:

General training courses provided for all employees to enhance work efficiency, available for participation by all employees. Examples of training courses include communication skills, time management, and other relevant topics.

E.Labor Safety and Health:

Relevant training hours and certificates are required in accordance with regulations.

(3) Pension System and Its Implementation Status:

The Company has formulated policy on retirement for its regular employees in accordance with the provisions of the Labor Standards Act. A Labor Retirement Pension Supervisory Committee has been formed as required by the regulations, and a retirement reserve fund is allocated monthly. The funds are deposited in a dedicated account in the name of the committee at Bank of Taiwan, and the committee is responsible for overseeing and managing the funds. As of 2022, there are no retirees from the Company.

(4) Status of Employer-Employee Agreements and Various Employee Rights Maintenance Measures:

The Company complies with the law by appointing representatives from both labor and management to hold regular "labor-management meetings" to promote dialogue and exchange of opinions between the two parties. Resolutions made during these meetings are obligated to be addressed and implemented within a specified timeframe. In 2022, there was consistent consensus between labor and management, and no disputes occurred that resulted in losses for the Company.

Protection Measures for Working Environment and Employee Safety are as follows:

Items	Items	Contents
1	Access	1. The plant area and premises are equipped with a complete surveillance system. Personnel are assigned to manage and maintain such system. 2. A security company is contracted for round-the-clock personnel and vehicle control to ensure the safety of the premises. 3. Regular contact is made with the police and security authorities for periodic patrols around the plant perimeter.
2	Maintenance and Checking of Working Environment and Various Equipment	1. Occupational environmental monitoring is conducted in accordance with the "Implementation Regulations for Occupational Environmental Monitoring". Qualified occupational environment measurement institutions are regularly engaged to perform these assessments, and the results are communicated to employees. 2. Public safety inspections are conducted every two years by professional companies in compliance with the "Regulations Governing Building Public Safety Inspection and Certification Declaration". 3. Fire equipment inspections are performed annually in accordance with the "Fire Services Act" through outsourcing to professional inspectors. 4. Regular maintenance inspections are carried out by professionals for high and low voltage electrical equipment, elevators, specific equipment for high-pressure gases, official vehicles, water dispensers, and other devices in accordance with the "Regulations Governing Occupational Safety and Health Management" and other relevant regulations. 5. Hazardous chemicals are managed at the source in accordance with the "Regulations for the Labeling and Hazard Communication of Hazardous Chemicals". A list of hazardous substances is established, and safety data sheets are provided for workplace reference. 6. Personal protective equipment is provided to employees in compliance with the "Regulations Governing Occupational Safety and Health Facilities". Welding machines are equipped with automatic electric shock prevention devices, gas cylinders are securely positioned, and warning signs prohibiting the wearing of gloves during drilling operations are posted. 7. Eye-friendly panel lighting fixtures are used for plant lighting to protect employees' visual health and for environmental friendliness and energy-efficiency.
3	Disaster Prevention and Implementation	1. In addition to participating in joint civil defense organizations for the area, non-periodic fire prevention and disaster prevention training sessions are conducted with invited fire authorities. 2. To ensure employee safety and health, there are occupational safety and health supervisors and personnel who have completed the registration process with the competent authorities. 3. The Company's occupational safety and health work guidelines have been approved by the competent authorities. 4. Hazard identification and risk assessment are conducted by plant supervisors and employees to drive continuous improvement. 5. Occupational accident statistics are regularly compiled in accordance with the "Occupational Safety and Health Act". Investigations are conducted on occupational accidents and submitted to the competent authorities for approval. 6. Relevant laws and regulations are reviewed to assess their impact and determine subsequent actions. 7. Participating in safety and health promotion meetings organized by government authorities. 8. Participating in unannounced emergency notification tests and firefighting drills in the industrial area.

Items	Items	Contents
4	Health promotion and Environmental Hygiene	1. Physical Examinations: Qualified medical institutions conduct physical and health examinations in accordance with the “Labor Health Protection Rules”, and the results are compiled into a handbook for employees. 2. Based on the health examination results, risk management is conducted by the company nurse, and health education advice is provided in collaboration with on-site service physicians. 3. Regularly hire family physicians and occupational medicine physicians to provide on-site services. 4. Automated external defibrillators (AED) are installed in the plant, and employees are trained regularly in its operation to facilitate emergency response. 5. Health promotion materials are provided to enhance employees' relevant knowledge. 6. First aid personnel and first aid kits are established and maintained in accordance with the “Labor Health Protection Rules”. 7. The workplace is cleaned daily, and periodic disinfection of plant offices and environments is conducted. 8. Drinking water is provided at the workplace, and emergency shower facilities are available for employees, following the “Regulations Governing Occupational Safety and Health Facilities”.
5	Implementing Operation Safety Control	1. Contractor management: Safety training for contractors is conducted in accordance with the “Occupational Safety and Health Act”, and periodic inspections are carried out at construction sites for relevant management and supervision. 2. Controls for construction operations are implemented based on the requirements of occupational safety and health regulations and risk assessments. Fire-related work, elevated work, confined space work, live work, hazardous pipeline drilling work, and safety system interruption work are subject to construction controls and permits as required. 3. Contractors are informed of hazards and accompanied during on-site operations by supervisors. 4. Operation of hazardous machinery is limited to personnel who have obtained certification through qualified training and examination.

2. Disclose the losses suffered by the Company resulting from labor disputes in the most recent year and as of the publication date of this Annual Report, and disclose the estimated amount and response measures that may occur at present and in the future. If it cannot be reasonably estimated, facts preventing the reasonable estimations shall be explained: None.

6. Information Security Management

(1) Information Security Risk Management Framework:

The organizational structure, members, and responsibilities of the Company’s Information Security Committee are as follows:

Organizational Structure and Members:

1. The Chairman/Vice Chairman/President are the absolute instructors for members.
2. Members: Deputy General Managers or higher-level supervisors, with attendance from the Audit Department.
3. Convenor: The Convenor of the Committee is appointed by the President, who can be the head of the Information Department or a specific senior supervisor.
4. Executive Secretary and Task Force: The Convenor may assign an Executive Secretary and Task Force under the Committee to coordinate and execute the Committee's tasks.
5. The Audit Department/Finance Department shall assist in providing reference information from external official regulatory bodies.

Responsibilities: Formulating Company information security policies.

Tasks: Reviewing the effectiveness of information security policy implementation, deliberate on proposed adjustments to information security policies, and temporary motions.

(2) Information Security Policies:

The objective of the Company's information security management strategy is [Ensuring with dedication what’s necessary for Company development-a continuous operational information environment]:

1. For “Ensuring with dedication what’s necessary for Company development-a continuous operational information environment”, this information security policy is hereby promulgated.
2. Employees are provided with clear guiding principles in their work. All employees of the Company are obliged to comply with and participate in the promotion of information security policies to ensure the secure operation of Company sensitive data/information systems/ equipment and networks.
3. It is expected that all employees will understand, implement, and maintain to achieve the goal of uninterrupted operation of enterprise information systems.
   Framework-wise, the “Information Security Committee” is responsible for formulating and promoting information security policies, supervising information security risks, and management matters.

The tasks of the Information Security Committee include:

(1) Formulating information security policies and information security control mechanisms.
(2) Supervising and implementing various information security policies and work.
(3) Auditing internal information security within the Company.
(4) Reporting information security incidents, emergency response, and crisis management.
(5) Planning information security education and training.
(6) Coordinating and handling other information security matters.

(3) Specific Management Plans:

In terms of management, in accordance with the regulations of the Securities and Futures Bureau, the President appoints the head of the Information Department as the security manager, and two network management personnel as dedicated security personnel responsible for information security management operations to comply with regulatory requirements of regulatory agencies. Such appointmnet was approved by the Board of Directors on March 25, 2022.

In practice, the Information Security Committee reports important information security events and changes in information security measures to the Chairman/Vice Chairman of the Board/President/All Business Division Heads during the regular Chief Operations Officer meetings every Wednesday.

This achieves a higher frequency of management measures compared to the norm:

1. Annual information security policy meetings are held.
2. Special meetings are convened when special events require decision-making on information security changes.
3. Listening to reports from executing members (information security policy detection and execution team) on current performance, deliberate on proposed adjustments to information security policies, and temporary motions.

This has achieved the management cycle mechanism of Plan-Do-Check-Act (PDCA) to examine the applicability and protective measures of information security policies, and in the future, will increase the reporting of implementation effectiveness by a dedicated Information Protection Committee, achieving substantial improvement.

(4) Resource allocation for information and communication security management:

1. The Company introduced a hyper-converged infrastructure in September 2022, coupled with the existing VMWare virtual hosting system, to establish a dual-system and dual-structure for a more real-time and comprehensive HA mechanism to enhance the resilience of important information systems.
2. In addition to substantial investments in PaloAlto Next-Generation Firewalls/CoreTex XDR/overall antivirus software capital and expenses, the information security manager and dedicated personnel are responsible for fully implementing and conducting daily inspection task

(5) List the losses, possible impacts and response measures suffered in the most recent year and as of the publication date of this Annual Report due to major info-security incidents. If it cannot be reasonably estimated, facts preventing the reasonable estimations shall be explained:

As of the publication date of this Annual Report, there hasn't been major information security incidents in the last two years, and the Company has assumed no loss or possible impacts in its operations or business goodwill.

7. Important Covenants:

Covenant Nature	Counterparties	Starting and Ending Date of Contract	Main Contents	Restrictive Clause
Long-term Borrowing	O-Bank	2020.06 ～ 115.06	Medium-term Guaranteed Loan with the borrowing period at 2020.06～2026.06. The interest rate on December 31, 2022 was 1.5803%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.6, the repayment per installment is NT$ 6,389 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.
Long-term Borrowing	O-Bank	2020.06 ～ 2026.06	Medium-term Guaranteed Loan with the borrowing period at 2020.06～2026.06. The interest rate on December 31, 2022 was 1.5803%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.6, the repayment per installment is NT$ 6,067 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.
Long-term Borrowing	O-Bank	2020.09 ～ 2026.06	Medium-term Guaranteed Loan with the borrowing period at 2020.09～2026.06. The interest rate on December 31, 2022 was 1.5803%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.6, the repayment per installment is NT$ 1,011 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.
Long-term Borrowing	O-Bank	2020.09 ～ 2026.06	Medium-term Guaranteed Loan with the borrowing period at 2020.09～2026.06. The interest rate on December 31, 2022 was 1.5803%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.6, the repayment per installment is NT$ 1,278 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.
Long-term Borrowing	O-Bank	2022.08 ～ 2026.06	Medium-term Guaranteed Loan with the borrowing period at 2022.08～2026.06. The interest rate on December 31, 2022 was 1.5803%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.12, the repayment per installment is NT$ 4,538 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.

Covenant Nature	Counterparties	Starting and Ending Date of Contract	Main Contents	Restrictive Clause
Long-term Borrowing	O-Bank	2022.08 ～ 2026.06	Medium-term Guaranteed Loan with the borrowing period at 2022.08～2026.06. The interest rate on December 31, 2022 was 1.5803%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2022.12, the repayment per installment is NT$ 3,875 thousand.	Mortgaged with Lands and Plants of Chung-Li 2nd Plant.
Long-term Borrowing	Shanghai Commercial and Savings Bank	2015.07~2025.04	Long-term Guaranteed Loan with the borrowing period at 2015.07～2025.04. The interest rate on December 31, 2022 was 1.595%, with interests accrued monthly. With the installments at an interval of 3 months starting from 2016.7, the repayment per installment is NT$ 2,084 thousand.	Mortgaged with Lands and Plants of Chung-Li 3rd Plant.
Long-term Borrowing	Taipei Fubon Bank	2022.09~2025.08	Medium-term Unsecured Loan with the borrowing period at2022.09～2025.08. The interest rate on December 31, 2022 was 1.6671%, with interests accrued monthly. Starting from September 2023, a repayment on principal at NT$ 1,250 thousand shall be made; the repayment at NT$ 1,250 thousand shall be made at the last installment.	
Long-term Borrowing	Mega International Commercial Bank	2020.9 ～ 2025.9	Medium-term Guaranteed Loan with the borrowing period at 2020.9～2025.9. The interest rate on December 31, 2022 was 1.9664%, with interests accrued monthly. With the installments at an interval of 3 months starting from 2022.9, the repayment per installment is NT$ 7,100 thousand; the repayment at NT$ 198,800 thousand shall be made at the last installment.	Mortgaged with Lands and Plants of Chung-Li 3rd Plant and Kaohsiung Plant.
Long-term Borrowing	The Export-Import Bank of ROC	2022.12 ～ 2024.12	Medium-term Unsecured Loan with the borrowing period at2022.12～2024.12. The interest rate on December 31, 2022 was 1.7112%, with interests accrued monthly. With the installments at an interval of 6 months starting from 2024.6, the repayment per installment is NT$ 100,000 thousand.	

VI. Financial Information

1. Condensed Statement of Financial Position and Statement of Comprehensive Income in the Last 5 Calendar Years
   (1) Condensed Statement of Financial Position and Statement of Comprehensive Income-Based on IFRS
      1. Condensed Statement of Financial Position-Based on IFRS

Unit: NT$ thousand
Source:Individual Financial Reports

Items \ Year		Financial Summary for The Last Five Years 2018	2019	2020	2021	2022	Financial Information of the Current Year as of March 31, 2023 (Note 1)
Current Assets		1,259,757	1,274,127	1,442,989	1,413,570	2,028,868	Omitted
Property, Plant and Equipment (Note 2)		1,115,137	1,083,327	1,564,467	1,565,526	1,569,386	Omitted
Intangible Assets		0	0	0	0	0	Omitted
Other Assets (Note 2)		363,726	405,932	451,056	410,199	518,737	Omitted
Total Assets		2,738,620	2,763,386	3,458,512	3,389,295	4,116,991	Omitted
Current Liabilities	Before Distribution	639,472	799,557	980,648	1,094,175	1,437,279	Omitted
	After Distribution	818,240	978,325	1,132,601	1,228,251	1,571,355	Omitted
Non-current Liabilities		249,553	139,072	556,201	410,281	620,715	Omitted
Total Liabilities	Before Distribution	889,025	938,629	1,536,849	1,504,456	2,057,994	Omitted
	After Distribution	1,067,793	1,117,397	1,688,802	1,638,532	2,192,070	Omitted
Equity Attributable to Shareholders of the Parent		1,849,595	1,824,757	1,921,663	1,884,839	2,058,997	Omitted
Capital Stock		893,841	893,841	893,841	893,841	893,841	Omitted
Capital Surplus		631,849	593,414	593,414	593,414	593,414	Omitted
Retained Earnings	Before Distribution	353,354	362,321	388,488	385,159	557,794	Omitted
	After	205,870	221,988	236,535	251,083	423,718	Omitted

Items \ Year		Financial Summary for The Last Five Years					Financial Information of the Current Year as of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
	Distribution						
Other Equity Interest		(60,733)	(63,254)	45,920	12,425	13,948	Omitted
Treasury Stock		0	0	0	0	0	Omitted
Non-controlling Interest		0	0	0	0	0	Omitted
Total Equity	Before Distribution	1,849,595	1,824,757	1,921,663	1,884,839	2,058,997	Omitted
	After Distribution	1,670,827	1,645,989	1,769,710	1,750,763	1,924,921	Omitted

Note 1: The nation has officially adopted the IFRS apporved by the Financial Supervisory Commission in 2013, and the above financial information has been audited and attested by CPAs.
Note 2: No asset revaluation was performed for the above years.

Unit: NT$ thousand
Source: Consolidated Financial Reports

Items \ Year		Financial Summary for The Last Five Years					Financial Information of the Current Year as of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Current Assets		1,457,636	1,469,097	1,634,582	1,589,054	2,244,659	2,429,349
Property, Plant and Equipment (Note 2)		1,166,262	1,151,235	1,628,734	1,625,843	1,624,956	1,673,059
Intangible Assets		0	0	0	0	0	0
Other Assets (Note 2)		127,269	156,239	211,968	197,358	286,450	315,317
Total Assets		2,751,167	2,776,571	3,475,284	3,412,255	4,156,065	4,417,725
Current Liabilities	Before Distribution	652,019	812,742	997,420	1,117,135	1,476,353	1,754,853
	After Distribution	830,787	991,510	1,149,373	1,251,211	1,610,429	(Note 3)
Non-current Liabilities		249,553	139,072	556,201	410,281	620,715	607,880
Total Liabiliti	Before Distribu	901,572	951,814	1,553,621	1,527,416	2,097,068	2,362,733

Year / Items		Financial Summary for The Last Five Years					Financial Information of the Current Year as of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
es	tion						
	After Distribution	1,080,340	1,130,582	1,705,574	1,661,492	2,231,144	(Note 3)
Equity Attributable to Shareholders of the Parent		1,849,595	1,824,757	1,921,663	1,884,839	2,058,997	2,054,992
Capital Stock		893,841	893,841	893,841	893,841	893,841	893,841
Capital Surplus		631,849	593,414	593,414	593,414	593,414	593,414
Retained Earnings	Before Distribution	353,354	362,321	388,488	385,159	557,794	550,380
	After Distribution	205,870	221,988	236,535	251,083	423,718	(Note 3)
Other Equity Interest		(60,733)	(63,254)	45,920	12,425	13,948	17,357
Treasury Stock		0	0	0	0	0	0
Non-controlling Interest		0	0	0	0	0	0
Total Equity	Before Distribution	1,849,595	1,824,757	1,921,663	1,884,839	2,058,997	2,054,992
	After Distribution	1,670,827	1,645,989	1,769,710	1,750,763	1,924,921	(Note 3)

Note 1: The nation has officially adopted the IFRS apporved by the Financial Supervisory Commission in 2013, and the above financial information has been audited and attested by CPAs. The financial information for Q1 2023 based on IFRS has been reviewed by the CPAs.
Note 2: No asset revaluation was performed for the above years.
Note 3: 2022 Earnings Distribution will be reported at 2023 Annual General Shareholders’ Meeting.

2. Condensed Statement of Comprehensive Income-Based on IFRS

Unit: NT$ thousand
Source:Individual Financial Reports

Year / Items	Financial Summary for The Last Five Years					Financial Information of the Current Year as of March 31, 2023 (Note 1)
	2018	2019	2020	2021	2022	
Operating Revenue	1,842,354	1,990,535	1,994,993	2,087,001	2,684,398	Omitted
Operating Gross Profit	518,564	529,113	492,974	518,163	692,256	Omitted
Income from Operations	212,007	186,513	159,569	185,372	288,905	Omitted
Non-operating Income and Expenses	66,963	7,800	(9,144)	(2,012)	86,033	Omitted
Income before Tax	278,970	194,313	150,425	183,360	374,938	Omitted
Profit (loss) from Continuing Operations before Tax	229,734	158,138	112,524	149,156	301,020	Omitted
Loss from Discontinued Operations	0	0	0	0	0	Omitted
Net Profit (Loss)	229,734	158,138	112,524	149,156	301,020	Omitted
Other Comprehensive Income (Income after Tax)	(80,100)	(4,208)	163,150	(34,027)	7,214	Omitted
Total Comprehensive Income of the Current Period	149,634	153,930	275,674	115,129	308,234	Omitted
Net Income Attributable to Shareholders of the Parent	229,734	158,138	112,524	149,156	301,020	Omitted
Net Income Attributable to Non-controlling Interest	0	0	0	0	0	Omitted
Comprehensive Income Attributable to Shareholders of the Parent	149,634	153,930	275,674	115,129	308,234	Omitted
Comprehensive Income Attributable to Non-controlling Interest	0	0	0	0	0	Omitted
EPS	2.57	1.77	1.26	1.67	3.37	Omitted

Note 1: The nation has officially adopted the IFRS apporved by the Financial Supervisory Commission in 2013, and the above financial information has been audited and attested by CPAs.

Unit: NT$ thousand
Source: Consolidated Financial Reports

Items \ Year	Financial Summary for The Last Five Years					Financial Information of the Current Year as of March 31, 2023 (Note 1)
	2018	2019	2020	2021	2022	
Operating Revenue	1,931,586	2,083,280	2,076,359	2,231,273	2,843,540	970,511
Operating Gross Profit	566,945	575,456	528,382	593,603	785,630	277,211
Income from Operations	231,102	204,035	170,279	230,355	346,136	164,618
Non-operating Income and Expenses	52,750	(4,955)	(15,608)	(34,835)	43,717	(5,996)
Income before Tax	283,852	199,080	154,671	195,520	389,853	158,622
Profit (loss) from Continuing Operations before Tax	229,734	158,138	112,524	149,156	301,020	126,662
Loss from Discontinued Operations	0	0	0	0	0	0
Net Profit (Loss)	229,734	158,138	112,524	149,156	301,020	126,662
Other Comprehensive Income (Income after Tax)	(80,100)	(4,208)	163,150	(34,027)	7,214	3,409
Total Comprehensive Income of the Current Period	149,634	153,930	275,674	115,129	308,234	130,071
Net Income Attributable to Shareholders of the Parent	229,734	158,138	112,524	149,156	301,020	126,662
Net Income Attributable to Non-controlling Interest	0	0	0	0	0	0
Comprehensive Income Attributable to Shareholders of the Parent	149,634	153,930	275,674	115,129	308,234	130,071
Comprehensive Income Attributable to Non-controlling Interest	0	0	0	0	0	0
EPS	2.57	1.77	1.26	1.67	3.37	1.42

Note 1: The nation has officially adopted the IFRS apporved by the Financial Supervisory Commission in 2013, and the above financial information has been audited and attested by CPAs. The financial information for Q1 2023 based on IFRS has been reviewed by the CPAs.

(2). Auditors' Names and Opinions in the Last 5 Calendar Years

Year	Name of Accounting Firm	Name(s) of CPA(s)	Audit Opinion
2018	Deloitte & Touche Firm	Su Yu Hsiu, Kung Shuang Hsiung	Unqualified Opinion
2019	Deloitte & Touche Firm	Su Yu Hsiu, Liu Shu Lin	Unqualified Opinion
2020	Deloitte & Touche Firm	Chen Wen Xiang, Liu Shu Lin	Unqualified Opinion
2021	Deloitte & Touche Firm	Chen Wen Xiang, Liu Shu Lin	Unqualified Opinion
2022	Deloitte & Touche Firm	Chen Wen Xiang, Liu Shu Lin	Unqualified Opinion

2. Financial Analysis in the Last 5 Calendar Years

1.IFRS-Financial Analysis

IFRS-Financial Analysis on Individual Financial Reports

Source:Individual Financial Reports

Items (Note 3)	Year (Note 1)	Financial Analysis in the Last 5 Calendar Years					Current Year as of March 31, 2023
		2018	2019	2020	2021	2022	
Financial Structure(%)	Debt Ratio	32.46	33.97	44.44	44.39	49.99	Omitted
	Ratio of Long-term Funds to Real Property, Plants and Equipment	188.24	181.28	158.38	146.6	170.75	Omitted
Solvency%	Current Ratio	197.00	159.35	147.15	129.19	141.16	Omitted
	Quick Ratio	2022.98	92.83	87.83	75.10	52.90	Omitted
	Interest Earned Ratio	22.59	40.75	18.28	18.75	29.10	Omitted
Operating Performance	Accounts Receivable Turnover (Times)	5.43	7.64	6.16	6.09	6.14	Omitted
	Average Collection Period	67.21	47.77	59.25	59.93	59.44	Omitted
	Inventory Turnover (Times)	2.52	2.59	2.60	2.67	2.32	Omitted
	Accounts Payable Turnover (Times)	11.2	11.37	10.16	9.07	9.31	Omitted
	Average Days in Sales	144.84	140.92	140.38	136.70	157.32	Omitted
	Property, Plant and Equipment Turnover (Times)	1.60	1.81	1.51	1.33	1.71	Omitted

Items (Note 3) \ Year (Note 1)		Financial Analysis in the Last 5 Calendar Years					Current Year as of March 31, 2023
		2018	2019	2020	2021	2022	
	Total Assets Turnover (Times)	0.58	0.72	0.64	0.61	0.72	Omitted
Profitability	Return on Assets(%)	7.61	5.89	3.84	4.60	8.30	Omitted
	Return on Stockholders' Equity(%)	12.63	8.61	6.01	7.84	15.27	Omitted
	Ratio of Net Profit before-Tax to Paid-in Capital (%) (Note 7)	31.21	21.74	16.83	20.51	41.95	Omitted
	Profit Margin (%)	12.47	7.94	5.64	7.15	11.21	Omitted
	EPS (NT$)	2.57	1.77	1.26	1.67	3.37	Omitted
Cash Flow	Cash Flow Ratio (%)	72.76	33.30	4.34	25.12	(22.83)	Omitted
	Cash Flow Adequacy Ratio (%)	107.78	105.56	70.87	69.84	30.87	Omitted
	Cash Reinvestment Ratio(%)	15.20	3.91	(4.99)	4.73	(15.06)	Omitted
Leverage	Operating Leverage	1.57	1.62	1.67	1.56	1.37	Omitted
	Financial Leverage	1.06	1.03	1.06	1.06	1.05	Omitted

Analysis of financial ratio differences for the last two years:

1. Solvency: significant increase in Inventory, leading to decreased Quick Ratio; the Pre-tax Income increased, leading to increase in Interest Earned Ratio.
2. Operating Performance: icnrease in Revenue, resulting in increase in Property, Plant and Equipment Turnover.
3. Profitability: Profit in 2022 indicated a significant growth compared with that of 2021, enhancing overall Probability.
4. Cash Flow: resulted from net cash outflow from increased operating activities including Inventory and Accounts Receivable in 2022.

IFRS-Financial Analysis on Consolidated Financial Reports

Source: Consolidated Financial Reports

Items (Note 3) \ Year(Note 1)		Financial Analysis in the Last 5 Calendar Years					Current Year as of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Financial Structure(%)	Debt Ratio	32.77	34.28	44.70	44.76	50.46	53.48
	Ratio of Long-term Funds to Real Property, Plants and Equipment	179.99	170.58	152.13	141.16	164.91	159.16
Solvency%	Current Ratio	223.56	180.76	163.88	142.24	152.04	138.44
	Quick Ratio	134.42	110.41	101.30	85.17	60.53	59.68
	Interest Earned Ratio	22.97	41.73	18.77	19.93	30.22	5.40
Performance	Accounts Receivable Turnover (Times)	5.45	7.54	6.12	6.01	6.02	6.95
	Average Collection Period	66.97	48.40	59.64	60.73	60.63	52.51
	Inventory Turnover (Times)	2.40	2.46	2.47	2.55	2.21	2.15

Year(Note 1) / Items (Note 3)		Financial Analysis in the Last 5 Calendar Years					Current Year as of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
	Accounts Payable Turnover (Times)	11.26	11.35	10.13	9.16	9.22	9.96
	Average Days in Sales	152.08	148.37	147.77	143.13	165.15	169.76
	Property, Plant and Equipment Turnover (Times)	1.60	1.80	1.49	1.37	1.75	2.35
	Total Assets Turnover (Times)	0.61	0.75	0.66	0.65	0.75	0.91
Profitability	Return on Assets (%)	7.59	5.86	3.82	4.57	8.24	12.36
	Return on Stockholders' Equity (%)	12.63	8.61	6.01	7.84	15.27	24.63
	Ratio of Net Profit before-Tax to Paid-in Capital (%) (Note 7)	31.76	22.27	17.30	21.87	43.62	70.98
	Profit Margin (%)	11.89	7.59	5.42	6.68	10.59	13.05
	EPS (NT$)	2.57	1.77	1.26	1.67	3.37	1.42
Cash Flow	Cash Flow Ratio (%)	73.14	34.92	5.86	26.43	(19.50)	13.54
	Cash Flow Adequacy Ratio (%)	2020.12	106.75	74.35	73.51	34.43	34.43
	Cash Reinvestment Ratio(%)	15.06	4.49	(4.28)	5.29	(13.35)	3.27
Leverage	Operating Leverage	1.54	1.59	1.67	1.48	1.33	1.18
	Financial Leverage	1.06	1.02	1.05	1.05	1.04	1.05

Analysis of financial ratio differences for the last two years:
1.Solvency: significant increase in Inventory, leading to decreased Quick Ratio; the Pre-tax Income increased, leading to increase in Interest Earned Ratio.
2.Operating Performance: icnrease in Revenue, resulting in increase in Property, Plant and Equipment Turnover.
3.Profitability: Profit in 2022 indicated a significant growth compared with that of 2021, enhancing overall Probability.
4.Cash Flow: resulted from net cash outflow from increased operating activities including Inventory and Accounts Receivable in 2022.

＊ Where the Company has prepared a Parent-only Financial Report, a Parent-Only Financial Analysis shall be prepared otherwise.

＊ Where the Company has not adopted IFRS for 5 full years, additional table (2) for financial information based on ROC GAAP shall be prepared.

Note 1: The year whose information has not been audited and attested by CPAs shall be specified.

Note 2: A TWSE-listed company or a company whose stocks are available for trading at securities exchanges shall merge the financial information of the current year as of the quarter preceding to the publication date of this Annual Report into analysis.

Note 3: Following equations shall be included at the end of the Table in the Annual Reports:

1. Financial Structure
   (1) Debt Ratio＝Total Liabilities／Total Assets.
   (2) Ratio of Long-term Funds to Real Property, Plants 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 Earned Ratio＝Income before Taxes and Interest Expense／Interest Expenditure in the Current Period.
3. Operating Performance
   (1) Account Receivable (incl. Accounts Receivable and Notes Receivable from Operations) Turnover＝ Net Sales／Balance of Average Account Receivable (incl. Accounts Receivable and Notes Receivable from Operations) from Each Period.
   (2) Average Collection Period＝365／Accounts Receivable Turnover.

(3) Inventory Turnover＝Cost of Goods Sold／Average Inventory Amount.

(4) Accounts Payable (incl. Accounts Payable and Notes Payable from Operations) Turnover＝Cost of Goods Sold／Balance of Average Accounts Payable (incl. Accounts Payable and Notes Payable from Operations) from Each Period.

(5) Average Days in Sales＝365／Inventory Turnover.

(6) Property, Plant and Equipment Turnover＝Net Sales／Average Net Property, Plant and Equipment.

(7) Total Assets Turnover＝Net Sales／Average Total Assets.

4. Profitability

(1) Return on Assets＝〔Income (Loss) after Tax＋Interest Expense×(１－Tax Rate)〕／ Average Total Assets.

(2) Return on Stockholders' Equity＝Income (Loss) after Tax／Average Total Equity.

(3) Profit Margin＝Income (Loss) after Tax／Net Sales.

(4)EPS＝(Income Attributable Shareholders of the Parent－Dividend of Preferred Shares)／Weighted Average of Issued Shares. (Note 4)

5.Cash Flow

(1) Cash Flow Ratio＝Net Cash Flow from Operating Activities／Current Liabilities.

(2) Net Cash Flow Adequacy Ratio＝Net Cash Flow from Operating Activities in the Last 5 Calendar Years／(Capital Expenditure＋Increase in Inventory＋Cash Dividend) in the Last 5 Calendar Years.

(3) Cash Reinvestment Ratio＝(Net Cash Flow from Operating Activities－Cash Dividend)／(Gross Property, Plant and Equipment＋Long-term Investment＋Other Non-current Assets＋Working Capital). (Note 5)

6.Leverage:

(1) Operating Leverage＝(Net Operating Income－Variable Operating Cost and Expense)／Operating Income. (Note 6).

(2) Financial Leverage＝Operating Income／(Operating Income－Interest Expense).

Note 4: Where the EPS equation anove is used, please notice the following matters during the measurement:

1. The calculation should be based on the weighted average of ordinary shares outstanding, rather than the year-end issued shares.
2. For those with Cash Capital Increase or treasury stock transactions, the period of circulation should be considered when calculating the weighted average shares.
3. For those with Capital Increase out of Earnings or Capital Surplus for bonus shares, when calculating EPS for previous years and semi-annual periods, adjustments should be made retroactively according to the proportion of the capital increase, without considering the period of issuance.
4. If the preferred shares are non-convertible cumulative preferred shares, their annual dividends (whether distributed or not) should be deducted from post-tax net profit or added to post-tax net loss. If the preferred shares are non-cumulative, in the case of post-tax net profit, preferred share dividends should be deducted from post-tax net profit; if there is a loss, no adjustment is necessary.

Note 5: When measuring Cash Flow analysis, the following should be noted:

1. Net Cash Flow from Operating Activities refers to the net cash inflow from operating activities in the Statement of Cash Flow.
2. Capital expenditures refer to the cash outflow for capital investments each year.
3. Inventory increase should only be included when the ending balance is greater than the beginning balance; if inventory decreases at year-end, it should be treated as zero.
4. Cash dividends include dividends for both common and preferred shares.
5. Gross Property, Plant and Equipment refers to the total amount of Property, Plant and Equipment before accumulated depreciation.

Note 6: The issuer should classify various operating costs and expenses as fixed or variable according to their nature. If there are estimates or subjective judgments involved, their reasonableness should be considered and consistency should be maintained.

Note 7: If the Company's shares have no par value or the par value per share is not NT$ 10, the calculation of the aforementioned ratio of capital actually paid in shall be based on the ratio of Equity Attributable to Shareholders of the Parent in the Statement of Financial Positions.

3. Audit Committee’s Review Report for the Most Recent Year

Kaori Heat Treatment Ind., Co., Ltd. Audit Committee’s Review Report

The board of directors is permitted hereby to submit the Company's annual business reports, individual financial reports, consolidated financial reports and profit distribution proposal of 2022. The individual financial reports and consolidated financial reports have been jointly audited by two accountants, Chen Wen Xiang and Liu Shu Lin of Deloitte & Touche Firm, who were entrusted by the board of directors and who issued an audit report thereof. The above-mentioned statements and reports prepared and submitted by the board of directors have been verified by the Audit Committee and are deemed complete. Therefore, a report is prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

For your review

To

Kaori Heat Treatment Ind., Co., Ltd.
2023 Annual General Shareholders’ Meeting

Audit Committee

Member: CHEN FAN SHIONG

Member: HONG HSIANG WEN

Member: WU CHUN YING

March 22, 2023

4. Financial Statements in the Most Recent Year

Statement on Consolidated Financial Reports of Affiliate Enterprises

The Company hereby states that the companies to be included in the 2022 (from January 1 to December 31) Consolidated Financial Reports of Affiliate Enterprises prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical to those required to be included in the preparation of the consolidated financial statements for the parent company and subsidiaries under IFRS 10; meanwhile, no additional Consolidated Financial Statements for Affiliate Enterprises will be prepared as information of such statement has been disclosed via the aforementioned consolidated financial statements for the parent company and subsidiaries.

Name of Company: Kaori Heat Treatment Ind., Co., Ltd.

Person in Charge: HAN HSIEN SON

March 22, 2023

Kaori Heat Treatment Co., Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

KAORI HEAT TREATMENT CO., LTD.

By

HSIEN-SOU, HAN
Chairman

March 22, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kaori Heat Treatment Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Kaori Heat Treatment Industry Co., Ltd. and its subsidiaries mainly export thermal energy products, and one of the main sales types is customer-supplied warehouse sales. Kaori Heat Treatment Industry Co., Ltd. and its subsidiaries place the thermal energy products inventory in the customer supply warehouse designated by the sales customer according to the needs of the sales customers of thermal energy products.

The accuracy of the revenue recognition described above has a significant impact on the financial statements and is closely related to operational performance. As a result, it was identified it as a key audit matter.

The key audit procedures that we performed in respect of revenue derived from specific products included the following:

1. We tested and obtained an understanding of the appropriateness of the design and implementation of internal control system related to revenue recognition.

2. We sampled the sales from customer supply warehouse in 2022, and verified related vouchers to test the occurrence of sales revenue.

Other Matter

We have audited the separate financial statements of Kaori Heat Treatment Co., Ltd. as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wen-Hsiang Chen and Shu-lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2023

<u>Notice to Readers</u>

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

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 26)	$ 249,034	6	$ 498,574	15
Financial assets at fair value through profit or loss - current (Notes 7 and 26)	42,214	1	41,676	1
Financial assets at amortized cost - current (Notes 9 and 26)	22,040	1	47,784	1
Notes receivable (Notes 10 and 26)	20,849	1	16,167	1
Trade receivables (Notes 10 and 26)	558,798	13	334,955	10
Other receivables (Notes 10 and 26)	99	-	10,943	-
Inventories (Note 11)	1,179,812	28	575,506	17
Other current assets	171,813	4	63,449	2
Total current assets	2,244,659	54	1,589,054	47
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 26)	86,225	2	88,432	2
Financial assets at amortized cost - non-current (Notes 9 and 26)	36,704	1	35,816	1
Property, plant and equipment (Notes 13 and 28)	1,624,956	39	1,625,843	48
Right-of-use assets (Note 14)	5,335	-	8,114	-
Investment properties (Notes 15 and 28)	23,325	1	24,424	1
Deferred tax assets (Notes 4 and 23)	12,314	-	14,463	-
Other non-current assets	111,919	3	25,648	1
Net defined benefit assets - non-current (Notes 4 and 19)	10,628	-	461	-
Total non-current assets	1,911,406	46	1,823,201	53
TOTAL	$ 4,156,065	100	$ 3,412,255	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 16, 26 and 28)	$ 750,000	18	$ 620,000	18
Notes payable (Note 26)	1,301	-	959	-
Trade payables (Note 26)	253,879	6	190,308	6
Other payables (Notes 17 and 26)	237,932	6	160,615	5
Current tax liabilities (Notes 4 and 23)	64,730	1	18,058	1
Lease liabilities - current (Note 14)	2,262	-	2,715	-
Current portion of long-term borrowings (Notes 16, 26 and 28)	88,050	2	78,125	2
Other current liabilities	78,199	2	46,355	1
Total current liabilities	1,476,353	35	1,117,135	33
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16, 26 and 28)	594,665	14	393,827	12
Provisions - non-current (Note 18)	-	-	1,248	-
Deferred income tax liabilities (Notes 4 and 23)	24,701	1	11,564	-
Lease liabilities - non-current (Note 14)	1,136	-	3,398	-
Guarantee deposits received	213	-	244	-
Total non-current liabilities	620,715	15	410,281	12
Total liabilities	2,097,068	50	1,527,416	45
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 20)				
Share capital				
Ordinary shares	893,841	22	893,841	26
Capital surplus	593,414	14	593,414	18
Retained earnings				
Legal reserve	190,165	5	175,303	5
Unappropriated earnings	367,629	9	209,856	6
Total retained earnings	557,794	14	385,159	11
Other equity				
Unrealized gain on financial assets at fair value through other comprehensive income	8,330	-	9,896	-
Exchange differences on translating the financial statements of foreign operations	5,618	-	2,529	-
Total other equity	13,948	-	12,425	-
Total equity	2,058,997	50	1,884,839	55
Total	$ 4,156,065	100	$ 3,412,255	100

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

	2022		2021	
	Amount	**%**	**Amount**	**%**
REVENUE (Notes 4 and 21)	$ 2,843,540	100	$ 2,231,273	100
COST OF GOODS SOLD (Notes 11 and 22)	2,057,910	72	1,637,670	74
GROSS PROFIT	785,630	28	593,603	26
OPERATING EXPENSES (Note 22)				
Selling and marketing expenses	131,574	5	111,261	5
General and administrative expenses	223,387	8	184,580	8
Research and development expenses	80,506	3	68,481	3
Expected credit loss (reversal)	4,027	-	(1,074)	-
Total operating expenses	439,494	16	363,248	16
PROFIT FROM OPERATIONS	346,136	12	230,355	10
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	1,734	-	2,574	-
Other income	7,340	-	6,192	-
Other gains and losses	47,987	2	(33,271)	(1)
Finance costs	(13,344)	-	(10,330)	-
Total non-operating income and expenses	43,717	2	(34,835)	(1)
PROFIT BEFORE INCOME TAX	389,853	14	195,520	9
INCOME TAX EXPENSE (Notes 4 and 23)	(88,833)	(3)	(46,364)	(2)
NET PROFIT FOR THE YEAR	301,020	11	149,156	7

(Continued)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

	2022		2021	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ 7,114	-	$ (665)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(2,207)	-	(36,414)	(2)
Income tax related to items that will not be reclassified subsequently to profit or loss	(782)	-	5,905	-
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	3,089	-	(2,853)	-
Other comprehensive income (loss) for the year, net of income tax	7,214	-	(34,027)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 308,234	11	$ 115,129	5
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 301,020	11	$ 149,156	7
Non-controlling interests	-	-	-	-
	$ 301,020	11	$ 149,156	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 308,234	11	$ 115,129	5
Non-controlling interests	-	-	-	-
	$ 308,234	11	$ 115,129	5
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	$ 3.37		$ 1.67	
Diluted	$ 3.37		$ 1.67	

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company								
				Retained Earnings			Others		
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Exchange	Total Equity
BALANCE AT JANUARY 1, 2021	89,384	$ 893,841	$ 593,414	$ 158,653	$ 63,254	$ 166,581	$ 40,538	$ 5,382	$ 1,921,663
Appropriation of 2020 earnings									
Legal reserve	-	-	-	16,650	-	(16,650)	-	-	-
Special reserve	-	-	-	-	(63,254)	63,254	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(151,953)	-	-	(151,953)
Net profit for the year ended December 31, 2021	-	-	-	-	-	149,156	-	-	149,156
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(532)	(30,642)	(2,853)	(34,027)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	148,624	(30,642)	(2,853)	115,129
BALANCE AT DECEMBER 31, 2021	89,384	893,841	593,414	175,303	-	209,856	9,896	2,529	1,884,839
Appropriation of 2021 earnings									
Legal reserve	-	-	-	14,862	-	(14,862)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(134,076)	-	-	(134,076)
Net profit for the year ended December 31, 2022	-	-	-	-	-	301,020	-	-	301,020
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	5,691	(1,566)	3,089	7,214
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	306,711	(1,566)	3,089	308,234
BALANCE AT DECEMBER 31, 2022	89,384	$ 893,841	$ 593,414	$ 190,165	$ -	$ 367,629	$ 8,330	$ 5,618	$ 2,058,997

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

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 389,853	$ 195,520
Adjustments for:		
Depreciation expense	108,016	108,300
Amortization expense	5,826	4,333
Expected credit loss (reversal)	4,027	(1,074)
Net loss (gain) on fair value change of financial assets and liabilities at fair value through profit or loss	6,233	(1,000)
Finance costs	13,344	10,330
Interest income	(1,734)	(2,574)
Loss on disposal of property, plant and equipment	63	33
(Reversal of) write-down of inventories	(1,274)	3,734
Gain on lease modification	-	(7)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(6,771)	3,586
Notes receivable	(4,706)	(2,681)
Trade receivables	(227,874)	32,547
Other receivables	10,844	(10,815)
Inventories	(603,032)	20,195
Other current assets	(108,364)	(36,921)
Net defined benefit assets	(3,053)	(461)
Notes payable	342	(123,915)
Trade payables	63,571	148,702
Other payables	76,866	21,414
Provisions	(1,248)	(1,752)
Other current liabilities	31,844	27,343
Net defined benefit liabilities	-	(24,002)
Cash generated from operations	(247,227)	370,835
Interest paid	(12,893)	(10,220)
Income tax paid	(27,716)	(64,216)
Net cash (used in) generated from operating activities	(287,836)	296,399
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in financial assets at amortized cost	25,560	(13,931)
Payments for property, plant and equipment	(99,245)	(100,621)
Proceeds from disposal of property, plant and equipment	-	420
Increase in other non-current assets	(95,213)	(19,960)
Interest received	1,734	2,574
Net cash used in investing activities	(167,164)	(131,518)

(Continued)

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

	2022	**2021**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	$ 130,000	$ 150,000
Decrease in short-term notes payable	-	(120,277)
Proceeds from long-term borrowings	297,300	-
Repayments of long-term borrowings	(86,537)	(79,536)
Proceeds from guarantee deposits received	(31)	-
Repayment of the principal portion of lease liabilities	(2,715)	(3,086)
Dividends paid to owners of the Company	(134,076)	(151,953)
Net cash generated from (used in) financing activities	203,941	(204,852)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,519	(2,017)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(249,540)	(41,988)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	498,574	540,562
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 249,034	$ 498,574

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

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

1. GENERAL INFORMATION

Kaori Heat Treatment Co., Ltd. (the “Company” or “Kaori”) was incorporated in the Republic of China (ROC) in October 1970. The Company and its subsidiaries are hereinafter collectively referred to as the “Group”.

The Group specializes in producing mechanical hardware, processing of fabricated metals, heat exchange products, as well as the manufacturing and developing of thermal products. Factories are established in Zhongli, Kaohsiung, etc.

Kaori’s shares have been listed on the Taiwan Stock Exchange since December 2013.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 22, 2023.

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

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

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

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

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2022 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2022 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2022 (Note 3)

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

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

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

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Group chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

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

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

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

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

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

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

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 12 and Table 3 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

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

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

f. Inventories

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

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and subsequent accumulated impairment loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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

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

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

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

i. Impairment of property, plant and equipment, investment properties and right-of-use asset

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

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

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

j. Financial instruments

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

   a) Measurement categories

      Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

      i. Financial assets at FVTPL

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

         Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

      ii. Financial assets at amortized cost

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

         i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

         ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

         Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost and debt investments with no active market, are measured at amortized cost, which equals the gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

         i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Provisions

Provisions, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of heat exchange products and thermal products. Revenue is recognized when the goods are delivered to the customer's specific location, the goods are shipped and the goods are picked up by customers because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2) Revenue from the rendering of services

Revenue comes from services of mechanical hardware and processing of fabricated metals.

m. Leasing

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

n. Borrowing costs

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

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

p. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

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

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

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

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

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The Group considers its critical accounting estimates in cash flow projections, growth rate, discount rate, profitability, etc. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

6. CASH AND CASH EQUIVALENTS

	December 31 2022	December 31 2021
Cash on hand	$ 551	$ 526
Checking accounts and demand deposits	240,593	463,918
Cash equivalents (investments with original maturities less than three months)		
Time deposits	7,890	6,307
Repurchase agreements collateralized by bonds	-	27,823
	$ 249,034	$ 498,574

The market rate intervals of repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31 2022	December 31 2021
Repurchase agreements collateralized by bonds	-%	0.28%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31 2022	December 31 2021
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ 42,214	$ 41,676

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31 2022	December 31 2021
Non-current		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	$ 86,225	$ 88,432
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - ACTi Corporation	$ 1,643	$ 723
Unlisted shares		
Ordinary shares - Semisils Applied Materials Corp., Ltd.	2,378	2,300
Foreign investments		
Listed shares		
Ordinary shares - Bloom Energy	82,204	85,409
	$ 86,225	$ 88,432

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

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	2021
Current		
Time deposits with original maturities of more than 3 months	$ 22,040	$ 47,784
Non-current		
Time deposits with original maturities of more than 1 year	$ 26,448	$ -
Restricted deposits	10,256	35,816
	$ 36,704	$ 35,816

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 3.25%-3.45% and 3.25%-3.6% per annum as of December 31, 2022 and 2021, respectively.

According to "Regulations Governing the Management, Utilization, and Taxation of Repatriated Offshore Funds", the Group had submitted an investment proposal and was approved by National Taxation Bureau, Ministry of Finance. Based on the regulation, the deposits are restricted only to approved investment project, and should not be used for other purposes.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2022	2021
Notes receivable		
Notes receivable - operating	$ 20,954	$ 16,248
Less: Allowance for impairment loss	(105)	(81)
	$ 20,849	$ 16,167
Trade receivables		
At amortized cost		
Gross carrying amount	$ 567,727	$ 339,853
Less: Allowance for impairment loss	(8,929)	(4,898)
	$ 558,798	$ 334,955

(Continued)

	December 31	
	2022	2021
Other receivables		
Other receivable	$ 106	$ 10,950
Less: Allowance for impairment loss	(7)	(7)
	$ 99	$ 10,943

(Concluded)

The average credit period of sales of goods is 30-120 days. No interest is charged on trade receivables.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As there are different loss patterns for various customer segments, the Group uses different provision matrixes based on customer segments, and determines the expected credit loss rate by reference to past due days of accounts receivable.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2022

Thermal products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 220,434	$ 112,870	$ 239	$ -	$ -	$ 333,543
Loss allowance (Lifetime ECL)	(2,204)	(2,998)	(48)	-	-	(5,250)
Amortized cost	$ 218,230	$ 109,872	$ 191	$ -	$ -	$ 328,293

The expected credit loss rate for each above range of the Group is not more than 1% within the overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 219,911	$ 32,279	$ 621	$ 46	$ 1,350	$ 931	$ 255,138
Loss allowance (Lifetime ECL)	(306)	(1,034)	(124)	(39)	(1,350)	(931)	(3,784)
Amortized cost	$ 219,605	$ 31,245	$ 497	$ 7	$ -	$ -	$ 251,354

The expected credit loss rate for each above range of the Group is not more than 0.1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Group recognizes the full amount as expected credit loss.

December 31, 2021

Thermal products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 93,498	$ 27,734	$ -	$ -	$ -	$ 121,232
Loss allowance (Lifetime ECL)	(935)	(555)	-	-	-	(1,490)
Amortized cost	$ 92,563	$ 27,179	$ -	$ -	$ -	$ 119,742

The expected credit loss rate for each above range of the Group is not more than 1% within the overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 198,180	$ 34,334	$ 144	$ -	$ 1,330	$ 881	$ 234,869
Loss allowance (Lifetime ECL)	(264)	(985)	(29)	-	(1,330)	(881)	(3,489)
Amortized cost	$ 197,916	$ 33,349	$ 115	$ -	$ -	$ -	$ 231,380

The expected credit loss rate for each above range of the Group is not more than 0.1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Group recognizes the full amount as expected credit loss.

The movements of the loss allowance of notes receivable, trade receivables and other receivables were as follows:

	2022	2021
Balance at January 1	$ 4,986	$ 6,077
Add: Net remeasurement of loss allowance	4,027	-
Less: Impairment losses reversed	-	(1,074)
Foreign exchange gains and losses	28	(17)
Balance at December 31	$ 9,041	$ 4,986

11. INVENTORIES

	December 31	
	2022	2021
Finished goods	$ 155,387	$ 71,836
Work in process	450,537	254,171
Raw materials	366,441	166,532
Supplies	8,528	7,929
Merchandise	1,531	484
Spare parts	16,908	8,941
Inventory in transit	180,480	65,613
	$ 1,179,812	$ 575,506

The cost of inventories recognized as cost of goods sold for 2022 and 2021 amounted to $2,057,910 thousand and $1,637,670 thousand, respectively. The cost of goods sold for 2022 and 2021 included (reversal of) inventory write-downs of $(1,274) thousand and $3,734 thousand, respectively.

12. SUBSIDIARIES

Subsidiaries Included in Consolidated Financial Statements

The detail information of the subsidiaries at the end of reporting period was as follows:

			Proportion of Ownership (%) December 31		
Investor	Investee	Nature of Activities	2022	2021	Note
Kaori Heat Treatment Co., Ltd.	Kaori International Co., Ltd.	Investment Management	100.00	100.00	a
Kaori International Co., Ltd.	Kaori Development Co., Ltd.	Investment Management	100.00	100.00	b
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	Research, development, design and manufacture of heat exchange products and brazing and welding technology related products	100.00	100.00	c

a. Kaori International Co., Ltd.(hereinafter as “Kaori International”) was incorporated on March 4, 2012 in Samoa, and is 100% owned by Kaori. Kaori International is approved by the Ministry of Economic Affairs Overseas Chinese and Foreign Investment Commission to conduct investment and trade related business in China.

b. Kaori Development Co., Ltd. (hereinafter as “Kaori Development”) was incorporated on March 4, 2012 in Samoa, and is 100% owned by Kaori International. Kaori Development is approved by the Ministry of Economic Affairs Overseas Chinese and Foreign Investment Commission to conduct investment and trade related business in China.

c. Kaori Technology (Ningbo) Corporation (hereinafter as “Kaori Technology (Ningbo)”) was incorporated in July 2012, and is 100% owned by Kaori Development. Kaori Technology (Ningbo) obtained the enterprise legal person permit to do business, the validity period beginning on July 2, 2012 to July 1, 2052. Main businesses include research, development, design and manufacture of heat exchange products as well as brazing and welding technology related products.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Electric Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2022	$ 704,179	$ 744,451	$ 391,888	$ 153,311	$ 4,623	$ 137,776	$ 73,285	$ 2,209,513
Additions	-	17,102	23,931	1,065	729	32,327	24,091	99,245
Disposals	-	-	(16,464)	(622)	-	(27,697)	-	(44,783)
Reclassifications	-	50,148	-	11,000	-	-	(61,148)	-
Transfer from prepaid equipment	-	141	1,313	96	-	1,584	-	3,134
Effect of foreign currency exchange differences	-	580	1,883	-	50	36	-	2,549
Balance at December 31, 2022	$ 704,179	$ 812,422	$ 402,551	$ 164,850	$ 5,402	$ 144,026	$ 36,228	$ 2,269,658
Accumulated depreciation and impairment								
Balance at January 1, 2022	$ -	$ 189,845	$ 229,937	$ 84,707	$ 3,531	$ 75,650	$ -	$ 583,670
Depreciation expense	-	29,439	34,511	13,352	211	26,594	-	104,107
Disposals	-	-	(16,433)	(622)	-	(27,665)	-	(44,720)
Effect of foreign currency exchange differences	-	308	1,265	-	44	28	-	1,645
Balance at December 31, 2022	$ -	$ 219,592	$ 249,280	$ 97,437	$ 3,786	$ 74,607	$ -	$ 644,702
Carrying amount at December 31, 2022	$ 704,179	$ 592,830	$ 153,271	$ 67,413	$ 1,616	$ 69,419	$ 36,228	$ 1,624,956
Cost								
Balance at January 1, 2021	$ 704,179	$ 732,029	$ 412,034	$ 137,978	$ 5,934	$ 126,280	$ 45,241	$ 2,163,675
Additions	-	2,374	6,782	6,078	286	29,726	55,375	100,621
Disposals	-	-	(26,145)	(4,401)	(1,571)	(22,809)	-	(54,926)
Reclassifications	-	10,348	-	13,656	-	3,327	(27,331)	-
Transfer from prepaid equipment	-	-	174	-	-	1,269	-	1,443
Effect of foreign currency exchange differences	-	(300)	(957)	-	(26)	(17)	-	(1,300)
Balance at December 31, 2021	$ 704,179	$ 744,451	$ 391,888	$ 153,311	$ 4,623	$ 137,776	$ 73,285	$ 2,209,513
Accumulated depreciation and impairment								
Balance at January 1, 2021	$ -	$ 161,770	$ 221,094	$ 76,225	$ 4,875	$ 70,977	$ -	$ 534,941
Depreciation expense	-	28,225	35,511	12,883	250	27,147	-	104,016
Disposals	-	-	(26,042)	(4,401)	(1,571)	(22,459)	-	(54,473)
Effect of foreign currency exchange differences	-	(150)	(626)	-	(23)	(15)	-	(814)
Balance at December 31, 2021	$ -	$ 189,845	$ 229,937	$ 84,707	$ 3,531	$ 75,650	$ -	$ 583,670
Carrying amount at December 31, 2021	$ 704,179	$ 554,606	$ 161,951	$ 68,604	$ 1,092	$ 62,126	$ 73,285	$ 1,625,843

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

Buildings	
Building	20-60 years
Plant equipment	38-51 years
Machinery equipment	
Furnace equipment	8-15 years
Lathe and stamping machinery	8-10 years
Electricity equipment	5-6 years
Transportation equipment	5-6 years
Other equipment	5-6 years

In 2022 and 2021, the Group assessed the property, plant and equipment listed above and found no indication of impairment.

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amount		
Land	$ 2,363	$ 2,540
Transportation equipment	2,972	5,574
	$ 5,335	$ 8,114

	For the Year Ended December 31	
	2022	2021
Depreciation charge for right-of-use assets		
Land	$ 208	$ 176
Transportation equipment	2,602	3,009
	$ 2,810	$ 3,185

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount		
Current	$ 2,262	$ 2,715
Non-current	$ 1,136	$ 3,398

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
Land	1.25%	1.25%
Transportation equipment	1.25%	1.25%

c. Material leasing activities and terms

The Group leases certain transportation equipment and land with lease terms of 3 to 5 years. These arrangements do not contain renewal or purchase options.

The Group also leases land for the manufacturing of products with lease term of 43 years in China. The lease specifies that payments will be paid in total amount at once, and does not contain purchase option at the end of the contract.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	$ 750	$ 995
Total cash outflow for leases	$ (3,523)	$ (4,148)

The Group has leases that qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. INVESTMENT PROPERTIES

	December 31	
	2022	2021
Completed investment properties	$ 23,325	$ 24,424

	Completed Investment Properties
Cost	
Balance at January 1, 2022	$ 30,895
Balance at December 31, 2022	$ 30,895
Accumulated depreciation and impairment	
Balance at January 1, 2022	$ 6,471
Depreciation expense	1,099
Balance at December 31, 2022	$ 7,570
Carrying amount at December 31, 2022	$ 23,325
Cost	
Balance at January 1, 2021	$ 30,895
Balance at December 31, 2021	$ 30,895
Accumulated depreciation and impairment	
Balance at January 1, 2021	$ 5,372
Depreciation expense	1,099
Balance at December 31, 2021	$ 6,471

Carrying amount at December 31, 2021	$ 24,424

The abovementioned investment properties are leased out for 5 years. These arrangements do not contain renewal or purchase options.

Investment properties pledged as collateral for bank borrowings were set out in Note 28.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2022 and 2021 was as follows:

	December 31	
	2022	**2021**
Year 1	$ 720	$ 720
Year 2	720	720
Year 3	-	720
Year 4	-	-
Year 5	-	-
Year 6 onwards	-	-
	$ 1,440	$ 2,160

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	36 years

The fair value of the Group's investment properties as of December 31, 2022 and 2021 was $127,708 thousand and $132,052 thousand, respectively. The fair value valuation had been performed by the management of the Group using the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	**2021**
Unsecured borrowings		
Letters of credit	$ 750,000	$ 620,000

The interest rates on the letters of credit were 1.49%-1.69% and 0.28%-0.85% per annum as of December 31, 2022 and 2021.

b. Long-term borrowings

	December 31	
	2022	**2021**
Secured and unsecured borrowings		
Bank loans	$ 682,715	$ 471,952
Less: Current portion	(88,050)	(78,125)
Long-term borrowings	$ 594,665	$ 393,827

The borrowings of the Group were as follows:

	December 31	
	2022	**2021**
Loans from O-Bank		
Medium-term secured loans, loan period February 2015 to February 2022; monthly interest rate as of December 31, 2021 is 0.8932%, the installment since February 2018 is $11,500 thousand every 6-month term.	$ -	$ 8,000
Medium-term secured loans with loan period from January 2016 to August 2022; monthly interest rate as of December 31, 2021 is 0.9461%, the installment since August 2017 is $9,100 thousand every 6-month term. The Group will pay $9,000 thousand for the last term.	-	18,100
Medium-term secured loans with loan period from June 2020 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since June 2022 is $6,389 thousand every 6-month term.	44,722	57,500
Medium-term secured loans with loan period from June 2020 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since June 1, 2022 is $6,067 thousand every 6-month term.	42,467	54,600
Medium-term secured loans with loan period from September 2020 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since June 2022 is $1,011 thousand every 6-month term.	7,078	9,100
Medium-term secured loans with loan period from September 2020 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since June 2022 is $1,278 thousand every 6-month term.	8,944	11,500
Medium-term secured loans with loan period from August 2022 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since December 2022 is $4,538 thousand every 6-month term.	31,763	-
Medium-term secured loans with loan period from August 2022 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since December 2022 is $3,875 thousand every 6-month term.	27,125	-
Loans from Shanghai Commercial & Savings Bank		
Long-term secured loans with loan period from July 2015 to April 2025; monthly interest rate as of December 31, 2022 is 1.595%, the installment since July 2016 is $2,084 thousand every 3-month term.	20,816	29,152
Loans from Taipei Fubon Bank		
Medium-term unsecured loans with loan period from	30,000	-

September 2022 to August 2025; monthly interest rate as of December 31, 2022 is 1.6671%, the installment beginning September 2023 is $1,250 thousand every 1-month term. The Group will pay $1,250 thousand for the last term.

(Continued)

	December 31	
	2022	2021
Loans from Mega International Commercial Bank		
Medium-term secured loans with loan period from September 2020 to September 2025; monthly interest rate as of December 31, 2022 is 1.9664%, the installment since September 2022 is $7,100 thousand every 3-month term. The Group will pay $198,800 thousand for the last term.	$ 269,800	$ 284,000
Loans from The Export-Import Bank of the Republic of China		
Medium-term unsecured loans with loan period from December 2022 to December 2024; monthly interest rate as of December 31, 2022 is 1.7112%, the installment beginning June 2024 is $100,000 thousand every 6-month term.	200,000	-
	682,715	471,952
Less: Current portion	(88,050)	(78,125)
	$ 594,665	$ 393,827

(Concluded)

The loans were secured by property, plant and equipment; see Note 28.

17. OTHER LIABILITIES

	December 31	
	2022	2021
Other payables		
Payables for salaries and bonus	$ 151,068	$ 96,823
Payables for bonus to employees and directors	22,242	10,877
Payables for goods	25,466	24,948
Payables for processing fees	4,439	2,410
Payables for prepaid equipment	13,144	6,559
Others	21,573	18,998
	$ 237,932	$ 160,615

18. PROVISIONS

	December 31	
	2022	2021
Non-current		
Provisions	$ -	$ 1,248

	Total
Balance at January 1, 2022	$ 1,248
Provision paid	(1,248)
Balance at December 31, 2022	$ -
Balance at January 1, 2021	$ 3,000
Provision paid	(1,752)
Balance at December 31, 2021	$ 1,248

In 1986, the Company purchased a factory and land. Due to failure of accurate identification for the boundaries at the time, the Company unintentionally occupied land in an industrial zone. The Ministry of Economic Affairs (hereinafter referred to as "the "MOEA") filed a criminal embezzlement case and a civil infringement lawsuit for damages against the Company with the Taoyuan District Court. The case was settled in the Taiwan High Court on August 10, 2021. Based on the negotiated outcome following the ruling, the Company was required to pay compensation, legal fees, land rent, and the cost of restoring the land to its original state. The Company set aside a liability provision in the total amount of $3,000 thousand in 2016, and had paid $1,248 thousand and $1,752 thousand in 2022 and 2021, respectively.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

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

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

	December 31	
	2022	2021
Present value of defined benefit obligation	$(72,108)	$(78,944)
Fair value of plan assets	82,736	79,405
Net defined benefit assets	$ 10,628	$ 461

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2021	$(84,373)	$ 61,036	$(23,337)
Service cost			
Current service cost	(855)	-	(855)
Net interest (expense) income	(422)	313	(109)
Recognized in profit or loss	(1,277)	313	(964)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	367	367
Actuarial loss - changes in demographic assumptions	(1,838)	-	(1,838)
Actuarial gain - change in financial adjustments	1,043	-	1,043
Actuarial loss - experience adjustments	(237)	-	(237)
Recognized in other comprehensive income	(1,032)	367	(665)
Contributions from the employer	-	25,427	25,427
Benefits paid	7,738	(7,738)	-
Balance at December 31, 2021	(78,944)	79,405	461
Service cost			
Current service cost	(820)	-	(820)
Net interest (expense) income	(481)	494	13
Recognized in profit or loss	(1,301)	494	(807)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2,887	2,887
Actuarial gain - change in financial adjustments	6,748	-	6,748
Actuarial loss - experience adjustments	(2,521)	-	(2,521)
Recognized in other comprehensive income	4,227	2,887	7,114
Contributions from the employer	-	3,860	3,860
Benefits paid	3,910	(3,910)	-

Balance at December 31, 2022	$(72,108)	$ 82,736	$ 10,628

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2022	**2021**
Discount rate(s)	1.50%	0.625%
Expected rate(s) of salary increase	2.00%	2.000%

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

	December 31	
	2022	**2021**
Discount rate(s)		
0.25% increase	$ (1,774)	$ (2,065)
0.25% decrease	$ 1,840	$ 2,148
Expected rate(s) of salary increase		
0.25% increase	$ 1,799	$ 2,084
0.25% decrease	$ (1,743)	$ (2,014)

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

	December 31	
	2022	**2021**
The expected contributions to the plan for the next year	$ 3,946	$ 3,366
The average duration of the defined benefit obligation	10.1 years	11.2 years

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	89,384	89,384
Shares issued	$ 893,841	$ 893,841

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of ordinary shares	$ 268,526	$ 268,526
Conversion of bonds	317,071	317,071
Overdue options	7,817	7,817
	$ 593,414	$ 593,414

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on distribution of compensation of employees and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 22(g).

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trends and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividends to be distributed. In addition, cash dividends should not be less than 10% of the total dividends to be appropriated.

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

The unappropriated earnings should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2021 and 2020 were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2021	For Fiscal Year 2020	For Fiscal Year 2021	For Fiscal Year 2020
Legal reserve	$ 14,862	$ 16,650	$ -	$ -
Special reserve	-	(63,254)	-	-
Cash dividends	134,076	151,953	1.5	1.7

The cash dividends for 2021 and 2020 were approved in the board meetings on March 25, 2022 and March 19, 2021, respectively. The appropriations of earnings for 2021 and 2020 were approved in the shareholders' meetings on June 16, 2022 and August 25, 2021, respectively.

The appropriations and dividends per share for 2022 were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 30,671	$ -
Cash dividends	134,076	1.5

The cash dividends mentioned above were approved in the board meeting on March 22, 2023; the appropriation of earnings for 2022 are subject to the resolution of the shareholders in their meeting to be held in June 2023.

21. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from sale of goods	$ 2,793,773	$ 2,187,975
Revenue from the rendering of services	49,767	43,298
	$ 2,843,540	$ 2,231,273
Contract liabilities		
Sale of goods	$ 58,671	$ 34,124

The contract liabilities were unearned sales revenue and accounted for as other current liabilities.

22. NET PROFIT

Net profit included the following:

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	$ 1,009	$ 492
Financial assets at amortized cost	672	1,761
Others	53	321
	$ 1,734	$ 2,574

b. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	$ 687	$ 687
Others	6,653	5,505
	$ 7,340	$ 6,192

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	$ (6,233)	$ 1,000
Gain on lease modification	-	7
Net foreign exchange gain (loss)	56,843	(31,878)
Property, plant and equipment impairment loss	(63)	(33)
Others	(2,560)	(2,367)
	$ 47,987	$(33,271)

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	$ 13,286	$ 10,263
Interest on lease liabilities	58	67
	$ 13,344	$ 10,330

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	$ 104,107	$ 104,016
Right-of-use assets	2,810	3,185
Investment properties	1,099	1,099
Non-current assets	5,826	4,333
	$ 113,842	$ 112,633
An analysis of depreciation by function		
Operating costs	$ 70,025	$ 68,711
Operating expenses	36,892	38,490
Other gains and losses	1,099	1,099
	$ 108,016	$ 108,300
An analysis of amortization by function		
Operating costs	$ 2,901	$ 1,081
Operating expenses	2,925	3,252
	$ 5,826	$ 4,333

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	$ 21,038	$ 19,552
Defined benefit plans (see Note 19)	807	964
	21,845	20,516
Other employee benefits	605,874	492,327
	$ 627,719	$ 512,843
An analysis of employee benefits expense by function		
Operating costs	$ 364,674	$ 294,559
Operating expenses	263,045	218,284
	$ 627,719	$ 512,843

g. Compensation of employees and remuneration of directors for 2022 and 2021

The Company accrued compensation of employees and remuneration of directors at the rates no less than 2% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which were been approved by the Company's board of directors on March 22, 2023 and March 25, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	**2021**
Compensation of employees	2.10%	2.10%
Remuneration of directors	3.50%	3.50%

Amount

	For the Year Ended December 31			
	2022		**2021**	
	Cash	**Share**	**Cash**	**Share**
Compensation of employees	$ 8,341	$ -	$ 4,079	$ -
Remuneration of directors	13,901	-	6,798	-

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

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

Information on the compensation of employees and remuneration of directors for 2022 and 2023 resolved by the Company's board of directors are available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES

a. The major components of tax expense (income) were as follows:

	For the Year Ended December 31	
	2022	**2021**
Current tax		
In respect of the current period	$ 76,570	$ 54,209
Adjustments for prior year	(2,241)	(1,611)
	74,329	52,598
Deferred tax expense (income)		
In respect of the current period	14,504	(6,234)
Income tax expense recognized in profit or loss	$ 88,833	$ 46,364

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

	For the Year Ended December 31	
	2022	2021
Profit before tax	$ 389,853	$ 195,520
Income tax expense calculated at the statutory rate	$ 77,971	$ 39,104
Tax effect of adjusting items:		
Tax-exempt income	-	(42)
Nondeductible expenses in determining taxable income	1,267	-
Others	(96)	(815)
Effect of different tax rates of entities operating in other jurisdictions	11,932	9,728
Adjustments for prior years' tax	(2,241)	(1,611)
Income tax expense recognized in profit or loss	$ 88,833	$ 46,364

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
Deferred tax (expense) income		
In respect of the current year		
Fair value changes of financial assets at FVTOCI	$ 641	$ 5,772
Remeasurement of defined benefit plans	(1,423)	133
	$ (782)	$ 5,905

c. Current tax assets and liabilities

	December 31	
	2022	2021
Current tax liabilities		
Income tax payable	$ 64,730	$ 18,058

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance

Deferred tax assets

Unrealized loss on inventories	$ 8,984	$ (255)	$ -	$ 8,729
Associates	638	481	-	1,119

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Defined benefit obligation	$ 21	$ (21)	$ -	$ -
Allowance for impairment loss	328	274	-	602
Unrealized loss on foreign exchange	2,378	(2,378)	-	-
Provisions	2,114	(250)	-	1,864
	$ 14,463	$ (2,149)	$ -	$ 12,314
Deferred tax liabilities				
Associates	$ 7,992	$ 8,974	$ -	$ 16,966
Defined benefit obligation	-	590	1,423	2,013
Unrealized gain on foreign exchange	-	2791	-	2,791
Financial assets at FVTOCI	3,572	-	(641)	2,931
	$ 11,564	$ 12,355	$ 782	$ 24,701

(Concluded)

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehen-sive Income	Closing Balance
Deferred tax assets				
Unrealized loss on inventories	$ 8,237	$ 747	$ -	$ 8,984
Associates	971	(333)	-	638
Defined benefit obligation	4,781	(4,893)	133	21
Allowance for impairment loss	353	(25)	-	328
Unrealized loss on foreign exchange	1,275	1,103	-	2,378
Provisions	2,464	(350)	-	2,114
	$ 18,081	$ (3,751)	$ 133	$ 14,463

Deferred tax liabilities

Associates	$ 17,977	$ (9,985)	$ -	$ 7,992
Financial assets at FVTOCI	9,344	-	(5,772)	3,572
	$ 27,321	$ (9,985)	$ (5,772)	$ 11,564

e. Income tax assessments

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

24. EARNINGS PER SHARE

Net Profit for the Year

	For the Year Ended December 31	
	2022	**2021**
Basic earnings per share	$ 3.37	$ 1.67
Diluted earnings per share	$ 3.37	$ 1.67

	For the Year Ended December 31	
	2022	**2021**
Profit for the year attributable to owners of the Company	$ 301,020	$ 149,156

The number of ordinary shares outstanding (in thousands of shares) was as follows:

	For the Year Ended December 31	
	2022	**2021**
Weighted average number of ordinary shares used in the computation of basic earnings per share	89,384	89,384
Effect of potentially dilutive ordinary shares		
Compensation of employees	58	77
Weighted average number of ordinary shares used in the computation of diluted earnings per share	89,442	89,461

If the Group were allowed to choose the payment of employee compensation in the form of either stocks or cash, when calculating diluted earnings per share, it is assumed that the employee compensation will be paid in the form of stocks and the weighted average number of outstanding shares will be included when the potential common shares have a dilutive effect. Diluted earnings per share will be calculated accordingly. When calculating diluted earnings per share before deciding on the number of shares to be issued as employee compensation in the following year, the dilutive effect of such potential common shares will continue to be considered.

25. CAPITAL MANAGEMENT

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

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

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

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

26. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 42,214	$ -	$ -	$ 42,214
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments				
Listed shares and emerging market shares	$ -	$ -	$ 1,643	$ 1,643
Domestic investments				
Unlisted shares	-	-	2,378	2,378
Foreign unlisted shares	82,204	-	-	82,204
	$ 82,204	$ -	$ 4,021	$ 86,225

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 41,676	$ -	$ -	$ 41,676
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments				
Listed shares and emerging market shares	$ -	$ -	$ 723	$ 723
Domestic investments				
Unlisted shares	-	-	2,300	2,300
Foreign unlisted shares	85,409	-	-	85,409
	$ 85,409	$ -	$ 3,023	$ 88,432

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

2) Reconciliation of Level 3 fair value measurements of financial assets

For the year ended December 31, 2022

	Financial Assets at FVTOCI Equity Instruments
Financial assets	
Balance at January 1, 2022	$ 3,023
Recognized in other comprehensive income	998
Balance at December 31, 2022	$ 4,021

For the year ended December 31, 2021

	Financial Assets at FVTOCI Equity Instruments
Financial assets	
Balance at January 1, 2021	$ 10,573
Recognized in other comprehensive income	(7,550)
Balance at December 31, 2021	$ 3,023

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair value of the investment in domestic emerging market shares is determined using the market approach. In this approach, the evaluation is based on the stock market price and liquidity of the entity. The assessment and input amount refer to the entity’s operations, national policies as well as GDP forecasts and industry outlook.

The assessment of fair value of domestic unlisted shares is based on the financial status of the investee, analysis of current operations, the sales of peer companies, stock price in market, and related information. The target’s own financial performance is evaluated and used as the basis to set the appropriate valuation multiple to calculate the assessment target’s value.

b. Categories of financial instruments

	December 31	
	2022	2021
Financial assets		
FVTPL		
Mandatorily at FVTPL	$ 42,214	$ 41,676
Financial assets at amortized cost (1)	887,524	944,239
Financial assets at FVTOCI		
Equity instruments	86,225	88,432
Financial liabilities		
Amortized cost (2)	1,926,040	1,437,520

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

2) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term notes payable, notes payable, trade payables, other payables and guarantee deposits received.

c. Financial risk management objectives and policies

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

The corporate treasury function reported quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

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

a) Foreign currency risk

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

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

Sensitivity analysis

The Group was mainly exposed to the USD and EUR.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The sensitivity analysis included external loans/borrowings as well as loans/borrowings to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	USD Impact For the Year Ended December 31		**EUR Impact For the Year Ended December 31**	
	2022	**2021**	**2022**	**2021**
Profit or loss*	$ 4,084	$ 3,676	$ 669	$ 648

* This was mainly attributable to the exposure to outstanding USD and EUR receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

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

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

	December 31	
	2022	**2021**
Fair value interest rate risk		
Financial assets	$ 66,634	$ 117,730
Financial liabilities	$ 682,715	$ 471,952
Cash flow interest rate risk		
Financial assets	$ 240,181	$ 463,580
Financial liabilities	$ 750,000	$ 620,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased by $1,275 thousand and $391 thousand, which was mainly attributable to the Group's exposure to interest rates on its floating rate bank deposits and bank borrowings.

2) Credit risk

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

The Group's concentration of credit risk of 56% and 35% of total trade receivables as of December 31, 2022 and 2021, respectively, was attributable to the Group's largest customer.

3) Liquidity risk

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

As of December 31, 2022 and 2021, the Group had available unutilized overdraft and short-term bank loan facilities; see (b) below.

a) Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

December 31, 2022

	On Demand or Less than 1 Month	**1-3 Months**	**3 Months to 1 Year**	**1-5 Years**	**5 Years +**
Non-derivative liabilities					
Lease liabilities	$ 231	$ 436	$ 1,621	$ 1,142	$ -
Variable interest rate liabilities	250,000	150,000	350,000	-	-
Fixed interest rate liabilities	3,198	9,322	88,508	607,640	-

	$ 253,429	$ 159,758	$ 440,129	$ 608,782	$ -

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5 Years +
Non-derivative liabilities					
Lease liabilities	$ 231	$ 462	$ 2,080	$ 3,430	$ -
Variable interest rate liabilities	-	100,000	520,000	-	-
Fixed interest rate liabilities	2,491	17,897	62,329	403,090	-
	$ 2,722	$ 118,359	$ 584,409	$ 406,520	$ -

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 995,875	$ 645,793
Amount unused	954,125	864,207
	$ 1,950,000	$ 1,510,000
Secured bank overdraft facilities:		
Financial assets	$ 559,000	$ 533,800
Financial liabilities	-	41,200
	$ 559,000	$ 575,000

27. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Remuneration of key management personnel

	For the Year Ended December 31	
	2022	**2021**
Short-term employee benefits	$ 63,039	$ 57,016
Post-employment benefits	2,197	2,249
	$ 65,236	$ 59,265

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

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31	
	2022	**2021**
Land	$ 207,726	$ 207,726
Building equipment, net	557,206	516,270
	764,932	723,996
Investment property	23,235	24,424
	$ 788,167	$ 748,420

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2022 and 2021 were as follows:

a. Outstanding letter of credit

   As of December 31, 2022, the balance of outstanding letter of credit for the Group is $168 thousand USD.

b. Customs guarantee and construction guarantee

   As of December 31, 2022 and 2021, the import taxes on goods for the Group were guaranteed by the Hua Nan Commercial Bank, Ltd. Li-Chang Branch, for a total of $10,000 thousand and $5,000 thousand, respectively. As of December 31, 2022, and 2021, the guarantee deposits for the CPC Corporation pipeline projects were $722 thousand and $793 thousand, respectively, secured by the Taoyuan-Hsin Branch of Mega International Commercial Bank.

c. Minchali Copper Industry (hereinafter referred to as “Minchali”) accused the Company of having delivered heating furnace beams and parts that did not meet specifications, resulting in bending and deformation after heating, and filed a lawsuit against the Company for damages. The case was ruled by the Taiwan High Court in May 2018 to pay Minchali $4,619 thousand and related interests, in which the Company filed an appeal to the Supreme Court in June 2018. The Supreme Court ruled in November 2020 to remand the case to the Taiwan High Court for retrial. The case is still pending in the Taiwan High Court.

After the ruling of the Taoyuan District Court in February 2016, the Company paid a guarantee deposit of $9,321 thousand to the court and recognized a compensation loss of $9,321 thousand in 2016.

d. Unrecognized contractual commitments of the Group are as follows:

1) The Group signed a solar power generation system contract for the Kaohsiung plant in the total amount of $27,398 thousand; as of December 31, 2022, the Group had paid in full and accounted for as construction in progress.

2) The Group signed other construction contracts for new facilities in the Zhongli plant for a total amount of $9,580 thousand; the Group has paid $8,830 thousand and accounted for as construction in progress as of December 31, 2022.

30. OTHER ITEMS

The impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan has not caused significant disruption in the Group's operation, profitability and financing risk.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

Unit: In Thousands of Foreign Currencies and New Taiwan Dollars)

December 31, 2022

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 14,197	30.71 (USD:NTD)	$ 435,990
USD	266	6.965 (USD:RMB)	8,169
EUR	2,046	32.72 (EUR:NTD)	66,945
Financial liabilities			
Monetary items			
USD	724	30.71 (USD:NTD)	22,234
USD	441	6.965 (USD:RMB)	13,543

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 14,112	27.680 (USD:NTD)	$ 390,620
USD	195	6.376 (USD:RMB)	5,398
EUR	2,072	31.320 (EUR:NTD)	64,895
Financial liabilities			

Monetary items			
USD	511	27.680 (USD:NTD)	14,144
USD	516	6.376 (USD:RMB)	14,283
EUR	2	31.320 (EUR:NTD)	63

For the years ended December 31, 2022 and 2021, net foreign exchange gain (loss) was $56,843 thousand and $(31,878) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities.

32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b) information on investees:

1) Lending funds to others. (None)

2) Providing endorsements or guarantees for others. (None)

3) Holding of securities at the end of the period (excluding investments in subsidiaries, associates and joint ventures). (Table 1)

4) Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. (None)

5) Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

6) Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. (Table 2)

8) Trade receivables from related parties reaching NT$100 million or 20 percent of paid-in capital or more. (None)

9) Trading in derivative instruments. (None)

10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 6)

11) Information on investees. (Table 3)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 4)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or

losses. (Table 5)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (None)

33. SEGMENT INFORMATION

The Group's revenue and operation results in segments for 2022 and 2021 are as follows:

a. Segment revenues and results

Segment Revenue and Operation Results	Heat Exchange Products 2022	Heat Exchange Products 2021	Thermal Products 2022	Thermal Products 2021	Total 2022	Total 2021
Revenue	$ 1,560,881	$ 1,301,156	$ 1,282,659	$ 930,117	$ 2,843,540	$ 2,231,273
Cost	1,186,899	967,661	1,082,888	845,504	2,269,777	1,813,165
Segment income	$ 372,992	$ 333,495	$ 199,771	$ 84,613	573,763	418,108
Interest revenue					1,734	2,574
Finance costs					(13,344)	(10,330)
Other gains and losses					55,327	(27,079)
HQ management cost and remuneration of key management personnel					(227,627)	(187,753)
Profit before tax					$ 389,853	$ 195,520
Identifiable assets:						
Notes and trade receivables	$ 240,681	$ 228,873	$ 338,966	$ 122,249	$ 579,647	$ 351,122
Inventory	690,019	376,177	489,793	199,329	1,179,812	575,506
Property, plant and equipment	988,001	933,052	636,955	692,791	1,624,956	1,625,843
	$ 1,918,701	$ 1,538,102	$ 1,465,714	$ 1,014,369	3,384,415	2,552,471
Assets in general					771,650	859,784
Total assets					$ 4,156,065	$ 3,412,255
Identifiable liability:						
Notes and trade payables	$ 108,265	$ 115,028	$ 146,915	$ 76,239	$ 255,180	$ 191,267
Liabilities in general					1,841,888	1,336,149
Total liabilities					$ 2,097,068	$ 1,527,416

Segment revenue reported above represents revenue generated from external customers.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, gain or loss on foreign exchange, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Geographical information

The Group operates in three principal geographical areas - Asia, Europe and America.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2022	2021	2022	2021
Asia	$ 983,155	$ 856,118	$ 1,765,535	$ 1,684,029
America	1,328,684	957,268	-	-
Europe	524,378	410,170	-	-
Others	7,323	7,717	-	-
	$ 2,843,540	$ 2,231,273	$ 1,765,535	$ 1,684,029

Non-current assets excluded deferred tax assets and financial instruments.

c. Major customer information

Single customer contributing 10% or more to the Group's revenue is as follows:

	For the Year Ended December 31	
	2022	2021
A group	$ 1,199,349	$ 877,492

TABLE 1

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Kaori Heat Treatment Co., Ltd.	Equity investment							
	Bloom Energy Co.	None	Financial assets at fair value through other comprehensive income - non-current	140,00	$ 82,204	-	$ 82,20	
	ACTi Corporation	〃	〃	157,48	1,643	-	1,64	
	Semisils Applied Materials Corp., Ltd.	〃	〃	500,00	2,378	-	2,37	
					$ 86,225		$ 86,22	
	Mutual funds							
	Nomura Fallen Angel High Yield Bond Fund.	〃	Financial assets at fair value through profit or loss - current	100,00	$ 26,802	-	$ 26,80	
	Yuanta 0-2 Year Investment Grade Corporate Bond Fund	〃	〃	50,00	15,412	-	15,41	
					$ 42,214		$ 42,21	

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	

TABLE 2

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	Parent company to subsidiary	Sales	$ 112,221	4	Same as third parties	$	-	$ 13,534	2	

TABLE 3

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2022	December 31, 2021	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Kaori Heat Treatment Co., Ltd.	Kaori International Co., Ltd.	Trust Net Chambers, Lotemau Centre, P.O. Box 1225, Apia, Samoa	Investment management	$ 171,641	$ 171,641	5,100,000	100	$ 262,142	$ 44,869	$ 44,869	
Kaori International Co., Ltd.	Kaori Development Co., Ltd.	Trust Net Chambers, Lotemau Centre, P.O. Box 1225, Apia, Samoa	Investment management	169,984	169,984	5,050,000	100	265,791	44,836	44,836	
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	No.8, Chuangye Fourth Road, Bonded West Zone, Beilun District, Ningbo, Zhejiang	Product manufacturing	168,267	168,267	-	100	265,206	44,828	44,828	

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (In Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow					
Kaori Technology (Ningbo) Corporation	Research, development, design and manufacture of heat exchange products and brazing and welding technology related products	$ 168,267 (US$ 5,000)	Indirect investment of the Company in mainland China through the Company's subsidiary in a third region	$ 171,641 (US$ 5,100)	$	$	$ 171,641 (US$ 5,100) (Note 2)	100	$ 44,828 (Note 1)	$ 265,206	$ 86,483 (US$ 1,534 and RMB 10,000)

Note 1: The investment profit is recognized according to the audited financial reports for the year ended December 31, 2022.
2: The amount invested in Kaori International Co., Ltd., to which Kaori International Co., Ltd. then indirectly invested (US$5,000 thousand to Kaori Technology (Ningbo).

2. The amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$171,641 (US$5,100)	$171,641 (US$5,100)	$1,235,398 (Note)

Note: According to the Investment Commission of MOEA, the investment amount in mainland China should be limited to the greater of the net profit or 60% of consolidated net profit.

TABLE 5

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	Sales	$ 112,221	4	Average markup price around 10%	30 days upon arrival	Sales price has no significant difference to non-related parties transactions	$ 13,53	2	$ 4,473
		Purchase	15,364	-	〃	60 days upon shipment	Purchase price has no significant difference to non-related parties transactions	1,14	-	-

TABLE 6

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

INTERCOMPANY REATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

For the year ended December 31, 2022

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
1	Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	1	Sales (Note)	$ 112,22	Kaori Heat sold inventories to Karori Technology (Ningbo), collection period is 30 days upon arrival.	4
				Trade receivable - related party	13,53		-
				Purchase	15,36	Kaori Technology (Ningbo) sold inventories to Kaori Heat, collection period is 60 days upon shipment.	-
				Trade payable - related party	1,14		-

Note 1: Information regarding intercompany transactions should be numbered according to the following:
a. Parent company should be numbered 0.
b. Subsidiaries should be numbered beginning with 1.

Note 2: Intercompany transactions can be divided into three categories as following:
a. Parent company to subsidiaries
b. Subsidiaries to parent company
c. Subsidiaries to subsidiaries

Note 3: For the percentage of intercompany transaction in total sales or asset, year-end balance is used for balance sheet accounts while income statement accounts use the accumulated amount to calculate.

Note 4: The Company may decide whether to list the material transactions in this table according to the principle of materiality.

BLE 1

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES
MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Kaori Heat Treatment Co., Ltd.	Equity investment							
	Bloom Energy Co.	None	Financial assets at fair value through other comprehensive income - non-current	140,000	$ 82,204	-	$ 82,204	
	ACTi Corporation	〃	〃	157,482	1,643	-	1,643	
	Semisils Applied Materials Corp., Ltd.	〃	〃	500,000	2,378	-	2,378	
					$ 86,225		$ 86,225	
	Mutual funds							
	Nomura Fallen Angel High Yield Bond Fund.	〃	Financial assets at fair value through profit or loss - current	100,000	$ 26,802	-	$ 26,802	

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
	Yuanta 0-2 Year Investment Grade Corporate Bond Fund	〃	〃	50,000	15,412	-	15,412	
					$ 42,214		$ 42,214	

TABLE 2

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	Parent company to subsidiary	Sales	$ 112,221	4	Same as third parties	$	-	$ 13,534	2	

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2022	December 31, 2021	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Kaori Heat Treatment Co., Ltd.	Kaori International Co., Ltd.	Trust Net Chambers, Lotemau Centre, P.O. Box 1225, Apia, Samoa	Investment management	$ 171,641	$ 171,641	5,100,000	100	$ 262,142	$ 44,869	$ 44,869	
Kaori International Co., Ltd.	Kaori Development Co., Ltd.	Trust Net Chambers, Lotemau Centre, P.O. Box 1225, Apia, Samoa	Investment management	169,984	169,984	5,050,000	100	265,791	44,836	44,836	
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	No.8, Chuangye Fourth Road, Bonded West Zone, Beilun District, Ningbo, Zhejiang	Product manufacturing	168,267	168,267	-	100	265,206	44,828	44,828	

TABLE 4

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (In Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow					
Kaori Technology (Ningbo) Corporation	Research, development, design and manufacture of heat exchange products and brazing and welding technology related products	$ 168,267 (US$ 5,000)	Indirect investment of the Company in mainland China through the Company's subsidiary in a third region	$ 171,641 (US$ 5,100)	$	$	$ 171,641 (US$ 5,100) (Note 2)	100	$ 44,828 (Note 1)	$ 265,206	$ 86,483 (US$ 1,534 and RMB 10,000)

Note 1: The investment profit is recognized according to the audited financial reports for the year ended December 31, 2022.
2: The amount invested in Kaori International Co., Ltd., to which Kaori International Co., Ltd. then indirectly invested (US$5,000 thousand to Kaori Technology (Ningbo).

2. The amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$171,641 (US$5,100)	$171,641 (US$5,100)	$1,235,398 (Note)

Note: According to the Investment Commission of MOEA, the investment amount in mainland China should be limited to the greater of the net profit or 60% of consolidated net profit.

TABLE 5

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022 (In Thousands of New Taiwan Dollars)

Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	Sales	$ 112,221	4	Average markup price around 10%	30 days upon arrival	Sales price has no significant difference to non-related parties transactions	$ 13,534	2	$ 4,473
		Purchase	15,364	-	〃	60 days upon shipment	Purchase price has no significant difference to non-related parties transactions	1,149	-	-

TABLE 6

KAORI HEAT TREATMENT CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

For the year ended December 31, 2022

No.	Company Name	Counterparty	Nature of Relationship (Note 1)	Intercompany Transactions			
				Accounts	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
	Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	1	Sales (Note)	$ 112,221	Kaori Heat sold inventories to Karori Technology (Ningbo), collection period is 30 days upon arrival.	4
				Trade receivable - related party	13,534		-
				Purchase	15,364	Kaori Technology (Ningbo) sold inventories to Kaori Heat, collection period is 60 days upon shipment.	-
				Trade payable - related party	1,149		-

Note 1: Information regarding intercompany transactions should be numbered according to the following:

a. Parent company should be numbered 0.

b. Subsidiaries should be numbered beginning with 1.

Note 2: Intercompany transactions can be divided into three categories as following:

a. Parent company to subsidiaries

b. Subsidiaries to parent company

c. Subsidiaries to subsidiaries

Note 3: For the percentage of intercompany transaction in total sales or asset, year-end balance is used for balance sheet accounts while income statement accounts use the accumulated amount to calculate.

Note 4: The Company may decide whether to list the material transactions in this table according to the principle of materiality.

Kaori Heat Treatment Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Kaori Heat Treatment Co., Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

The Company mainly exports thermal energy products, and one of the main sales types is customer-supplied warehouse sales. The Company places the thermal energy products inventory in the customer supply warehouse designated by the sales customer according to the needs of the sales customers of thermal energy products.

The accuracy of the revenue recognition described above has a significant impact on the financial statements and is closely related to operational performance. As a result, it was identified as a key audit matter.

The key audit procedures that we performed in respect of revenue derived from specific products included the following:

1. We tested and obtained an understanding of the appropriateness of the design and implementation of internal control system related to revenue recognition.

2. We sampled the sales from customer supply warehouse in 2022, and verified related vouchers to test the occurrence of sales revenue.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Wen-Hsiang Chen and Shu-Lin Liu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2023

Notice to Readers

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

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

KAORI HEAT TREATMENT CO., LTD.

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

	2022		2021	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 6 and 26)	$ 165,217	4	$ 455,205	14
Financial assets at fair value through profit or loss - current (Notes 7 and 26)	42,214	1	41,676	1
Notes receivable (Notes 10 and 26)	20,849	-	16,167	1
Trade receivables (Notes 10 and 26)	517,729	13	282,081	8
Trade receivables from related parties (Notes 26 and 27)	13,534	-	14,276	-
Other receivables (Notes 10 and 26)	99	-	10,943	-
Inventories (Note 11)	1,098,545	27	530,145	16
Other current assets	170,681	4	63,077	2
Total current assets	2,028,868	49	1,413,570	42
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 26)	86,225	2	88,432	3
Financial assets at amortized cost - noncurrent (Note 9)	10,256	-	35,816	1
Investments accounted for using equity method (Note 12)	262,142	7	216,108	6
Property, plant and equipment (Notes 13 and 28)	1,569,386	38	1,565,526	46
Right-of-use assets (Note 14)	3,363	-	6,085	-
Investment properties (Notes 15 and 28)	23,325	1	24,424	1
Deferred tax assets (Note 23)	12,314	-	14,463	-
Other non-current assets	110,484	3	24,410	1
Net defined benefit assets - non-current (Notes 4 and 19)	10,628	-	461	-
Total non-current assets	2,088,123	51	1,975,725	58
TOTAL	$ 4,116,991	100	$ 3,389,295	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 16 and 26)	$ 750,000	18	$ 620,000	18
Notes payable (Note 26)	1,301	-	959	-
Trade payables (Note 26)	241,696	6	183,578	6
Trade payables from related parties (Notes 26 and 27)	1,149	-	-	-
Other payables (Notes 17 and 26)	230,114	6	155,361	5
Current tax liabilities (Notes 4 and 23)	54,357	1	13,143	-
Lease liabilities - current (Note 14)	2,262	-	2,715	-
Current portion of long-term borrowings (Notes 16 and 26)	88,050	2	78,125	2
Other current liabilities	68,350	2	40,294	1
Total current liabilities	1,437,279	35	1,094,175	32
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16, 26 and 28)	594,665	14	393,827	12
Provisions - non-current (Note 18)	-	-	1,248	-
Deferred income tax liabilities (Note 23)	24,701	1	11,564	-
Lease liabilities - non-current (Note 14)	1,136	-	3,398	-
Guarantee deposits received	213	-	244	-
Total non-current liabilities	620,715	15	410,281	12
Total liabilities	2,057,994	50	1,504,456	44
EQUITY (Note 20)				
Share capital				
Ordinary shares	893,841	22	893,841	27
Capital surplus	593,414	14	593,414	18
Retained earnings				
Legal reserve	190,165	5	175,303	5
Unappropriated earnings	367,629	9	209,856	6
Total retained earnings	557,794	14	385,159	11
Other equity				
Unrealized gain on financial assets at fair value through other comprehensive income	8,330	-	9,896	-
Exchange differences on translating the financial statements of foreign operations	5,618	-	2,529	-
Total other equity	13,948	-	12,425	-
Total equity	2,058,997	50	1,884,839	56
TOTAL	$ 4,116,991	100	$ 3,389,295	100

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

KAORI HEAT TREATMENT CO., LTD.

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

	2022		2021	
	Amount	**%**	**Amount**	**%**
REVENUE (Notes 4, 21 and 27)	$ 2,684,398	100	$ 2,087,001	100
COST OF GOODS SOLD (Notes 11, 22 and 27)	1,990,218	74	1,570,171	75
GROSS PROFIT	694,180	26	516,830	25
UNREALIZED GAIN ON ASSOCIATES/AND JOINT VENTURES	(4,473)	-	(2,549)	-
REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES/AND JOINT VENTURES	2,549	-	3,882	-
REALIZED GROSS PROFIT	692,256	26	518,163	25
OPERATING EXPENSES (Notes 19 and 22)				
Selling and marketing expenses	118,082	4	99,568	5
General and administrative expenses	200,795	8	165,519	8
Research and development expenses	80,561	3	68,481	3
Expected credit loss (reversal)	3,913	-	(777)	-
Total operating expenses	403,351	15	332,791	16
PROFIT FROM OPERATIONS	288,905	11	185,372	9
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Interest income	893	-	520	-
Other income	4,684	-	4,983	-
Other gains and losses	48,931	2	(33,749)	(2)
Finance costs	(13,344)	(1)	(10,330)	-
Share of profit of subsidiaries	44,869	2	36,564	2
Total non-operating income and expenses	86,033	3	(2,012)	-
PROFIT BEFORE INCOME TAX	374,938	14	183,360	9
INCOME TAX EXPENSE (Notes 4 and 23)	73,918	3	34,204	2
NET PROFIT FOR THE YEAR	301,020	11	149,156	7

(Continued)

KAORI HEAT TREATMENT CO., LTD.

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

	2022		2021	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ 7,114	-	$ (665)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive income	(2,207)	-	(36,414)	(2)
Income tax related to items that will not be reclassified subsequently to profit or loss	(782)	-	5,905	1
	4,125	-	(31,174)	(1)
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	3,089	-	(2,853)	-
Other comprehensive income (loss) for the year, net of income tax	7,214	-	(34,027)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 308,234	11	$ 115,129	6
EARNINGS PER SHARE (Note 24)				
From continuing operations				
Basic	$ 3.37		$ 1.67	
Diluted	$ 3.37		$ 1.67	

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

KAORI HEAT TREATMENT CO., LTD.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

				Retained Earnings			Others		
	Shares (In Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Exchange Differences on Translating the Financial Statements of Foreign Exchange	Total Equity
BALANCE AT JANUARY 1, 2021	89,384	$ 893,841	$ 593,414	$ 158,653	$ 63,254	$ 166,581	$ 40,538	$ 5,382	$ 1,921,663
Appropriation of 2020 earnings									
Legal reserve	-	-	-	16,650	-	(16,650)	-	-	-
Special reserve	-	-	-	-	(63,254)	63,254	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(151,953)	-	-	(151,953)
Net profit for the year ended December 31, 2021	-	-	-	-	-	149,156	-	-	149,156
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(532)	(30,642)	(2,853)	(34,027)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	148,624	(30,642)	(2,853)	115,129
BALANCE AT DECEMBER 31, 2021	89,384	893,841	593,414	175,303	-	209,856	9,896	2,529	1,884,839
Appropriation of 2021 earnings									
Legal reserve	-	-	-	14,862	-	(14,862)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(134,076)	-	-	(134,076)
Net profit for the year ended December 31, 2022	-	-	-	-	-	301,020	-	-	301,020
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	5,691	(1,566)	3,089	7,214
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	306,711	(1,566)	3,089	308,234
BALANCE AT DECEMBER 31, 2022	89,384	$ 893,841	$ 593,414	$ 190,165	$ -	$ 367,629	$ 8,330	$ 5,618	$ 2,058,997

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

KAORI HEAT TREATMENT CO., LTD.

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 374,938	$ 183,360
Adjustments for:		
Depreciation expense	101,325	102,101
Amortization expense	4,833	4,161
Expected credit loss (reversal)	3,913	(777)
Net loss (gain) on fair value change of financial assets and liabilities at fair value through profit or loss	6,233	(1,000)
Finance costs	13,344	10,330
Interest income	(893)	(520)
Share of gain of subsidiaries	(44,869)	(36,564)
Gain on disposal of property, plant and equipment	-	(76)
(Reversed of) write-down of inventories	(1,274)	3,734
Unrealized gain on the transactions with subsidiaries	4,473	2,549
Realized gain on the transactions with subsidiaries	(2,549)	(3,882)
Gain on lease modification	-	(7)
Changes in operating assets and liabilities:		
Financial assets mandatorily classified as at fair value through profit or loss	(6,771)	3,586
Notes receivable	(4,706)	(2,681)
Trade receivables	(239,537)	56,489
Trade receivables from related parties	742	655
Other receivables	10,844	(10,859)
Inventories	(567,126)	24,902
Other current assets	(107,604)	(38,375)
Net defined benefit assets	(3,053)	(461)
Notes payable	342	(123,915)
Trade payables	58,118	146,681
Trade payables to related parties	1,149	-
Other payables	74,302	21,014
Provisions	(1,248)	(1,752)
Other current liabilities	28,056	26,801
Defined benefit liabilities - non-current	-	(24,002)
Cash (used in) generated from operations	(297,018)	341,492
Interest paid	(12,893)	(10,220)
Income tax paid	(18,200)	(55,293)
Net cash generated from operating activities	(328,111)	275,979
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) of financial assets at amortized cost	25,560	(35,816)
Payments for property, plant and equipment	(98,230)	(97,863)
Proceeds from disposal of property, plant and equipment	-	420

(Continued)

KAORI HEAT TREATMENT CO., LTD.

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

	2022	2021
Dividends received from subsidiaries	$ -	$ 86,483
Increase in other non-current assets	(94,041)	(18,616)
Interest received	893	520
Net cash used in investing activities	(165,818)	(64,872)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	130,000	150,000
Decrease in short-term notes payable	-	(120,277)
Proceeds from long-term borrowings	297,300	-
Repayments of long-term borrowings	(86,537)	(79,536)
Proceeds from guarantee deposits received	(31)	-
Repayment of the principal portion of lease liabilities	(2,715)	(3,086)
Dividends paid to owners of the Company	(134,076)	(151,953)
Net cash generated from (used in) financing activities	203,941	(204,852)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(289,988)	6,255
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	455,205	448,950
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 165,217	$ 455,205

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

KAORI HEAT TREATMENT CO., LTD.

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

1. ORGANIZATION AND OPERATIONS

Kaori Heat Treatment Co., Ltd. (the “Company” or “Kaori”) was incorporated in the Republic of China (ROC) in October 1970.

The Company specializes in producing mechanical hardware, processing of fabricated metals, heat exchange products, as well as the manufacturing and developing of thermal products. Factories are established in Zhongli, Kaohsiung, etc.

Kaori’s shares have been listed on the Taiwan Stock Exchange since December 2013.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 22, 2023.

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

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

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

b. The IFRSs endorsed by the FSC for application starting from 2022

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2022 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2022 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2022 (Note 3)

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

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

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

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that The Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;

- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and

- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;

b) The Company chose the accounting policy from options permitted by the standards;

c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;

d) The accounting policy relates to an area for which The Company is required to make significant judgements or assumptions in applying an accounting policy, and The Company discloses those judgements or assumptions; or

e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

2) Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, The Company may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, The Company uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

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

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries, associates and jointly controlled entities. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, associates and joint ventures, share of other comprehensive income of subsidiaries, associates and joint ventures and related equity items, as appropriate, in the parent company only financial statements.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Foreign currencies

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

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

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

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

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

On the disposal of a foreign operation (i.e., a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or jointly controlled entities that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Company.

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

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

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

Any excess of the cost of acquisition over the Company’s share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company’s share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

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

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

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

g. Property, plant and equipment

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

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

The depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

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

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction that meet the definition of investment properties. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

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

i. Impairment of property, plant and equipment, investment properties, and right-of-use asset

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 26.

ii. Financial assets at amortized cost

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

i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables) and investments in debt instruments that are measured at FVTOCI.

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Provisions

Provisions, including those arising from contractual obligations specified in service concession arrangements to maintain or restore infrastructure before it is handed over to the grantor and levies imposed by governments, are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

l. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of heat exchange products and thermal products. When the goods are delivered to the customer's specific location, the goods are shipped and the goods are picked up by customers because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2) Revenue from the rendering of services

Revenue comes from services of mechanical hardware and processing of fabricated metals.

m. Leases

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

1) The Company as lessor

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

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

2) The Company as lessee

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

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

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

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

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Company can no longer withdraw the offer of the termination benefit and when the Company recognizes any related restructuring costs.

p. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

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

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

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

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

3) Current and deferred taxes for the year

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2022	2021
Cash on hand	$ 534	$ 515
Checking accounts and demand deposits	164,683	426,867
Cash equivalents (investments with original maturities less than 3 months)		
Repurchase agreements collateralized by bonds	-	27,823
	$ 165,217	$ 455,205

The market rate intervals of repurchase agreements collateralized by bonds at the end of the reporting period were as follows:

	December 31	
	2022	2021
Repurchase agreements collateralized by bonds	-%	0.28%

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2022	2021
Financial assets at FVTPL - current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ 42,214	$ 41,676

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31	
	2022	2021
Non-current		
Investments in equity instruments at fair value through other comprehensive income (FVTOCI)	$ 86,225	$ 88,432
Non-current		
Domestic investments		
Listed shares and emerging market shares		
Ordinary shares - ACTi Corporation	$ 1,643	$ 723
Unlisted shares		
Ordinary shares - Semisils Applied Materials Corp., Ltd	2,378	2,300
Foreign investments		

Listed shares		
Ordinary shares - Bloom Energy	82,204	85,409
	$ 86,225	$ 88,432

These investments are held for medium- to long-term strategic purposes, and are anticipated to earn profits through long-term investing. The management elected to designate these investments as FVTOCI, for they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with The Company's long-term investment strategy mentioned above.

9. FINANCIAL ASSETS AT AMORTIZED COST

	December 31	
	2022	**2021**
Non-current		
Domestic investments		
Restricted deposits	$ 10,256	$ 35,816

According to "Regulations Governing the Management, Utilization, and Taxation of Repatriated Offshore Funds", the Company has submitted an investment proposal and was approved by National Taxation Bureau, Ministry of Finance. Based on the regulation, the deposits are restricted only to approved investment project, and should not be used for other purposes.

10. NOTES, ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	December 31	
	2022	**2021**
Notes receivable		
Notes receivable - operating	$ 20,954	$ 16,248
Less: Allowance for impairment loss	(105)	(81)
	$ 20,849	$ 16,167
Trade receivables		
At amortized cost		
Gross carrying amount	$ 524,584	$ 285,047
Less: Allowance for impairment loss	(6,855)	(2,966)
	$ 517,729	$ 282,081
Other receivables		
Other receivable	$ 99	$ 10,943
Less: Allowance for impairment loss	-	-
	$ 99	$ 10,943

The average credit period of sales of goods is 30-120 days. No interest is charged on trade receivables.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As there are different loss patterns for various customer segments, the Company uses different provision matrixes based on customer segments, and determines the expected credit loss rate by reference to past due days of accounts receivable.

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

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

December 31, 2022

Thermal products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 220,434	$ 112,870	$ 239	$ -	$ -	$ 333,543
Loss allowance (Lifetime ECL)	(2,204)	(2,998)	(48)	-	-	(5,250)
Amortized cost	$ 218,230	$ 109,872	$ 191	$ -	$ -	$ 328,293

The expected credit loss rate for each above range of the Company is not more than 1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 200,138	$ 10,926	$ -	$ -	$ -	$ 931	$ 211,995
Loss allowance (Lifetime ECL)	(287)	(492)	-	-	-	(931)	(1,710)
Amortized cost	$ 199,851	$ 10,434	$ -	$ -	$ -	$ -	$ 210,285

The expected credit loss rate for each above range of the Company is not more than 0.1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Company recognizes the full amount as expected credit loss.

December 31, 2021

Thermal products

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Total
Gross carrying amount	$ 93,499	$ 27,734	$ -	$ -	$ -	$ 121,233
Loss allowance (Lifetime ECL)	(936)	(555)	-	-	-	(1,491)
Amortized cost	$ 92,563	$ 27,179	$ -	$ -	$ -	$ 119,742

The expected credit loss rate for each above range of the Company is not more than 1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days.

Heat exchange products and other departments

	Not Past Due	1 to 120 Days Past Due	121 to 240 Days Past Due	241 to 360 Days Past Due	Over 360 Days Past Due	Customers with Signs of Default	Total
Gross carrying amount	$ 163,328	$ 15,842	$ 11	$ -	$ -	$ 881	$ 180,062
Loss allowance (Lifetime ECL)	(229)	(444)	(2)	-	-	(881)	(1,556)
Amortized cost	$ 163,099	$ 15,398	$ 9	$ -	$ -	$ -	$ 178,506

The expected credit loss rate for each above range of the Company is not more than 0.1% within the not overdue period; 2%-20% within the overdue period from 1 to 240 days; and 20%-100% when the overdue period exceeds 240 days. Partial receivables due are currently uncollectable for the reason that certain customers are undergoing debt restructuring; therefore, the Company recognizes the full amount as expected credit loss.

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

	2022	2021
Balance at January 1	$ 3,047	$ 3,824
Add: Net remeasurement of loss allowance	3,913	-
Less: Impairment losses reversed	-	(777)
Balance at December 31	$ 6,960	$ 3,047

11. INVENTORIES

	December 31	
	2022	2021
Finished goods	$ 139,345	$ 62,100
Work in process	448,481	253,080
Raw materials	311,043	138,772
Supplies	7,298	7,307
Merchandise	1,531	484

(Continued)

	December 31 2022	December 31 2021
Spare parts	$ 16,908	$ 8,941
Inventory in transit	173,939	59,461
	$ 1,098,545	$ 530,145

(Concluded)

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2022 and 2021 was $1,990,218 thousand and $1,570,171 thousand, respectively. The cost of goods sold for 2022 and 2021 included (reversal of) inventory write-downs of $(1,274) thousand and $3,734 thousand, respectively.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31 2022	December 31 2021
Investments in subsidiaries	$ 262,142	$ 216,108

Investments in subsidiaries

	December 31 2022	December 31 2021
Kaori International	$ 262,142	$ 216,108

The proportion of the Company’s ownership was as follows:

	December 31 2022	December 31 2021
Kaori International	100%	100%

The detail information of the subsidiary is disclosed in Table 3.

The investment was accounted for using the equity method and the share of profit or loss and other comprehensive income; this investment was calculated based on financial statements which have been audited in 2022 and 2021.

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Electric Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
Cost								
Balance at January 1, 2022	$ 704,179	$ 704,965	$ 264,145	$ 153,310	$ 1,245	$ 135,328	$ 73,285	$ 2,036,457
Additions	-	17,102	23,488	1,065	729	31,755	24,091	98,230
Disposals	-	-	(16,150)	(622)	-	(27,384)	-	(44,156)
Reclassifications	-	50,148	-	11,000	-	-	(61,148)	-
Transfer from prepaid equipment	-	141	1,313	96	-	1,584	-	3,134
Balance at December 31, 2022	$ 704,179	$ 772,356	$ 272,796	$ 164,849	$ 1,974	$ 141,283	$ 36,228	$ 2,093,665

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Electric Equipment	Transportation Equipment	Office Equipment	Property in Construction	Total
Accumulated depreciation and impairment								
Balance at January 1, 2022	$ -	$ 168,764	$ 143,266	$ 84,707	$ 492	$ 73,702	$ -	$ 470,931
Depreciation expense	-	28,265	29,189	13,352	211	26,487	-	97,504
Disposals	-	-	(16,150)	(622)	-	(27,384)	-	(44,156)
Balance at December 31, 2022	$ -	$ 197,029	$ 156,305	$ 97,437	$ 703	$ 72,805	$ -	$ 524,279
Carrying amount at December 31, 2022	$ 704,179	$ 575,327	$ 116,491	$ 67,412	$ 1,271	$ 68,478	$ 36,228	$ 1,569,386
Cost								
Balance at January 1, 2021	$ 704,179	$ 692,243	$ 284,881	$ 137,977	$ 2,530	$ 123,943	$ 45,241	$ 1,990,994
Additions	-	2,374	4,204	6,078	286	29,546	55,375	97,863
Disposals	-	-	(25,114)	(4,401)	(1,571)	(22,757)	-	(53,843)
Reclassifications	-	10,348	-	13,656	-	3,327	(27,331)	-
Transfer from prepaid equipment	-	-	174	-	-	1,269	-	1,443
Balance at December 31, 2021	$ 704,179	$ 704,965	$ 264,145	$ 153,310	$ 1,245	$ 135,328	$ 73,285	$ 2,036,457
Accumulated depreciation and impairment								
Balance at January 1, 2021	$ -	$ 141,692	$ 137,725	$ 76,225	$ 1,829	$ 69,056	$ -	$ 426,527
Depreciation expense	-	27,072	30,655	12,883	234	27,059	-	97,903
Disposals	-	-	(25,114)	(4,401)	(1,571)	(22,413)	-	(53,499)
Balance at December 31, 2021	$ -	$ 168,764	$ 143,266	$ 84,707	$ 492	$ 73,702	$ -	$ 470,931
Carrying amount at December 31, 2021	$ 704,179	$ 536,201	$ 120,879	$ 68,603	$ 753	$ 61,626	$ 73,285	$ 1,565,526

(Concluded)

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

Buildings	
Building	20-60 years
Plant equipment	38-51 years
Machinery equipment	
Furnace equipment	8-15 years
Lathe and stamping machinery	8-10 years
Electricity equipment	5-6 years
Transportation equipment	5-6 years
Other equipment	5-6 years

In 2022 and 2021, the Company assessed the property, plant and equipment listed above and found no indication of impairment.

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets

	December 31	
	2022	2021
Carrying amount		
Land	$ 391	$ 511
Transportation equipment	2,972	5,574
	$ 3,363	$ 6,085

	For the Year Ended December 31	
	2022	2021
Depreciation charge for right-of-use assets		
Land	$ 120	$ 90
Transportation equipment	2,602	3,009
	$ 2,722	$ 3,099

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount		
Current	$ 2,262	$ 2,715
Non-current	$ 1,136	$ 3,398

Range of discount rate for lease liabilities was as follows:

	December 31	
	2022	2021
	1.25%	1.25%
	1.25%	1.25%

c. Material leasing-in activities and terms

The Company leases certain transportation equipment and land with lease terms of 3-5 years. Those arrangements do not contain renewal or purchase options.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases	$ 750	$ 827
Total cash outflow for leases	$ (3,523)	$ (3,980)

The Company's lease of a building qualifies as short-term lease. The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

15. INVESTMENT PROPERTIES

	December 31	
	2022	2021
Completed investment properties	$ 23,325	$ 24,424

	Completed Investment Properties
Cost	
Balance at January 1, 2022	$ 30,895
Balance at December 31, 2022	$ 30,895
Accumulated depreciation and impairment	
Balance at January 1, 2022	$ 6,471
Depreciation expense	1,099
Balance at December 31, 2022	$ 7,570
Carrying amount at December 31, 2022	$ 23,325
Cost	
Balance at January 1, 2021	$ 30,895
Balance at December 31, 2021	$ 30,895
Accumulated depreciation and impairment	
Balance at January 1, 2021	$ 5,372
Depreciation expense	1,099
Balance at December 31, 2021	$ 6,471
Carrying amount at December 31, 2021	$ 24,424

The abovementioned investment properties are leased out for 5 years. These arrangements do not contain renewal or purchase options.

Investment properties pledged as collateral for bank borrowings were set out in Note 28.

The maturity analysis of lease payments receivable under operating leases of investment properties at December 31, 2022 and 2021 was as follows:

	December 31	
	2022	2021
Year 1	$ 720	$ 720
Year 2	720	720
Year 3	-	720
Year 4	-	-
Year 5	-	-
Year 6 onwards	-	-
	$ 1,440	$ 2,160

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	36 years

The fair value of the Company's investment properties as of December 31, 2022 and 2021 was $127,708 thousand and $132,052 thousand, respectively. The fair value valuation had been performed by the management of the Company using the valuation model that market participants would use in determining the fair value. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

16. BORROWINGS

a. Short-term borrowings

	December 31	
	2022	2021
Unsecured borrowings		
Letters of credit	$ 750,000	$ 620,000

The interest rates on letters of credit were 1.49%-1.69% and 0.28%-0.85% per annum as of December 31, 2022 and 2021.

b. Long-term borrowings

	December 31	
	2022	2021
Secured and Unsecured borrowings		
Bank loans	$ 682,715	$ 471,952
Less: Current portion	(88,050)	(78,125)
Long-term borrowings	$ 594,665	$ 393,827

The borrowings of the Company were as follows:

	December 31	
	2022	2021
Loans from O-Bank		
Medium-term secured loans, loan period February 2015 to February 2022; monthly interest rate as of December 31, 2021 is 0.8932%, the installment since February 2018 is $11,500 thousand every 6-month term.	$ -	$ 8,000
Medium-term secured loans with loan period from January 2016 to August 2022; monthly interest rate as of December 31, 2021 is 0.9461%, the installment since August 2017 is $9,100 thousand every 6-month term. The Company will pay $9,000 thousand for the last term.	-	18,100

(Continued)

	December 31	
	2022	2021
Medium-term secured loans with loan period from June 2020 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since June 2022 is $6,389 thousand every 6-month term.	$ 44,722	$ 57,500
Medium-term secured loans with loan period from June 2020 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since June 1, 2022 is $6,067 thousand every 6-month term.	42,467	54,600
Medium-term secured loans with loan period from September 2020 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since June 2022 is $1,011 thousand every 6-month term.	7,078	9,100
Medium-term secured loans with loan period from September 2020 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since June 2022 is $1,278 thousand every 6-month term.	8,944	11,500
Medium-term secured loans with loan period from August 2022 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since December 2022 is $4,538 thousand every 6-month term.	31,763	-
Medium-term secured loans with loan period from August 2022 to June 2026; monthly interest rate as of December 31, 2022 is 1.5803%, the installment since December 2022 is $3,875 thousand every 6-month term.	27,125	-
Loans from Shanghai Commercial & Savings Bank		
Long-term secured loans with loan period from July 2015 to April 2025; monthly interest rate as of December 31, 2022 is 1.595%, the installment since July 2016 is $2,084 thousand every 3-month term.	20,816	29,152
Loans from Taipei Fubon Bank		
Medium-term unsecured loans with loan period from September 2022 to August 2025; monthly interest rate as of December 31, 2022 is 1.6671%, the installment beginning September 2023 is $1,250 thousand every 1-month term. The Company will pay $1,250 thousand for the last term.	30,000	-
Loans from Mega International Commercial Bank		
Medium-term secured loans with loan period from September 2020 to September 2025; monthly interest rate as of December 31, 2022 is 1.9664%, the installment since September 2022 is $7,100 thousand every 3-month term. The Company will pay $198,800 thousand for the last term.	269,800	284,000

Loans from The Export-Import Bank of the Republic of China		
Medium-term unsecured loans with loan period from December 2022 to December 2024; monthly interest rate as of December 31, 2022 is 1.7112%, the installment beginning June 2024 is $100,000 thousand every 6-month term.	200,000	-
	682,715	471,952
Less: Current portion	(88,050)	(78,125)
	$ 594,665	$ 393,827

(Concluded)

The loans were secured by property, plant and equipment; see Note 28.

17. OTHER LIABILITIES

	December 31	
	2022	2021
Other payables		
Payables for salaries and bonus	$ 143,998	$ 92,151
Payables for bonus to employees and directors	22,242	10,877
Payables for goods	25,466	24,948
Payables for processing fees	4,439	2,410
Payables for prepaid equipment	13,144	6,559
Others	20,825	18,416
	$ 230,114	$ 155,361

18. PROVISIONS

	December 31	
	2022	2021
Non-current		
Provisions	$ -	$ 1,248

	Total
Balance at January 1, 2022	$ 1,248
Provisions paid	(1,248)
Balance at December 31, 2022	$ -
Balance at January 1, 2021	$ 3,000
Provisions paid	(1,752)
Balance at December 31, 2021	$ 1,248

In 1986, the Company purchased a factory and land. Due to failure of accurate identification for the boundaries at the time, the Company unintentionally occupied land in an industrial zone. The Ministry of Economic Affairs (hereinafter referred to as the “MOEA”) filed a criminal embezzlement case and a civil infringement lawsuit for damages against the Company with the Taoyuan District Court. The case was settled in the Taiwan High Court on August 10, 2021. Based on the negotiated outcome following the ruling, the Company was required to pay compensation, legal fees, land rent, and the cost of restoring the land to its original state. The Company set aside a liability provision in the total amount of $3,000 thousand in 2016, and had paid $1,248 thousand and $1,752 thousand in 2022 and 2021, respectively.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 9% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2022	2021
Present value of defined benefit obligation	$(72,108)	$(78,944)
Fair value of plan assets	82,736	79,405
Net defined benefit assets	$ 10,628	$ 461

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets (Liabilities)
Balance at January 1, 2021	$(84,373)	$ 61,036	$(23,337)
Service cost			
Current service cost	(855)	-	(855)
Net interest (expense) income	(422)	313	(109)
Recognized in profit or loss	(1,277)	313	(964)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	367	367
Actuarial loss - changes in demographic assumptions	(1,838)	-	(1,838)
Actuarial gain - change in financial adjustments	1,043	-	1,043
Actuarial loss - experience adjustments	(237)	-	(237)
Recognized in other comprehensive income	(1,032)	367	(665)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets (Liabilities)
Contributions from the employer	$ -	$ 25,427	$ 25,427
Benefits paid	7,738	(7,738)	-
Balance at December 31, 2021	(78,944)	79,405	461
Service cost			
Current service cost	(820)	-	(820)
Net interest (expense) income	(481)	494	13
Recognized in profit or loss	(1,301)	494	(807)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2,887	2,887
Actuarial gain - change in financial adjustments	6,748	-	6,748
Actuarial loss - experience adjustments	(2,521)	-	(2,521)
Recognized in other comprehensive income	4,227	2,887	7,114
Contributions from the employer	-	3,860	3,860
Benefits paid	3,910	(3,910)	-
Balance at December 31, 2022	$(72,108)	$ 82,736	$ 10,628

(Concluded)

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2022	2021
Discount rate(s)	1.50%	0.625%
Expected rate(s) of salary increase	2.00%	2.000%

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

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	$ (1,774)	$ (2,065)
0.25% decrease	$ 1,840	$ 2,148
Expected rate(s) of salary increase		
0.25% increase	$ 1,799	$ 2,084
0.25% decrease	$ (1,743)	$ (2,014)

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

	December 31	
	2022	2021
The expected contributions to the plan for the next year	$ 3,946	$ 3,366
The average duration of the defined benefit obligation	10.1 years	11.2 years

20. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2022	2021
Number of shares authorized (in thousands)	100,000	100,000
Shares authorized	$ 1,000,000	$ 1,000,000
Number of shares issued and fully paid (in thousands)	89,384	89,384
Shares issued	$ 893,841	$ 893,841

b. Capital surplus

	December 31	
	2022	2021
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Issuance of ordinary shares	$ 268,526	$ 268,526
Conversion of bonds	317,071	317,071
Overdue options	7,817	7,817
	$ 593,414	$ 593,414

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to employee benefits expense in Note 22(g).

Dividends are recommended by the board of directors in accordance with the Corporation's dividend policy. Under this policy, industry trend and growth should be evaluated, investment opportunities should be fully understood, and proper capital adequacy ratios should be considered in determining the dividend to be distributed. In addition, cash dividends should not be less than 10% of the total dividends to be appropriated.

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

The unappropriated earnings should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings and dividends per share for 2021 and 2020 were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Fiscal Year 2021	**For Fiscal Year 2020**	**For Fiscal Year 2021**	**For Fiscal Year 2020**
Legal reserve	$ 14,862	$ 16,650	$ -	$ -
Special reserve	-	(63,254)	-	-
Cash dividends	134,076	151,953	1.5	1.7

The cash dividends for 2021 and 2020 were approved in the board meetings on March 25, 2022 and March 19, 2021, respectively. The appropriations of earnings for 2021 and 2020 were approved in the shareholders' meetings on June 16, 2022 and August 25, 2021, respectively.

The appropriations and dividends per share for 2022 were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 30,671	$ -
Cash dividends	134,076	1.5

The cash dividends mentioned above were approved in the board meeting on March 22, 2023; the appropriation of earnings for 2022 are subject to the resolution of the shareholders in their meeting to be held in June 2023.

21. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from sale of goods	$ 2,634,631	$ 2,043,703
Revenue from the rendering of services	49,767	43,298
	$ 2,684,398	$ 2,087,001

	December 31	
	2022	2021
Contract liabilities		
Sales of goods	$ 53,138	$ 32,057

The contract liabilities were unearned sales revenue and accounted for as other current liabilities.

22. NET PROFIT

Net profit included the following:

a. Interest income

	For the Year Ended December 31	
	2022	2021
Bank deposits	$ 807	$ 173
Financial assets at amortized cost	33	27
Others	53	320
	$ 893	$ 520

b. Other income

	For the Year Ended December 31	
	2022	2021
Rental income	$ 687	$ 687
Others	3,997	4,296
	$ 4,684	$ 4,983

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Fair value changes of financial assets and financial liabilities		
Financial assets mandatorily at FVTPL	$ (6,233)	$ 1,000
Gain on lease modification	-	7
Net foreign exchange loss	57,620	(32,571)
Loss on disposal of property, plant and equipment	-	76
Others	(2,456)	(2,261)
	$ 48,931	$(33,749)

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	$ 13,286	$ 10,263
Interest on lease liabilities	58	67
	$ 13,344	$ 10,330

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
Property, plant and equipment	$ 97,504	$ 97,903
Right-of-use assets	2,722	3,099
Investment properties	1,099	1,099
Non-current assets	4,833	4,161
	$ 106,158	$ 106,262
An analysis of depreciation by function		
Operating costs	$ 64,060	$ 63,225
Operating expenses	36,166	37,777
Other gains and losses	1,099	1,099
	$ 101,325	$ 102,101
An analysis of amortization by function		
Operating costs	$ 1,908	$ 909
Operating expenses	2,925	3,252
	$ 4,833	$ 4,161

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Post-employment benefits		
Defined contribution plans	$ 18,053	$ 16,958
Defined benefit plans (Note 19)	807	964
	18,860	17,922
Other employee benefits	564,146	461,126
Total employee benefits expense	$ 583,006	$ 479,048
An analysis of employee benefits expense by function		
Operating costs	$ 340,372	$ 277,079
Operating expenses	242,634	201,969
	$ 583,006	$ 479,048

g. Compensation of employees and remuneration of directors for 2022 and 2021

The Company accrued compensation of employees and remuneration of directors at the rates no less than 2% and no higher than 5%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2022 and 2021 which were approved by the Company's board of directors on March 22, 2023 and March 25, 2022, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2022	2021
Compensation of employees	2.10%	2.10%
Remuneration of directors	3.50%	3.50%

Amount

	For the Year Ended December 31			
	2022		2021	
	Cash	Shares	Cash	Shares
Compensation of employees	$ 8,341	-	$ 4,079	-
Remuneration of directors	13,901	-	6,708	-

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

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

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

23. INCOME TAXES

a. Major components of tax expense (income) recognized in profit or loss

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current year	$ 61,655	$ 42,049
Adjustments for prior year	(2,241)	(1,611)
	59,414	40,438
Deferred tax expense (income)		
In respect of the current period	14,504	(6,234)
Income tax expense recognized in profit or loss	$ 73,918	$ 34,204

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

	For the Year Ended December 31	
	2022	2021
Profit before tax from continuing operations	$ 374,938	$ 183,360
Income tax expense calculated at the statutory rate	$ 74,988	$ 36,672
Tax effect of adjusting items:		
Tax-exempt income	-	(42)
Nondeductible expenses in determining taxable income	1,267	-
Others	(96)	(815)
Effects of different tax rates of entities operating in other jurisdictions	(2,241)	(1,611)
Income tax expense recognized in profit or loss	$ 73,918	$ 34,204

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
Deferred tax expense (income)		
In respect of the current year		

Fair value changes of financial assets at FVTOCI	$ 641	$ 5,772
Remeasurement of defined benefit plans	(1,423)	133
	$ (782)	$ 5,905

c. Current income tax assets and liabilities

	December 31	
	2022	**2021**
Current tax liabilities		
Income tax payable	$ 54,357	$ 13,143

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2022

	Opening Balance	**Recognized in Profit or Loss**	**Recognized in Other Compre-hensive Income**	**Closing Balance**
Deferred tax assets				
Unrealized loss on inventories	$ 8,984	$ (255)	$ -	$ 8,729
Associates	638	481	-	1,119
Defined benefit obligation	21	(21)	-	-
Allowance for impairment loss	328	274	-	602
Unrealized loss on foreign differences	2,378	(2,378)	-	-
Provisions	2,114	(250)	-	1,864
	$ 14,463	$ (2,149)	$ -	$ 12,314
Deferred tax liabilities				
Associates	$ 7,992	$ 8,974	$ -	$ 16,966
Defined benefit obligation	-	590	1,423	2,013
Unrealized gain on foreign exchange	-	2791	-	2,791
Financial assets at FVTOCI	3,572	-	(641)	2,931
	$ 11,564	$ 12,355	$ 782	$ 24,701

For the year ended December 31, 2021

	Opening Balance	**Recognized in Profit or**	**Recognized in Other**	**Closing Balance**

		Loss	Compre-hensive Income	
Deferred tax assets				
Unrealized loss on inventories	$ 8,237	$ 747	$ -	$ 8,984
Associates	971	(333)	-	638
Defined benefit obligation	4,781	(4,893)	133	21
Allowance for impairment loss	353	(25)	-	328
Unrealized loss on foreign differences	1,275	1,103	-	2,378
Provisions	2,464	(350)	-	2,114
	$ 18,081	$ (3,751)	$ 133	$ 14,463

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
Deferred tax liabilities				
Associates	$ 17,977	$ (9,985)	$ -	$ 7,992
Financial assets at FVTOCI	9,344	-	(5,772)	3,572
	$ 27,321	$ (9,985)	$ (5,772)	$ 11,564

(Concluded)

e. Income tax assessments

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

24. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Year Ended December 31	
	2022	2021
Basic earnings per share	$ 3.37	$ 1.67
Diluted earnings per share	$ 3.37	$ 1.67

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

	For the Year Ended December 31	
	2022	2021
Profit for the year attributable to owners of the Company	$ 301,020	$ 149,156

The number of ordinary shares outstanding (in thousands of shares) was as follows:

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares used in the computation of basic earnings per share	89,384	89,384
Effect of potentially dilutive ordinary shares		
Compensation of employees	58	77
Weighted average number of ordinary shares used in the computation of diluted earnings per share	89,442	89,461

If the Company were allowed to choose the payment of employee compensation in the form of either stocks or cash, when calculating diluted earnings per share, it is assumed that the employee compensation will be paid in the form of stocks and the weighted average number of outstanding shares will be included when the potential common shares have a dilutive effect. Diluted earnings per share will be calculated accordingly. When calculating diluted earnings per share before deciding on the number of shares to be issued as employee compensation in the following year, the dilutive effect of such potential common shares will continue to be considered.

25. CAPITAL MANAGEMENT

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

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

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

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

26. FINANCIAL INSTRUMENTS

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

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 42,214	$ -	$ -	$ 42,214
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments				
Listed shares and emerging market shares	$ -	$ -	$ 1,643	$ 1,643
Domestic investments				
Unlisted shares	-	-	2,378	2,378
Foreign unlisted shares	82,204	-	-	82,204
	$ 82,204	$ -	$ 4,021	$ 86,225

December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Mutual funds	$ 41,676	$ -	$ -	$ 41,676
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic investments				
Listed shares and emerging market shares	$ -	$ -	$ 723	$ 723
Domestic investments				
Unlisted shares	-	-	2,300	2,300
Foreign unlisted shares	85,409	-	-	85,409
	$ 85,409	$ -	$ 3,023	$ 88,432

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2022

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1, 2022	$ 3,023
Recognized in other comprehensive income	998
Balance at December 31, 2022	$ 4,021

For the year ended December 31, 2021

	Financial Assets at FVTOCI
	Equity Instruments
Financial assets	
Balance at January 1, 2021	$ 10,573
Recognized in other comprehensive income	(7,550)
Balance at December 31, 2021	$ 3,023

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The fair value of the investment in domestic emerging market shares is determined using the market approach. In this approach, the evaluation is be based on the stock market price and liquidity of the entity. The assessment and input amount refer to the entity's operations, national policies as well as GDP forecasts and industry outlook.

The assessment of fair value of domestic unlisted shares securities is based on the financial status of the investee, analysis of current operations, the sales of peer companies, stock price in market, and related information. The target's own financial performance is evaluated and used as the basis to set the appropriate valuation multiple to calculate the assessment target's value.

b. Categories of financial instruments

	December 31	
	2022	**2021**
Financial assets		
FVTPL		
Mandatorily at FVTPL	$ 42,214	$ 41,676
Financial assets at amortized cost (1)	727,684	814,488
Financial assets at FVTOCI		
Equity instruments	86,225	88,432
Financial liabilities		
Amortized cost (2)	1,907,188	1,432,094

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

2) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, notes payable, trade payables, trade payables from related parties, other payables and guarantee deposits received.

d. Financial risk management objectives and policies

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

The financial department reported quarterly to the board of directors, which monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are disclosed in Note 30.

Sensitivity analysis

The Company was mainly exposed to the USD and EUR.

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and foreign exchange forward contracts designated as cash flow hedges, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. The sensitivity analysis included external loans/borrowings as well as loans/borrowings to foreign operations within the Company where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in post-tax profit and other equity associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on post-tax profit and other equity and the balances below would be negative.

	USD Impact		**EUR Impact**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2022	**2021**	**2022**	**2021**
Profit or loss*	$ 4,138	$ 3,765	$ 669	$ 648

* This was mainly attributable to the exposure to outstanding USD and EUR receivables and payables, which were not hedged at the end of the reporting period.

b) Interest rate risk

The Company is exposed to interest rate risk because the Company's bank deposits and borrowings are at floating interest rates.

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

	December 31	
	2022	**2021**
Fair value interest rate risk		
Financial assets	$ 10,256	$ 63,639
Financial liabilities	$ 682,715	$ 471,952
Cash flow interest rate risk		
Financial assets	$ 164,272	$ 426,529
Financial liabilities	$ 750,000	$ 620,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.25% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.25% basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would have decreased by $1,464 thousand and $484 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its floating rate bank deposits and bank borrowings.

2) Credit risk

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

The Company's concentration of credit risk of 60% and 39% of total trade receivables as of December 31, 2022 and 2021, respectively, was attributable to the Company's largest customer.

3) Liquidity risk

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

As of December 31, 2022 and 2021, the Company had available unutilized overdraft and short-term bank loan facilities; see (b) below:

a) Liquidity and interest rate risk tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2022

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative liabilities					
Lease liabilities	$ 231	$ 436	$ 1,621	$ 1,142	$ -
Variable interest rate liabilities	250,000	150,000	350,000	-	-
Fixed interest rate liabilities	3,198	9,322	88,508	607,640	-
	$ 253,429	$ 159,758	$ 440,129	$ 608,782	$ -

December 31, 2021

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative liabilities					
Lease liabilities	$ 231	$ 462	$ 2,080	$ 3,430	$ -
Variable interest rate liabilities	-	100,000	520,000	-	-
Fixed interest rate liabilities	2,491	17,897	62,329	403,090	-
	$ 2,722	$ 118,359	$ 584,409	$ 406,520	$ -

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2022	2021
Unsecured bank overdraft facilities, reviewed annually and payable on demand:		
Amount used	$ 995,875	$ 645,793
Amount unused	954,125	864,207
	$ 1,950,000	$ 1,510,000
Secured bank overdraft facilities:		
Financial assets	$ 559,000	$ 533,800
Financial liabilities	-	41,200
	$ 559,000	$ 575,000

27. RELATED PARTY TRANSACTIONS

Details of transactions between the Company and related parties are disclosed below.

a. Related party name and relationship

Related Party Name	Relationship with the Company
Kaori Technology (Ningbo) Corporation	Subsidiary

b. Sales of goods

	For the Year Ended December 31	
	2022	2021
Subsidiary	$ 112,221	$ 90,609

In 2022 and 2021, the selling prices were not significantly different from those with third parties.

c. Purchase of goods

	For the Year Ended December 31	
	2022	2021
Subsidiary	$ 15,364	$ 6,384

The purchasing price is calculated at the cost to reflect the Company's pricing strategy and related party relationships.

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

	December 31	
	2022	2021
Subsidiary	$ 13,534	$ 14,276

The outstanding accounts receivable from related parties are unsecured. The trade receivables from related parties in 2022 and 2021 did not have allowance for impairment loss.

e. Payables from related parties (excluding loans to related parties)

	December 31	
	2022	**2021**
Subsidiary	$ 1,149	$ -

The outstanding accounts payables from related parties are unsecured.

f. Compensation of key management personnel

	For the Year Ended December 31	
	2022	**2021**
Short-term employee benefits	$ 61,341	$ 55,585
Post-employment benefits	2,151	2,199
	$ 63,492	$ 57,784

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and foreign exchange forward contracts:

	December 31	
	2022	**2021**
Land	$ 207,726	$ 207,726
Building equipment, net	557,116	516,270
	764,842	723,996
Investment properties, net	23,325	24,424
	$ 788,167	$ 748,420

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2022 and 2021 were as follows:

a. Outstanding letter of credit

As of December 31, 2022, the balance of outstanding letter of credit for the Company is US$168 thousand.

b. Customs guarantee and construction guarantee

As of December 31, 2022 and 2021, the import taxes on goods for the Company were guaranteed by the Hua Nan Commercial Bank, Ltd. Li-Chang Branch, for a total of $10,000 thousand and $5,000 thousand, respectively. As of December 31, 2022, and 2021, the guarantee deposits for the CPC Corporation pipeline projects were $722 thousand and $793 thousand, respectively, secured by the Taoyuan-Hsin Branch of Mega International Commercial Bank.

c. Minchali Copper Industry (hereinafter referred to as "Minchali") accused the Company of having delivered heating furnace beams and parts that did not meet specifications, resulting in bending and deformation after heating, and filed a lawsuit against the Company for damages. The case was ruled by the Taiwan High Court in May 2018 to pay Minchali $4,619 thousand and related interests, in which the Company filed an appeal to the Supreme Court in June 2018. The Supreme Court ruled in November 2020 to remand the case to the Taiwan High Court for retrial. The case is still pending in the Taiwan High Court.

After the ruling of the Taoyuan District Court in February 2016, the Company paid a guarantee deposit of $9,321 thousand to the court and recognized a compensation loss of $9,321 thousand in 2016.

d. Unrecognized contractual commitments of the Company are as follows:

1) The Company signed a solar power generation system contract for the Kaohsiung plant in the total amount of $27,398 thousand; as of December 31, 2022, The Company had paid in full and accounted for as construction in progress.

2) The Company signed other construction contracts for new facilities in the Zhongli plant for a total amount of $9,580 thousand; The Company has paid $8,830 thousand and accounted for as construction in progress as of December 31, 2022.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

Unit: In Thousands of Foreign Currencies and New Taiwan Dollars

December 31, 2022

	Foreign Currencies	**Exchange Rate**	**Carrying Amount**
Financial assets			
Monetary items			
USD	$ 14,197	30.71 (USD:NTD)	$ 435,990
EUR	2,046	32.72 (EUR:NTD)	66,945
Financial liabilities			
Monetary items			
USD	724	30.71 (USD:NTD)	22,234

December 31, 2021

	Foreign Currencies	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 14,112	27.68 (USD:NTD)	$ 390,620
EUR	2,072	31.32 (EUR:NTD)	64,895
Financial liabilities			
Monetary items			
USD	511	27.68 (USD:NTD)	14,144
EUR	2	31.32 (EUR:NTD)	63

For the years ended December 31, 2022 and 2021, net foreign exchange gain (loss) was $57,620 thousand and $(32,571) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities.

31. OTHER EVENTS

The impact of the COVID-19 pandemic which has evolved globally and currently in Taiwan has not caused significant disruption in the Company’s operation profitability and financial risk.

32. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and b. information on investees:

1) Lending funds to others. (None)

2) Providing endorsements or guarantees for others. (None)

3) Holding of securities at the end of the period (excluding investments in subsidiaries, associates and joint venture). (Table 1)

4) Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. (None)

5) Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

6) Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. (None)

7) Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. (Table 2)

8) Trade receivables from related parties reaching NT$100 million or 20 percent of paid-in capital or more. (None)

9) Trading in derivative instruments. (None)

10) Others: The business relationship between the parent and the subsidiaries and between each subsidiary, and the circumstances and amounts of any significant transactions between them. (Table 3)

c. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area. (Table 4)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: (Table 5)

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (None).

TABLE 1

KAORI HEAT TREATMENT CO., LTD.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Amount	Percentage of Ownership	Fair Value	
Kaori Heat Treatment Co., Ltd.	Equity investment							
	Bloom Energy Co.	None	Financial assets at fair value through other comprehensive income - non-current	140,000	$ 82,204	-	$ 82,204	
	ACTi Corporation	〃	〃	157,482	1,643	-	1,643	
	Semisils Applied Materials Corp., Ltd	〃	〃	500,000	2,378	-	2,378	
					$ 86,225		$ 86,225	
	Mutual funds							
	Nomura Fallen Angel High Yield Bond Fund.	〃	Financial assets at fair value through profit or loss - current	100,000	$ 26,802	-	$ 26,802	
	Yuanta 0-2 Year Investment Grade Corporate Bond Fund	〃	〃	50,000	15,412	-	15,412	
					$ 42,214		$ 42,214	

KAORI HEAT TREATMENT CO., LTD.

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	Parent company to subsidiary	Sales	$ 112,221	4	Same as unrelated third parties	$ -	-	$ 13,534	2	

TABLE 3

KAORI HEAT TREATMENT CO., LTD.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or U.S. Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2022			Net Income (Losses) of the Investee	Equity in the Earnings (Losses)	Note
				December 31, 2022	December 31, 2021	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
Kaori Heat Treatment Co., Ltd.	Kaori International Co., Ltd.	Trust Net Chambers, Lotemau Centre, P. O. Box 1225, Apia, Samoa	Investment management	$ 171,641	$ 171,641	5,100,000	100	$ 262,142	$ 44,869	$ 44,869	
Kaori International Co., Ltd.	Kaori Development Co., Ltd.	Trust Net Chambers, Lotemau Centre, P. O. Box 1225, Apia, Samoa	Investment management	169,984	169,984	5,050,000	100	265,791	44,836	44,836	
Kaori Development Co., Ltd.	Kaori Technology (Ningbo) Corporation	No. 8, Chuangye Fourth Road, Bonded West Zone, Beilun District, Ningbo, Zhejiang	Product manufacturing	168,267	168,267	-	100	265,206	44,828	44,828	

KAORI HEAT TREATMENT CO., LTD.

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars or U.S. Dollars)

1. Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China:

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2022 (In Thousand)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022 (In Thousand)	Percentage of Ownership	Investment Income (Loss) Recognized	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022
					Outflow	Inflow					
Kaori Technology (Ningbo) Corporation	Research, development, design and manufacture of heat exchange products and brazing and welding technology related products	$ 168,267 (US$ 5,000)	Indirect investment of the Company in mainland China through the Company's subsidiary in a third region	$ 171,641 (US$ 5,100)	$ -	$ -	$ 171,641 (US$ 5,100) (Note 2)	100	$ 44,828 (Note 1)	$ 265,206	$ 86,483 (US$ 1,534 and RMB 10,000)

Note: 1. The investment profit is recognized according to the audited financial reports for the year ended December 31, 2022.
2. The amount invested in Kaori International Co., Ltd., to which Kaori International Co., Ltd then indirectly invested (US$5,000 thousand to Kaori Technology (Ningbo).

2. The limited amounts of the investment in mainland China

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$ 171,641 (US$ 5,100)	$ 171,641 (US$ 5,100)	$ 1,235,398 (Note)

Note: According to the Investment Commission of MOEA, the investment amount in mainland China should be limited to the greater of the net profit or 60% of consolidated net profit.

KAORI HEAT TREATMENT CO., LTD.

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD AREA, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss:

Company Name	Related Party	Transaction Type	Transaction Details					Accounts/Notes Receivable/Payable		Unrealized Gain or Loss
			Amount	Percentage (%)	Price	Payment Term	Compared with Terms of Third Parties	Balance	%	
Kaori Heat Treatment Co., Ltd.	Kaori Technology (Ningbo) Corporation	Sales	$ 112,221	4	Average markup price around 10%	30 days upon arrival	Sales price has no significant difference to non-related parties transactions	$ 13,534	2	$ 4,473
		Purchase	15,364	-	〃	60 days upon shipment	Purchase price has no significant difference to non-related parties transactions	1,149	-	-

5. Where the Company and its affiliated enterprises has encountered difficulties in financial turnover in the Most Recent Year and as of the Publication Date of this Annual Report, its impact on financial situation of the Company shall be specified: None.

VII. Review of Financial Conditions and Financial Performance, and Risk Management Thereof

1. Financial Conditions:

(1) Review and Analysis of Financial Conditions

Unit: NT$ thousand
Source: Individual Financial Reports

Items \ Year	2021	2022	Difference	
			Amount	Change Percentage (%)
Current Assets	1,413,570	2,028,868	615,298	43.53%
Non-current Assets	1,975,725	2,088,123	112,398	5.69%
Total Assets	3,389,295	4,116,991	727,696	21.47%
Current Liabilities	1,094,175	1,437,279	343,104	31.36%
Non-current Liabilities	410,281	620,715	210,434	51.29%
Total Liabilities	1,504,456	2,057,994	553,538	36.79%
Capital Stock	893,841	893,841	0	0.00%
Capital Surplus	593,414	593,414	0	0.00%
Retained Earnings	385,159	557,794	172,635	44.82%
Other Equity Interest	12,425	13,948	1,523	12.26%
Total Shareholders' Equity	1,884,839	2,058,997	174,158	9.24%

Unit: NT$ thousand
Source: Consolidated Financial Reports

Items \ Year	2021	2022	Difference	
			Amount	Change Percentage (%)
Current Assets	1,589,054	2,244,659	665,605	41.26%
Non-current Assets	1,823,201	1,911,406	88,205	4.84%
Total Assets	3,412,255	4,156,065	743,810	21.80%
Current Liabilities	1,117,135	1,476,353	359,218	32.16%
Non-current	410,281	620,715	210,434	51.29%

Items \ Year	2021	2022	Difference	
			Amount	Change Percentage (%)
Liabilities				
Total Liabilities	1,527,416	2,097,068	569,652	37.30%
Capital Stock	893,841	893,841	0	0.00%
Capital Surplus	593,414	593,414	0	0.00%
Retained Earnings	385,159	557,794	172,635	44.82%
Other Equity Interest	12,425	13,948	1,523	12.26%
Total Shareholders' Equity	1,884,839	2,058,997	174,158	9.24%

(2) Analysis of Changes:

1. Main Reasons for Changes in the Individual Financial Reports:

(1)Current Assets: Increased by 43.53% compared to the preceding period mainly due to increase(s) in Accounts Receivable and Inventory.

(2)Total Assets: Increased by 21.47% compared to the preceding period mainly due to increase(s) in Current Assets.

(3)Current Liabilities: Increased by 31.36% compared to the preceding period mainly due to increase(s) in Short-term Borrowings and Income Tax Liabilities for the Current Period.

(4)Non-current Liabilities: Increased by 51.29% compared to the preceding period mainly due to increase(s) in Long-term Borrowing and Deferred Liabilities in Income Tax.

(5)Total Liabilities; Increased by 36.79% compared to the preceding period mainly due to increase(s) in both Current and Non-current Liabilities.

(6)Retained Earnings: Increased by 44.82% compared to the preceding periodmainly due increase(s) in to 2022 Profits.

2. Main Reasons for Changes in the Consolidated Financial Reports:

(1)Current Assets: Increased by 41.26% compared to the preceding period mainly due to increase(s) in Accounts Receivable and Inventory.

(2)Total Assets: Increased by 21.80% compared to the preceding period mainly due to increase(s) in Current Assets.

(3)Current Liabilities: Increased by 32.16% compared to the preceding periodmainly due to increase(s) in Short-term Borrowings and Income Tax Liabilities for the Current Period.

(4)Non-current Liabilities: Increased by 51.29% compared to the preceding periodmainly due to increase(s) in Long-term Borrowing and Deferred Liabilities in Income Tax.

(5)Total Liabilities: Increased by 37.30% compared to the preceding periodmainly due to increase(s) in both Current and Non-current Liabilities.

(6)Retained Earnings: Increased by 44.82% compared to the preceding periodmainly due to increase(s) in 2022 Profits.

(3) Future Response Plans: Omitted.

2. Financial Performance:

(1) Comparison and Analysis on Operating Results:

Unit: NT$ thousand
Source:Individual Financial Reports

Year / Items	2021	2022	Amount	Change Percentage (%)
Net Sales	2,087,001	2,684,398	597,397	28.62%
Operating Cost	1,570,171	1,990,218	420,047	26.75%
Operating Gross Profit	518,163	692,256	174,093	33.60%
Operating Expenses	332,791	403,351	70,560	21.20%
Operating Profit	185,372	288,905	103,533	55.85%
Non-operating Income and Expenses	(2,012)	86,033	88,045	(4,375.99%)
Income before Tax	183,360	374,938	191,578	104.48%
Income Tax Expenses	34,204	73,918	39,714	116.11%
Net Profit of the Current Period	149,156	301,020	151,864	101.82%
Total Comprehensive Income of the Current Period	115,129	308,234	193,105	167.73%

Unit: NT$ thousand
Source: Consolidated Financial Reports

Year / Items	2021	2022	Amount	Change Percentage (%)
Net Sales	2,231,273	2,843,540	612,267	27.44%
Operating Cost	1,637,670	2,057,910	420,240	25.66%
Operating Gross Profit	593,603	785,630	192,027	32.35%
Operating Expenses	363,248	439,494	76,246	20.99%
Operating Profit	230,355	346,136	115,781	50.26%
Non-operating Income and Expenses	(34,835)	43,717	78,552	(225.50%)
Income before Tax	195,520	389,853	194,333	99.39%
Income Tax Expenses	46,364	88,833	42,469	91.60%
Net Profit of the Current Period	149,156	301,020	151,864	101.82%
Total Comprehensive Income of the Current Period	115,129	308,234	193,105	167.73%

(2) Main Reasons for Changes:

1. Main Reasons for Changes in the Individual Financial Reports:

(1) Net Sales: Increased by 28.62% compared to the preceding period due to growth in 2022 revenue, contributed mainly by increase in the revenue of thermal products by 37%.

(2) Operating Cost: Increased by 26.75% compared to the preceding period mainly due to growth in revenue and increase in costs, yet the cost ratio maintained without significant changes.

(3) Operating Gross Profit: Increased by 33.60% compared to the preceding period mainly due to increase(s) in revenue, which simultaneously increased the margins.

(4) Operating Expenses: Increased by 21.20% compared to the preceding period mainly due to increase(s) inexpected cradit impairment loss compared with that of the preceding year.

(5) Operating Profit: Increased by 55.85% compared to the preceding period due to enhanced Operating Gross Profit and maintained Operating Expenses rates.

(6) Non-operating Income (Expense): Decreased by 4,375.99% compared to the preceding period mainly due to Gains from Foreign Currency Exchange in 2022.

(7) Income before Tax: Increased by 104.48% compared to the preceding period mainly due to increased operating profit and decreased non-operating income (expense).

(8) Income Tax Expenses: Increased by 116.11% compared to the preceding period mainly due to increases in profits and income tax thereof. The Income Tax Rate remains at 19-20%.

(9) Net Profit of the Current Period: Increased by 101.82% compared to the preceding period, the full-year revenue and profit have increased.

(10) Total Comprehensive Income of the Current Period: Increased by 167.73% compared to the preceding period mainly due to increase(s) in Remeasurement and Cumulative Translation of Defined Benefit Plans.

2. Main Reasons for Changes in the Consolidated Financial Reports:

(1) Net Sales: Increased by 27.44% compared to the preceding period due to growth in 2022 revenue, contributed mainly by increase in the revenue of thermal products by 37%.

(2) Operating Cost: Increased by 25.66% compared to the preceding period mainly due to growth in revenue and increase in costs, yet the cost ratio maintained without significant changes.

(3) Operating Gross Profit: Increased by 32.35% compared to the preceding period mainly due to increase(s) in revenue, which simultaneously increased the margins.

(4) Operating Expenses: Increased by 20.99% compared to the preceding period mainly due to increase(s) in expected cradit impairment loss compared with that of the preceding year.

(5) Operating Profit: Increased by 50.26% compared to the preceding period due to enhanced Operating Gross Profit and maintained Operating Expenses rates

(6) Non-operating Income (Expense): Decreased by 225.50% compared to the preceding period mainly due to Gains from Foreign Currency Exchange in 2022.

(7) Income before Tax: Increased by 99.39% compared to the preceding period mainly due to increased operating profit and decreased non-operating income (expense).

(8) Income Tax Expenses: Increased by 91.60% compared to the preceding period mainly due to increases in profits and income tax thereof. The Income Tax Rate remains at 22-23%.

(9) Net Profit of the Current Period: Increased by 101.82% compared to the preceding period, the full-year revenue and profit have increased.

(10) Total Comprehensive Income of the Current Period: Increased by 167.73% compared to the preceding period mainly due to increase(s) in Remeasurement and Cumulative Translation of Defined Benefit Plans.

(3) Estimated Sales Volume in the Upcoming Year and its Foundation, its Potential Influences and Response Plans Omitted.

3. Cash Flow:

(1) Analysis on Changes in Cash Flow in 2022

Unit: NT$ thousand

Cash Balance at the Beginning of the Year	Estimated Net Cash Flow from Operating Activities throughout the Year	Estimated Cash Outflow (Inflow) throughout the Year from Investment and Financing Activities	Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
455,205	(328,111)	(415,630)	(288,536)	26,453	427,300

Analysis on Changes in Cash Flows on Individual Financial Reports for the year 2022:

1.Net cash outflow from operating activities at approx. 328,111 thousand mainly due to increase(s) in Accounts Receivable, Inventory and other operating activities.

2.Net cash outflow from investing activities at approx. 165,818 thousand mainly due to increase(s) in purchase of equipment.

3.Net cash outflow from financing activities at approx. 203,941 thousand mainly due to increase(s) in long and short-term borrowings.

(2) Analysis on Changes in Cash Flows on Consolidated Financial Reports for the year 2022

Unit: NT$ thousand

Cash Balance at the Beginning of the Year	Estimated Net Cash Flow from Operating Activities throughout the Year	Estimated Cash Outflow (Inflow) throughout the Year from Investment and Financing Activities	Cash Surplus (Deficit)	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
498,574	(287,836)	(417,817)	(207,079)	27,294	427,300

Analysis on Changes in Cash Flows on Consolidated Financial Reports for the year 2022:

1.Net cash outflow from operating activities at approx. 287,836 thousand mainly due to increase(s) in Accounts Receivable, Inventory and other operating activities.

2.Net cash outflow from investing activities at approx. 167,164 thousand mainly due to increase(s) in purchase of equipment.

3.Net cash outflow from financing activities at approx. 203,941 thousand mainly due to increase(s) in long and short-term borrowings.

(3) Remedial Measures for Insufficient Liquidity: In 2022, due to long and short-term borrowings, the Company was able to support equipment and material expenses, and there was no liquidity risk in the operation of working capital due to the inability to raise funds.

(4) Analysis on Cash Fluidity in the Upcoming Year: Omitted.

4. Influence on Company Finance by Significant Capital Expenditure in the Most Recent Year:

(1) Utilization Status and Source of Capital for the Significant Capital Expenditure: None.

(2) Influence on Financial Business by Significant Capital Expenditure: None.

5. Re-investment Policies in the Most Recent Year, Main Reason(s) for the Profit or Loss of Such Re-investment, Improvement Plans, and Investment Plans in the Upcoming Year:

December 31, 2022; Unit: NT$ thousand

Descriptions / Items	Amount Invested	Policy	Main Reason for Profit / Loss	Improvement Plans	Other Investment Plans in the Future
KAORI INTERTIONAL CO., LTD	171,641	Re-investment in Mainland China as resolved by the Board of Directors	Re-investment recognized as Gains from Investments at NT$ 44,869 thousand.	None	None
BLOOM ENERGY Corp.	82,204	Performed in accordance with resolusitons by the Board of Directors	Financial Assets Measrued at Fair Value through Other Comprehensive Gain or Loss-Non-current	None	None

6. Analysis of and Evaluation on Risk Items in the Most Recent Year and as of the Publication Date of this Annual Report are as follows:

(1) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

Unit: NT$ thousands; %

Items	2022 (Individual Financial Reports)	2022 (Consolidated Financial Reports)
Interest Expenditure	13,344	13,344
Ratio of Interest Expenditure to	0.50%	0.47%

Items	2022 (Individual Financial Reports)	2022 (Consolidated Financial Reports)
Net Operating Revenue		
Ratio of Interest Expenditure to Income before Tax	3.56%	3.42%
Gains from Exchange	57,620	56,843
Ratio of Gains from Exchange to Net Operating Revenue	2.15%	2.00%
Ratio of Gains from Exchange to Income before Tax	15.37%	14.58%

Interest Rate: In the Company's 2022 Consolidated Financial Reports, the proportion of interest expenses to revenue was only 0.47%, which accounted for 3.42% of the Income before Tax ratio. This represents a decrease compared to the previous year mainly due to the increased proportion of profitability. However, it is anticipated that future interest rates will rise due to central bank policy tightening. The Company primarily relies on short-term operating working capital for financial management, except for significant capital expenditures and long-term investments funded by medium to long-term funds. Therefore, interest rate fluctuations are not expected to have a significant impact on the Company.In the future, the Company will continue to adhere to conservative and prudent principles. Idle funds will be deposited in financially sound institutions, considering both safety and reasonable returns.

Exchange Rate: In recent years, the Company's proportion of exports has gradually increased, and sales and raw material procurement are primarily denominated in US dollars. Due to the significant depreciation of the New Taiwan Dollar against the US dollar in 2022, exchange rate fluctuations have had a certain impact on the Company's profitability. The Net Gains from Exchange in the Company's 2022 Consolidated Financial Reports amounted to NT$ 56,843 thousand, accounting for only 2% of revenue and 14.58% of Income before Tax. The Company's response to exchange rate fluctuation risk primarily involves natural hedging through US dollar-denominated transactions in both purchases and sales, as well as adjustments in the Company’s foreign currency assets and liabilities in response to exchange rate volatility. The specific measures taken by the Company to reduce the impact of exchange rate fluctuations on its earnings are as follows:

① For the foreign exchange positions held, the Company monitors closely the exchange rate trends and considers professional advice provided by financial institutions to determine the timing of converting to New Taiwan Dollars or retaining foreign exchange positions to reduce exchange rate risk.

② During the quotation and negotiation process, the Company's sales representiatves also consider adjusting prices in response to exchange rate fluctuations.

③ Keeping abreast of international financial information and exchange rate changes, maintaining close contact with banks to timely grasp exchange rate fluctuation information, and being flexible in adjusting loan currencies to stay informed about exchange rate movements.

Inflation: The Company pays attention to the inflation situation and adjusts product prices and raw material inventory levels accordingly. As of now, inflation has not had an impact on the Company's operations. However, the potential impact of rising raw material costs is being monitored.

(2) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Monetary Loans or Endorsement Guarantees, and Derivatives Transactions:

(1) For the year 2022 and as of the Publication Date of this Annual Report, the Company has not engaged in high-risk or highly leveraged investments, money lending, or acts of guaranteeing for others. The Company has established “Handling Procedures for Acquisition or Dispisal of Assers” and “Handling Procedures for Loan of Funds to Others and Endorsement/Guarantee”, which have been adopted through resolution by the Shareholders' Meeting.

(2) As of the Publication Date of this Annual Report, the Company has not provided guarantees or endorsements for others.

(3) Future Research & Development Projects and Corresponding Budget

Department	Name of R&D Plan	Current Progress	Expected R&D Expense Contribution	Expected Timeframe for Mass Production	Factors Contributing to Success in Future Researches
Heat Energy	Development of Green Data Center Low-Consumption Server Liquid-Cooling System Module-90KW	Design and Development Stage	2 Million	2023/08	1. Certain Market Demand 2. Brazing Technology 3. Heat Flow Analysis Technology
Hydrogen Energy Business Department	Development of CO_2 Carbon Fixation System	R&D Stage	6 Million	2024/Q1	Methodology and Technology for Reduced Carbon Deposit and Low Energy Consumption
Hydrogen Energy Business Department	Development of Hydrogen Recovery System	Development Test Stage	6 Million	2024/Q1	The modified hydrogen compressor meets expected functions
Fuel Cell Business Department	New-Type high-Charge Solid Fuel Cell Reactor (for Transportations)	Design Modifying	5 Million	2023/12	1. Brazing Technology 2.Argon Welding
Fuel Cell Business Department	Heat Exchanger Reactor for Hydrogen-Producing Equipment	Design Confirming	5 Million	2023/Q3	1.Brazing Technology 2.Argon Welding
Fuel Cell Business	4-piece Curved Plate Fuel Cell Cathode	Sampel under Test	5 Million	2023/12	1.Brazing Technology 2.Argon Welding

Department	Name of R&D Plan	Current Progress	Expected R&D Expense Contribution	Expected Timeframe for Mass Production	Factors Contributing to Success in Future Researches
Department	Heat Exchanger Module	Design Modifying			
Plate Heat Exchanger Department	Development of Different Channel Heat Exchanger B080	Under Trial Production	2.5 Million	2023/06	1. The new utility may reduce refrigerant refill and further reduce GWP, thereby achieving better environmental protection effects. 2. The new dimensions are more compatible with capacity range of existing heat pumps in Europe
Plate Heat Exchanger Department	Development of Different Channel Heat Exchanger B200, B215	Pattern Designing	4 Million	2024/06	Demand for chillers used in manufacturing process remain growing
Plate Heat Exchanger Department	Development of New Distributor	Development Stage	1.2 Million	2023/12	Progressively Increased Demand for Energy Saving, and Requirement of Csutomer Products

(4) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

(1) Changes in Industry Policies

The Company has not been affected by significant domestic or international policy and legal changes that would impact its financial and business operations. The Company's management actively monitors important policy and legal changes and takes timely proactive measures in response.

(2) Changes in Laws and Regulations

① Important relevant laws and regulations in the industry

A. Concerning the competent central authority for the industry concerned and the important laws affecting the Company, they can be broadly categorized into civil and commercial regulations, economic regulations, labor regulations, and environmental regulations. Recently, apart from amendments to the Securities and Exchange Act and the Company Act, there have been no major changes in the relevant laws. The competent central authority for the industry concerned relating to the Company's primary industries are the Ministry of Economic Affairs, the Financial Supervisory Commission, the Industrial Development Bureau, MoEA, the Council of Labor Affairs, and the Environmental Protection Administration. The Company has not violated any important laws or regulations that affect its industry.

B. The Company evaluates the information that should be disclosed in accordance with the laws and regulations related to TWSE/TPEx company information disclosure, and evaluates whether it is handled according to the law.

② Patent

The Company's patents are registered with the Intellectual Property Office of the Ministry of Economic Affairs, with patent certificates obtained. The Company has not been involved in any infringement.

③ Significant Labor Disputes or Environmental Pollution Incidents

As of the Publication Date of this Annual Report, there have been no significant labor disputes or major environmental pollution incidents.

④ Conclusion

The significant laws affecting the Company can be broadly categorized into civil and commercial laws, economic regulations, labor regulations, and environmental regulations. There have been no major changes, and they have not affected the Company's financial and business operations. Furthermore, the Company hires Lawyer Tian-Jen Hsieh, the former Chairman of the Consumers' Foundation, as the legal consultant to serve as an important consultation source for future legal changes and reduce the operational risks thereof.

(5) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

(1) Metal Products and Processing:

Currently, the Company's processing targets are mainly in the automotive and home appliance industries. In recent years, some industries such as Heat Treatment and Processing and Brazing Processing have gradually moved overseas. To reduce the impact of industry relocation on the Company's Brazing Processing business, the Company continues to develop various welding technologies for different materials and develops its own products, such as dust-free steel raised floors and heat dissipation modules, using Brazing Processing technology. This allows the Company to minimize the impact of industry relocation and expand its business.

(2) Plate Heat Exchanger:

Due to its small size, high pressure resistance, and wide applicability, plate heat exchangers will remain the substitutions for traditional larger-sized, less thermally conductive shell and tube heat exchangers and finned tube heat exchangers. The Company will continue to develop new types of Plate Heat Exchangers that can be applied to different fluids or flow rates and have higher thermal conductivity, which will contribute to the Company's financial growth.

(3) Thermal Products:

In response to the world's energy shortage and the increased emphasis on environmental protection after the implementation of the Kyoto Protocol and the United Nations Climate Change Conference in Copenhagen, the Company has timely introduced ultra-high-temperature chillers that combine energy-saving and environmental protection effects. These products can significantly reduce the use of fossil energy, avoid the greenhouse effect and air pollution caused by coal or oil combustion, and comply with current global environmental policies and energy-saving demands. Additionally, the market for these applications is extensive, providing market development potential.

Governments of various nations have taken more proactive actions to promote energy efficiency, carbon reduction, and prevent deterioration of the greenhouse effect. Since the signing of the “Kyoto Protocol” under the “United Nations Framework Convention on Climate Change” in 1997, which came into effect in 2005, signatory countries are required to reduce greenhouse gas emissions. Fuel cells have higher power generation efficiency compared to traditional methods that involve combustion of fossil fuels to heat water vapor and drive turbines. For example, in stationary power generation, fuel cell types such as Phosphoric Acid Fuel Cells (PAFC), Molten Carbonate Fuel Cells (MCFC), and Solid Oxide Fuel Cells (SOFC) emit fewer greenhouse gases and pollutants for the same amount of electricity produced compared to thermal power generation. Additionally, there are no concerns about radiation pollution associated with nuclear power generation, making fuel cells a popular option for decentralized power generation. However, due to the current cost disadvantage of fuel cells compared to traditional power generation methods, including in our country, various governments have implemented research funding subsidies, tax reductions, and incentives for fuel cell-related products to encourage the development of this industry.

In terms of the international market, after the release of solid oxide fuel cell (SOFC) products by Bloom Energy (US), in October 2011, ENEOS also launched residential SOFC products. Due to the higher power generation efficiency of SOFC-type fuel cells, the future sales volume is expected to be promising. The Company signed a contract with Bloom Energy in 2009 to manufacture and process critical components for the Hot Box in fuel cells. Since 2012, the Company has achieved significant stability in financial performance and profitability. The alliance between the two parties is based on mutual trust and reliance, with the Company striving to meet Bloom Energy's requirements in terms of quality, delivery, and any other needs. The United States reinstated the Investment Tax Credit (ITC) for fuel cells in February 2018, retroactively effective from 2017 and valid until 2021 with reduction rate gradually decreased from 30% to 22%. Taxpayers who invest in qualifying fuel cell equipment can benefit from tax reductions based on the equipment cost multiplied by the reduction rate, with an upper limit of $3,000 per kW of power. In the initial stage of fuel cell deployment policy in our country, industrial hydrogen was the main source of hydrogen, and incentive measures for demonstration and verification operations were formulated to attract hydrogen producers and large electricity consumers to establish fuel cell installations. The goal for 2025 is to establish two demonstration sites with a capacity of 30 MW each. After the passage of the bill, customer demand is expected to gradually stabilize, and the U.S. energy industry also benefits from the Investment Tax Credit (ITC). It has been reported that the Biden administration has proposed a 10-year extension to Congress, encouraging taxpayers to build renewable energy generation equipment such as solar power, fuel cells, and wind power generation, which helps support the energy industry market. Looking ahead to the next three years, the Company anticipates improved delivery momentum for fuel cell components due to Bloom Energy's bumper order from the SK Group in South Korea, leading to higher annual growth rates for fuel cell amounts in 2023 compared to 2022.

(4) Risks in Information Security:

Any network attack by hackers from any third party that disrupt or compromise the computer systems essential to the control, manufacturing, operations, and accounting functions of the Company are possible. These network attacks illegally infiltrate the company's internal network systems and engage in activities that disrupt operations, steal trade secrets, research results, and damage the Company's reputation.

To avoid or mitigate information security risks, a change in management mindset is necessary, along with the allocation of necessary resources to establish foundational protective systems and information security devices. It is also important to cultivate a cybersecurity crisis awareness among all company employees, and most importantly, to implement a system of rewards and punishments—the system allowing all employees to recognize that compliance or non-compliance with information security regulations can severely impact the overall operations/ impair shareholders' interests.

Risks and management measures for information technology security: Measures encompass three aspects: protective systems, regulatory frameworks, and implemented management. The company has established comprehensive cybersecurity protection measures, including traditional antivirus software, next-generation firewalls, and the adoption of Extended Detection and Response (XDR) products responsible for cloud security event detection and response. However, relying solely on these systems cannot guarantee complete protection against attacks. Therefore, in addition to the formulation of regulations and the strengthening of personnel's awareness of information security, the company progressively complies with the implementation of regulations by government regulatory agencies and aligns with the revised organizational responsibilities of the information security department and supervisors in the internal control system's computerized cycle provisions. Additionally, information security seminars are scheduled every quarter during company-wide monthly meetings to disseminate information about key external cybersecurity incidents and enhance employees' awareness of information security. In terms of management, the Information Department is responsible for regular audits, and any violations of information security regulations must be immediately reported upwards and assessed for disciplinary action according to the Company's system of rewards and punishments.

(6) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

Since its establishment, the Company has been focusing on its core business operations, and its operational results and reputation have been favorable. There have been no adverse reports in the market regarding the Company's corporate image, and there are no issues concerning changes in the corporate image.

(7) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plan

Not applicable as the Company does not have any plans for merger and acquisition.

(8) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

In recent years, due to the rise in labor awareness and the increase in price levels in Taiwan, industries have been facing high labor costs, labor shortages, and rising costs of land and raw materials. In order to effectively reduce costs and enhance product competitiveness, many industries have relocated their operations to mainland China, where wages and related costs are lower, gradually making China their primary manufacturing base.

Considering the rapid economic and industrial development in mainland China, as well as the proximity to customers and the expansion of the Asia-Pacific region, The Company has established production lines in Ningbo, mainland China, through investment and set up manufacturing facilities. Meanwhile, the Company continues to focus on research and development, design centers, and process improvement.

The stable capacity and profitability in mainland China should bring a stable contribution to the company. In addition to expanding its own capacity to cope with industry growth, The Company also maintains long-term partnerships with outsourcing manufacturers. This enables effective adjustment of capacity utilization to respond to future economic cycles and changes in product demand.

Due to the strong brazing and argon welding capabilities, Kaori attracted the attention of an international green technology tycoon and became its strategic partner. For long-term development, the Company established its the Fuel Cell Business Department in 2009, erecting the key milestone declaring the Company's determination to become a significant player in the energy industry. In July 2010, the Company's first new plant for fuel cell in the Chung-Li Industrial Area was inaugurated. This plant produced critical components for Solid Oxide Fuel Cells (SOFC), and by 2013, the thermal products Fuel Cell had indeed generated historic highs in revenue and profitability for the Company. Considering the continuous growth of the global fuel cell Industry, with fuel cell shipments increasing exponentially each year, the Company aims to enhance its competitiveness by reducing costs, increasing product capacity, and meeting order demands. In 2011, the Company began the construction of a new Fuel Cell plant in Kaohsiung’s Benzhou Industrial Area. This new plant was officially completed in December 2022 and primarily serves as an expansion of the fuel cell business Department's production and the development center for components. Furthermore, the Metal Products Processing Plant at the Chung-Li 3rd Plant was completed in 2014, with the metal processing operations transferred to the Kaohsiung Plant, yielding a significantly increased place for fuel cell production in the Chung-Li plant to satisfy the continuous strong growth in customer shipment demands. Therefore, the expansion of the plant poses limited risks to the company. In February 2017, the office building as global operational headquarters at the Company’s main plant in Chung-Li Industrial Area was inaugurated.

The Company has accumulated years of experience in the design, manufacturing of Heat Exchangers, and welding of metal components, primarily in the fields of air conditioning, thermal management, and energy industries. With the recent rise of facial recognition, autonomous driving, and remote medical diagnosis, driving the rapid development of 5G communication and cloud industries, The Company has introduced a series of energy-efficient liquid cooling system products for power-consuming cloud data centers. The existing factory space in the Chung-Li Industrial Area, which was used for Heat Exchangers and the Fuel Cell Business Department, has become saturated. Therefore, in March 2020, The Company purchased land and a factory on Ziqiang 4th Road in the Chung-Li Industrial Area. The renovation of the factory started in Q4 2021, and it is expected to be fully operational for the production of cloud data center cooling modules in the middle of 2023.

(9) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

(1) Risks Relating to and Response to Excessive Concentration of Purchasing Sources

The Company's main products are plate heat exchangers, metal processing, and critical components for fuel cells (SOFC) of thermal products. The Company has specific requirements for the quality of each part, and some raw materials need to pass quality certifications from major customers. To control quality and ensure an adequate supply of materials, the Company conducts regular evaluations of suppliers based on their product quality, delivery accuracy, financial condition, and organizational structure. Furthermore, the top 10 suppliers in terms of purchase quantity for 2022 and Q1 2023 accounted for less than 17.50% of the net purchases for each respective year, indicating no significant concentration risk in procurement. In terms of raw material procurement, the Company selects suppliers based on their quotations, quality, and transaction terms. To mitigate the risk of procurement concentration, efforts are made to maintain relationships with at least two or more suppliers for each type of material. Overall, the sourcing of raw materials remains stable, and there should be no shortage or disruption of supply.

In recent years, fluctuations in international metal raw material prices have caused suppliers to experience longer supply lead times due to insufficient supply of raw materials. As a result, key outsourced manufacturers for heat exchangers and fuel cells were obliged to strengthen inventory management and safety stock levels to mitigate the impact, meanwhile passing on costs to downstream manufacturers in a timely manner to maintain gross profit margins.

(2) Risks Relating to and Response to Excessive Customer Concentration:

The Company's revenue mainly comes from processing and product sales, with its major customers being well-known domestic and international enterprises. The combined sales quantity of the top 10 customers accounted for 59.92% of the net sales in 2022. Analyzing the sales proportions by customer, it can be observed that apart from a single customer, BLOOM ENERGY, there is no significant concentration of sales. However, it should be noted that BLOOM ENERGY accounted for 42.18% and 46.11% of the net sales in each respective period from 2022 to Q1 2023 mainly due to the Company's collaboration with BLOOM ENERGY in the production of processed parts and components for fuel cells since 2009. The global demand for fuel cells has experienced exponential growth in recent years due to increasing environmental concerns worldwide, leading to continuous revenue growth for BLOOM ENERGY and subsequently contributing to the stable growth in the Company's sales of fuel cell heat reactors. Currently, the Company is a major global supplier of Fuel Cell components for BLOOM ENERGY, and their cooperative development of products suggests that there is no immediate risk of contract termination within a short period of time.

Leveraging its accumulated expertise in heat treatment and processing, brazing processing, and plate heat exchangers, the Company continues to provide services to customers with excellent technology, stable quality, and accurate delivery. Moreover, through research and development, The Company actively explores new opportunities by developing new heat treatment, brazing services, and thermal energy technologies to expand its customer base and create new products and business opportunities.

(10) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

In the Most Recent Year and as of the Publication Date of this Annual Report, the Company does not engage in large share transfers, hence there is no significant effects on the Company’s operations resulting from largr share transfers of changes in sharehoding.

(11) Effects of, Risks Relating to and Response to the Changes in Management Rights

In the Most Recent Year and as of the Publication Date of this Annual Report, the Company is not affected in the operations due to changes in management rights. In addition, the Company has promulgsted complete Internal Control System anr relevant management regulations, which would mitigate the effects and risks relating to such events on the Company’s operations.

(12) If there has been any material impact upon shareholders' equity or prices for the company's securities as a result of any litigation, non-litigious proceeding, or administrative dispute involving the Company and a company director, supervisor, general manager, de facto responsible person, or major shareholder with a stake of more than 10 percent, and the matter was finalized or remained pending up to the date of publication of this Annual Report:

(1) Case of National Land Occupation:

The plant and land purchased by Kaori in 1986 had mistakenly occupied the land of the indusrial area. As a result, the Ministry of Economic Affairs filed a criminal occupation and a civil infringement litigation against Kaori at the Taoyuan District Court for the damages. The Taiwan High Court issued a verdict on August 10, 2021, with the following descriptions:

Regarding the part of the original judgment that dismissed the appeal by the Ministry of Economic Affairs and the subsequent application for provisional execution, as well as the ruling on litigation costs (except for the determined part), all of these are null and void.

The above nullified parts are as follows: (1) the appellee Kaori must pay the appellant (Ministry of Economic Affairs) an additional amount of NT$ 768,981 plus interests accrued at 5% per annum from July 31, 2018, until the date of full payment; (2) Kaori must return the land plots numbered numbers 204-2(1), 204-2(3), 204-2(4), 204-2(5), 204-2(7), and 204-2(8) in Zhonggong Section, Zhongli District, Taoyuan City, as shown in the attached map, covering a total area of 145 square meters, with the pipelines and cement foundations covering the said plots fully removed. Furthermore, Kaori must also pay the appellant NT$ 6,597 per month from July 24, 2015, until the aforementioned parts of the land plots have been returned.

The remaining appeals are rejected. The appellant shall bear 90% of the litigation costs of the first (not including determined parts) and second trial, and the rest shall be borne by Kaori. Neither party has filed further appeals, and the judgment is final. Kaori has proceeded with the execution of the judgments from the district court and high court.

On October 20, 2021, the Chung-Li Industrial Area Service Center held the first demolition coordination meeting, stating that Kaori shall also remove the air conditioning units and any plant walls (superfices) located on the aforementioned land plots, in addition to the scope of the judgment. On January 3, 2022, a boundary survey was conducted in cooperation with the Land Administration Office, and the second coordination meeting took place on February 21, 2022. The third demolition coordination meeting was held on April 11, 2022. On October 26, 2022, the project to remove the structures covering the subject land plots was completed. This case has been closed.

(2)The MINCHALI Case:

MINCHALI INDUSTRY CO., LTD. filed a lawsuit for damages against Kaori Heat Treatment Ind., Co., Ltd. in the civil court of the Taoyuan District Court. MINCHALI claimed that between the years 2008 and 2013, the four batches of heating furnace beams and parts delivered by Kaori contain quality issues such as inability to withstand high temperatures, deformation, severe bending, and warping. MINCHALI hence sought compensation in the amount of NT$ 17,106,572, along with interest accrued at 5% per annum from the day following the delivery of the complaint. The Taoyuan District Court issued a judgment on February 26, 2016, ruling that Kaori shall pay NT$ 9,320,953.

On March 25, 2016, an appeal was filed with the civil court of the Taiwan High Court. The Taiwan High Court issued a verdict on May 15, 2018, ruling that Kaori Heat Treatment Ind., Co., Ltd. shall pay MINCHALI INDUSTRY CO., LTD. NT$ 4,618,916.

On June 13, 2018, Kaori filed an appeal to the Supreme Court against the portion of the Taiwan High Court's judgment requiring payment of NT$ 4,618,916. In addition, MINCHALI also filed an appeal against the defeat.

On November 30, 2020, the Supreme Court issued a judgment, invalidating the original judgment except for the part concerning provisional execution and remanding the case back to the High Court.

Status Quo: The case is currently being reviewed by the High Court, pending verdicts.

(13) Other Important Risks and Countermeasures: None

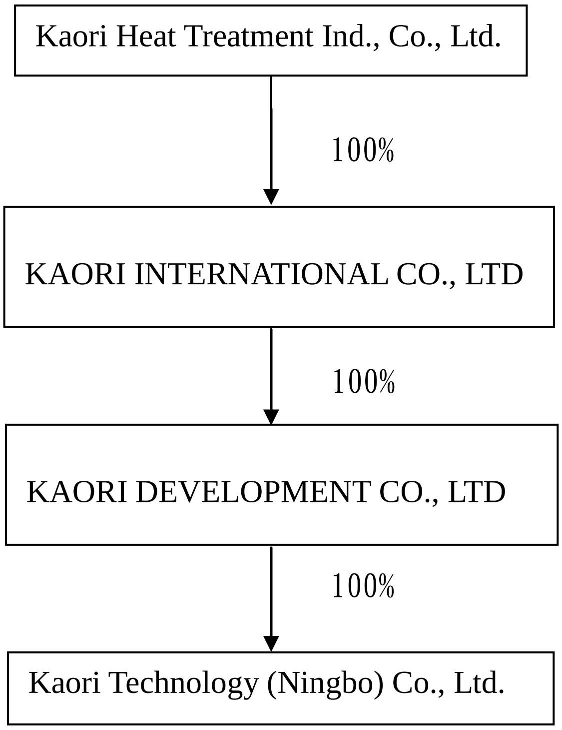
7. Other Important Matters: None

VII. Special Disclosure

1. Summary of Affiliated Enterprises

(1) Consolidated Business Report of Affiliate Enterprises:

1. Organization Chart of Affiliated Enterprises



2. Name, Date of Incorporation, Paid-in Capital and Main Business Items of Affiliated Enterprises

Unit: thousand

Name of Enterprise	Date of Incorporation	Address	Paid-in Capital	Main Business or Production Items
KAORI INTERNATIONAL CO., LTD	2002.03.04	Trust Net Chambers,Lotemau Centre,P.O.Box 1225,Apia,Samoa	NTD 171,641	Engaged in investment business of the Company
KAORI DEVELOPMENT CO., LTD	2002.03.04	Trust Net Chambers,Lotemau Centre,P.O.Box 1225,Apia,Samoa	NTD 169,984	Engaged in investment business of the Company
Kaori Technology (Ningbo) Co., Ltd.	2002.07.02	No. 8, Chuang Ye 4th Rd., Bonded Area W. Wing, Beilun Dist., Ningbo City, Zhejiang Porvince	RMB 41,380	Plate heat exchangers, oil coolers, air dryers, production, distribution, and international trade of railway industrial equipment parts and components, and consulting services.

3. Reason for Assuming an Affiliate Enterprise as a Controlling or Subordinate Company and Relevant Information of Personnel: None.

4. Industries Convered by Operations of Overall Affiliate Enterprises: Please refer to the above item.

5. Names of Director, Supervisor and General Manager of Affiliated Enterprises and Their Shareholding of or Capital Contribution to the said Enterprises:

December 31, 2022

Name of Enterprise	Title	Name or Representative	Shares Held	
			Shares	Shareholding Percentage
KAORI INTERNATIONAL CO., LTD	Director	Kaori Heat Treatment Ind., Co., Ltd. Representative: HAN HSIEN SON	5,100,000	100%
KAORI DEVELOPMENT CO., LTD	Director	Kaori International Co., Ltd. Representative: HAN HSIEN SON	5,050,000	100%
Kaori Technology (Ningbo) Co., Ltd.	Director	Kaori Development Co., Ltd. Representatives: HAN HSIEN SON, HAN HSIEN FU, and WANG HSIN WU	—	100%

6. Financial Status and Operation Results of Each Affiliated Enterprise:

December 31, 2022; Unit: thousand

Name of Enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenue	Operating Income	Income for the Period (after-tax)	EPS (after-tax)
KAORI INTERNATIONAL CO., LTD	NTD 171,641	NTD 266,614	NTD 0	NTD 266,614	NTD 44,836	NTD 44,778	NTD 44,869	—
KAORI DEVELOPMENT CO., LTD	NTD 169,984	NTD 265,791	NTD 0	NTD 265,791	NTD 44,828	NTD 44,770	NTD 44,836	—
Kaori Technology (Ningbo) Co., Ltd.	RMB 41,380	RMB 72,360	RMB 12,195	RMB 60,165	RMB 64,896	RMB 12,977	RMB 10,144	—

(2) Consolidated Financial Statements of Affiliated Enterprises: Please refer to Pages 82 – 148 of this Annual Report.

(3) Relationship Report of Affiliated Enterprises:

1. Relationships Overview for Subordinate and Controlling Companies:

December 31, 2022; Unit: Shares ; %

Name of Controlling Company	Reason for Controlling	Shareholding and Pledging of Controlling Company			Appointment of Personnel as Director, Supervisor or Manager by the Controlling Company	
		Shares Held	Shareholding Percentage	Shares Pleadged	Title	Name
KAORI INTERNATIONAL CO., LTD	A subsidiary of the Company with shareholding over 50%	5,100,000	100%	0	Juristic Person Representative	HAN HSIEN SON
KAORI DEVELOPMENT CO., LTD	A subsidiary of the Company with shareholding over 50%	5,050,000	100%	0	Juristic Person Representative	HAN HSIEN SON
Kaori Technology (Ningbo) Co., Ltd.	A subsidiary of the Company with shareholding over 50%	—	100%	0	Juristic Person Representative	HAN HSIEN SON HAN HSIEN FU WANG HSIN WU

2. Trading Status:

(1). Supply and Sales Trading:

Unit: NT$ thousands

Trading Companies	Counterparty	Relationship	Trading Type	Quantity	Trading Terms			Notes and Accounts Receivable (Payable)		Unrealized Gain (Loss)
					Price	Payment Term	Comparison with Generic Trading	Balance	%	
Kaori Heat Treatment Ind., Co., Ltd.	Kaori Technology (Ningbo) Co., Ltd.	Sunsidiary	Purchase	15,364	Cost plus avg. 10% premium	60 Days from Shipment	Price for goods sold identical to trading terms for non-related parties	1,149	-	-

Unit: NT$ thousands

Trading Companies	Counterparty	Relationship	Trading Type	Quantity	Trading Terms			Notes and Accounts Receivable (Payable)		Unrealized Gain (Loss)
					Price	Payment Term	Comparison with Generic Trading	Balance	%	
Kaori Heat Treatment Ind., Co., Ltd.	Kaori Technology (Ningbo) Co., Ltd.	Sunsidiary	Sales	112,221	Cost plus avg. 10% premium	30 Days from Shipment	Purchase price identical to trading terms for non-related parties	13,534	2	4,473

(2). Status of Property Transactions: None.

(3). Status of Financing: None.

(4). Status of Asset Leasing: None.

(5). Status of Others Important Transactions (e.g. production and sales processing contracts, acquiring corporate bonds issued by controlled companies, subscribing to newly issued shares by controlled companies when the original shareholders waive their subscription right): None.

3. Status of Endorsement/Guarantee: None.

4. Other Matters with Material Impacts on Finance and Business of the Company: None.

2. Handling Status for Privately Placed Securities in the Most Recent Year and as of the Publication Date of this Annual Report: None.

3. Holding or Disposal of the Shares of the Company by Subsidiaries in the Most Recent Year and as of the Date of Publication of this Annual Report: None.

4. Other Matters Requiring Supplementary Descriptions: None.

5. Matters in the Most Recent Year and as of the Publication Date of this Annual Report having Material Impacts on Shareholders' Equities or Securities Price provided by Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act: None.

Attachment 1

2023.3.22 Deloitte-Review No. 11203256

Recipient: Kaori Heat Treatment Ind., Co., Ltd.

Subject: Letter for Explanations on the Absence of Significant Unconformities in the Internal Control Sytem as Discovered in our Auditor’s Auditing of Your Company’s 2022 Financial Reports.

Explanations:

1. Our auditors have been engaged to audit your Company's Statement of Financial Position as of December 31, 2022, as well as the Statement of Comprehensive Income, Statement of Changes in Equity and Statement Cash Flow for the period from January 1 to December 31, 2022, and the accompanying financial statement notes (including a summary of material accounting policies). In planning and performing the audit in accordance with auditing standards, our auditors consider internal controls related to the preparation of financial statements in order to design appropriate audit procedures to express an opinion on the financial statements, but not to express an opinion on the effectiveness of internal controls. Therefore, our auditors do not express an opinion on the effectiveness of internal controls.
2. Our consideration of internal controls is based on the purpose described above and is not intended to identify all significant unconformities in internal controls. Based on this purpose, our auditors did not identify any significant unconformities in internal controls during the audit process. However, there may still be significant unconformities in internal controls that have not been identified. Significant unconformities may be identified should our auditors perform more extensive audit procedures on internal controls.
3. Internal control unconformities refer to design, implementation, or operation failures that prevent the timely prevention, detection, and correction of material misstatements in the financial statements or the lack of necessary controls to prevent, detect, and correct material

misstatements in the financial statements. Significant unconformities in internal controls refer to one or multiple internal control unconformities that, in the professional judgment of our auditors, need to be brought to the attention of the governance unit or have been considered in combination.

4. This communication is intended for the use of management and the governance unit and may not be applicable for other purposes.
5. We would like to express our sincere appreciation for the assistance and cooperation provided by your Company during the auditing period.

Deloitte & Touche Firm

Auditor Chen Wen Xiang

Auditor Liu Shu Lin