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2022 Annual Report



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Kung Long Batteries Industrial Co., Ltd.
2022 Annual Report

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5. Name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: None

6. Company website:[http : //www.KLB.com.tw](http://www.KLB.com.tw)

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One. Letter to Shareholders

First of all, I would like thank you for your support and encouragement during the past year. The following is a report of our operating results for 2022 and outlook for 2023.

I. 2022 operating results

(I) Business plan implementation results

The net consolidated operating income of the Company for 2022 was NT\$7,318,728 thousand, an increase of NT\$1,520,980 thousand or 26.23% compared to the net consolidated operating income of NT\$5,797,748 thousand in 2021. The consolidated net profit after tax for 2022 was NT\$881,575 thousand, an increase of NT\$261,537 thousand or 42.18% compared to the consolidated net profit of NT\$620,038 thousand in 2021.

In 2021, revenue declined due to the COVID-19 pandemic affecting the Vietnamese factory. In 2022, the production capacity returned to normal, resulting in a growth in revenue from the previous year.

The increase in net profit after tax was not only due to an increase in operating income, but also due to the depreciation of the New Taiwan dollar, resulting in an exchange gain of approximately NT\$203,251 thousand, resulting in a significant increase in the net profit for 2022 from that in the previous year.

(II) Budget implementation

The consolidated budget implementation in 2022:

Unit: NT\$ thousand

Item	2022		
	Amount of budget	Amount audited	Achievement rate (%)
Net operating income	7,656,000	7,318,728	95.59
Operating costs	5,890,649	5,793,008	98.34
Net gross profit	1,765,351	1,525,720	86.43
Operating expenses	525,000	584,201	111.28
Operating profit	1,240,351	941,519	75.91
Non-operating income (expenditure)	18,000	235,818	1,310.10
Profit before tax for the period	1,258,351	1,177,337	93.56
Profit after tax for the period	931,180	881,575	94.67
EPS before tax	15.33	14.38	93.78
EPS after tax	11.35	10.77	94.89

(III) Analysis of income, expenditures, and profitability

Unit: NT\$ thousand

Item		2022	2021	Increase/ Decrease (%)
Income and expendi ture	Consolidated net operating income	7,318,728	5,797,748	26.23
	Consolidated net gross profit	1,525,720	1,220,582	25.00
	Consolidated profit after tax	881,575	620,038	42.18

(IV) Research and development

In 2022, our research and development focused on projects of “development of ultra-high power long-life batteries”, “research on long cycle life lead carbon electrode batteries”, “technology development for mass production of long-life stop start batteries”, “development of backup batteries for cloud data center base stations”, and “development of high-temperature batteries for outdoor stations”.

“Development of ultra-high power long-life batteries” - in response to the rise of home office and delivery markets driven by COVID-19, the demand for IDC (Internet Data Center) backups has increase drastically. Therefore, the development for this year’s battery technology focused on “ultra-high power” and “long float life”. The development of the WXL series products was completed this year for customers.

Alongside the development trend of energy issues around the world, there are more and more applications for renewable energy and energy stations. Based on this, the research and development this year focused on the “development of lead-carbon batteries for deep recycling green energy applications” and “research on long cycle life lead-carbon electrode batteries”. The initial research results show that the lead-carbon composite electrode has significantly improved the cycle life, which will be gradually applied in 2023 in green energy stations and energy storage stations.

With the introduction of 5G systems around the world coupled with the fact that cold room operations in SMR systems for carbon reduction applications are to be eliminated, the “development of backup batteries for cloud data centers” and the “development of high-temperature batteries for outdoor base stations” have become paramount. The development focused on the optimization of the material and process formula for high-temperature batteries.

II. Summary of the 2023 Business Plan

(I) Business Policy

1. To improve gross margin and own brand market share, we will focus on 3 cores: new product development, net market expansion and own brand management. We will continue to make an effort to introduce automation and continuous production equipment while optimizing CAD/CAM and anti-dulling design and site proposal improvement. With advanced quality control, we will increase production efficiency, quality control and customer satisfaction. To save manpower, we will review and improve production line flow and line rationalization and introduce automated production lines. Meanwhile, we will improve high energy-consuming equipment and related energy saving and recycling and energy management system in the process. By constantly maintaining our manufacturing strengths with our excellent product quality, we vow to enhance production efficiency and productivity, further expanding production capacity.
2. We will make an effort to invest in industrial, telecommunication base stations and cloud platforms, green energy storage batteries (including high heat-resistant batteries, gel batteries, lead carbon batteries), long life batteries, electric vehicle batteries (LEV, mobility scooters, golf cars, forklifts, electric forklift), motorcycle batteries (including stop start batteries), and automobile MF market and yacht batteries. We will also proactively participate in domestic and foreign large-scale public constructions, government procurement, Internet communications, telecommunications, data centers and other tenders, while focusing on new product development.
3. We will expand the visibility of our own brand and global market share and increase the development of new markets and customers.
4. A team learning model will be built in Vietnam to accelerate the development of local talent and cadres with high education. We also provide highly efficient, stable and quality talent resources to companies with our effective cross-unit communication platform and complete career planning.
5. In response to the needs of customers and industry, we will carry out product improvement and cost control while continuing to vertically integrate the supply chain to achieve cost rationalization of products from production and sales.
6. We will implement an environmental safety and health system and commit to meeting and complying domestic and foreign environmental safety and health as well as related law and regulations. We are dedicated to maintaining sound corporate

governance by rigorously abiding by business ethics, promoting shareholder rights and interests, and strengthening information transparency to expand social responsibilities with our core corporate value.

7. In response to COVID-19, we performed a risk assessment and response so that our business and operations are able to continue to function, minimizing the possible risks and impacts on our business.
8. We promote the international carbon reduction process of ESG “net zero”. We achieve the targets for emission reduction by organizing the direct emissions and indirect energy emissions in the location where we operate and manufacture, jointly facing climate change.

(II) Expected Sales Volume and the Basis

Thanks to the growing economy and the expansion of the market for automobiles, motorcycles, and electric vehicles in Vietnam, the demand for the Company’s lead-acid batteries in the assembly plant and repair market channels continues to thrive. In response to motorcycle batteries developed by a large Japanese motorcycle manufacturer, we continue to increase the approved specifications with stable quality and will enter Japan’s procurement supply chain to increase our shipment volume. In addition, we have been engaging ourselves in the local telecommunications base stations in Vietnam and are gradually gaining market share in the light electric vehicle market. The local sales of our subsidiary, Le Long Vietnam, are expected to grow with a steady pace. The demand for renewable energy and green energy storage is constantly increasing, in particular large long-life batteries. By investing in domestic and foreign as well as local large tenders in Vietnam, the market penetration rate and share of the Company’s products will be largely increased. In addition to working closely with existing customers, we will also deploy and develop new markets and customers.

As the demand for large batteries has increased, the sales volume for 2023 is projected at approximately 21,916 thousand units.

(III) Important production and marketing policies

1. Production policy

- (1) Process improvement will be continuously conducted and new automated equipment introduced in De He Vietnam.
- (2) According to the customer’s application needs, we are committed to developing yacht, forklift, and large sealed batteries, high-cost performance batteries, and green energy storage batteries to reduce production costs and increase gross

profit.

- (3) We continue implementing energy saving measures, introducing solar power generation systems for self-power generating and self-use, and controlling high energy-consuming equipment, while implementing control, monitoring, and management of the manufacturing process to conduct effective energy management, in order to reduce the energy consumption rate.
- (4) We follow the Guidelines for Continuous Operations in Response to COVID-19 policies and measures to achieve maximum benefits for individuals and workplace hygiene management while reducing the risk of possible employee exposure in the workplace.

2. Sales policy

- (1) We will proactively invest in tenders in large scale battery applications such as telecommunication base stations and cloud platforms, and green energy storage batteries, promote and strengthen communication-purpose large-enclosed type, long life batteries, electric vehicle batteries (LEV, mobility scooters, golf cars, forklifts, and electric forklift), and sales of green energy storage batteries and yacht batteries.
- (2) We will continue to increase the market share of our brands for motorcycles (including stop start batteries), automobiles and electric vehicles, while proactively developing the Vietnam and ASEAN markets.
- (3) Capture the market for security surveillance, uninterruptible power supplies (UPS) and car rescue tarter batteries with cost rationalization and high performance batteries.
- (4) By taking into account the risk of customer concentration, we work hard to expand new customers and markets to expand our global market share, with emphasis on the Middle East, Eastern Europe, Central and South America, Africa, Australia, and the ASEAN region.
- (5) We adjust the selling price according to the fluctuation for lead prices and establish fair trade approaches. Our pricing strategy is adjusted in a timely manner according to different markets so as to maintain our international competitiveness.
- (6) We will continue to promote our own brands to establish segmentation of our products, becoming a provider of quality products and services.

III. The Company's future development strategy

With our top-class process technology and pragmatic management approach, we continue to invest in the research and development of formulas for better performance and longer life of lead-acid batteries, as well as the research of new high-end materials for high heat-resistant batteries and lead-carbon batteries and new process technology for the continuous production of electrode plates.

Based on the Company's "quality first, customer first" policy, we will work hard to achieve the goal of quality and quantity improvement in this global competitive environment in order to deliver results and reach steady growth.

IV. The impact of the external competitive environment, the regulatory environment and the overall business environment

Looking ahead to the year 2023, the world is entering a post pandemic era; however, in the context of overall price increases and intensified inflation, major economic research institutions around the world expect a slight slowdown in the coming year. The overall economy remains difficult and challenging. In this economic environment, Kung Long will actively develop potential markets in South Asia, Southeast Asia, Africa, and the Middle East. In addition, we will expand the market for yacht batteries and forklift batteries, and expand the sales of high-density, long-life batteries, and high-power batteries that have been recognized by customers for their quality. As Vietnam's economic growth has gradually recovered and turned strong, under the policy of coexisting with the virus in the post pandemic era, it is expected that the local battery market will have a relatively high growth rate, and it is even expected to recover to the situation before the pandemic. As Vietnam's production capacity increases, the Company will strengthen cost and expense control; with its core competitiveness such as international division of labor, innovative research and development, and a stable business strategy, the Company will present excellent results to customers on time and accuracy, and continue its growing business performance.

Thank you
I wish you all

good health and the best of luck

Chairman:
Lee Yao-Min

Company officer:
Lee Jui-Chun

Chief Accounting Officer:
Liu Huang-Wei

Two. Company Profile

I. Date of establishment: January 25, 1990

II. Organization and operations:

Year	Month	Events
1990	January	Kung Long Industrial was approved to be established in Nangang Industrial Zone, with a capital of NT\$8.16 million and 115 employees.
1991	June	Attained UL Standards
	December	Developed “maintenance-free electronic sealed battery”.
1993	July	Joined hands with the ITRI for a 2 year project to develop deep discharge sealed lead-acid batteries.
	December	Developed “camera series batteries”.
1994	March	Application for KLB Taiwan approved.
	August	Attained ISO 9002 international quality certificate.
	December	Developed “maintenance free motorcycle sealed batteries”.
1995	July	Joined hands with the ITRI for a 2 year project to develop battery technology for electric motorcycles.
	September	Application for KLB China approved.
	December	Developed “High capacity sealed batteries”.
1996	May	Applications for trademarks LONG, GLOBE, TARGET, LEVEL approved.
	October	Application for trademark in English “LONG” in Taiwan approved. Attained VdS certificate. Registration for investment in Vietnam approved.
	December	Joined bonded factory.
1997	December	Received Customer Satisfaction Golden Quality Award.
1998	May	Application for trademark “LONG” in Vietnam approved.
	July	Computer Center in Kung Long Plant built, fiber optic network connection of each unit completed.
	September	Developed “electric bicycle batteries”.
	December	Received “Taiwan Excellence Award” by the Ministry of Economic Affairs. Awarded “1st Rising Star Award” for SMEs. Received “Excellent Foreign Labor Management Vendor” by Nantou County Police Department.
1999	January	Developed “electric bicycle batteries”.
	July	Public offering approved by the FSC.
	September	Application for trademark “LONG” in China approved. Merged Li Long Industrial, increasing capital to NT\$360 million.
	October	Application for trademark “LONG” in Vietnam approved. Developed OME-SVCD by collaboration.
	December	Certified by BVQI ISO 14001 Batteries for electric motorcycles passed the 10,000km test by the ITRI and went in mass production.

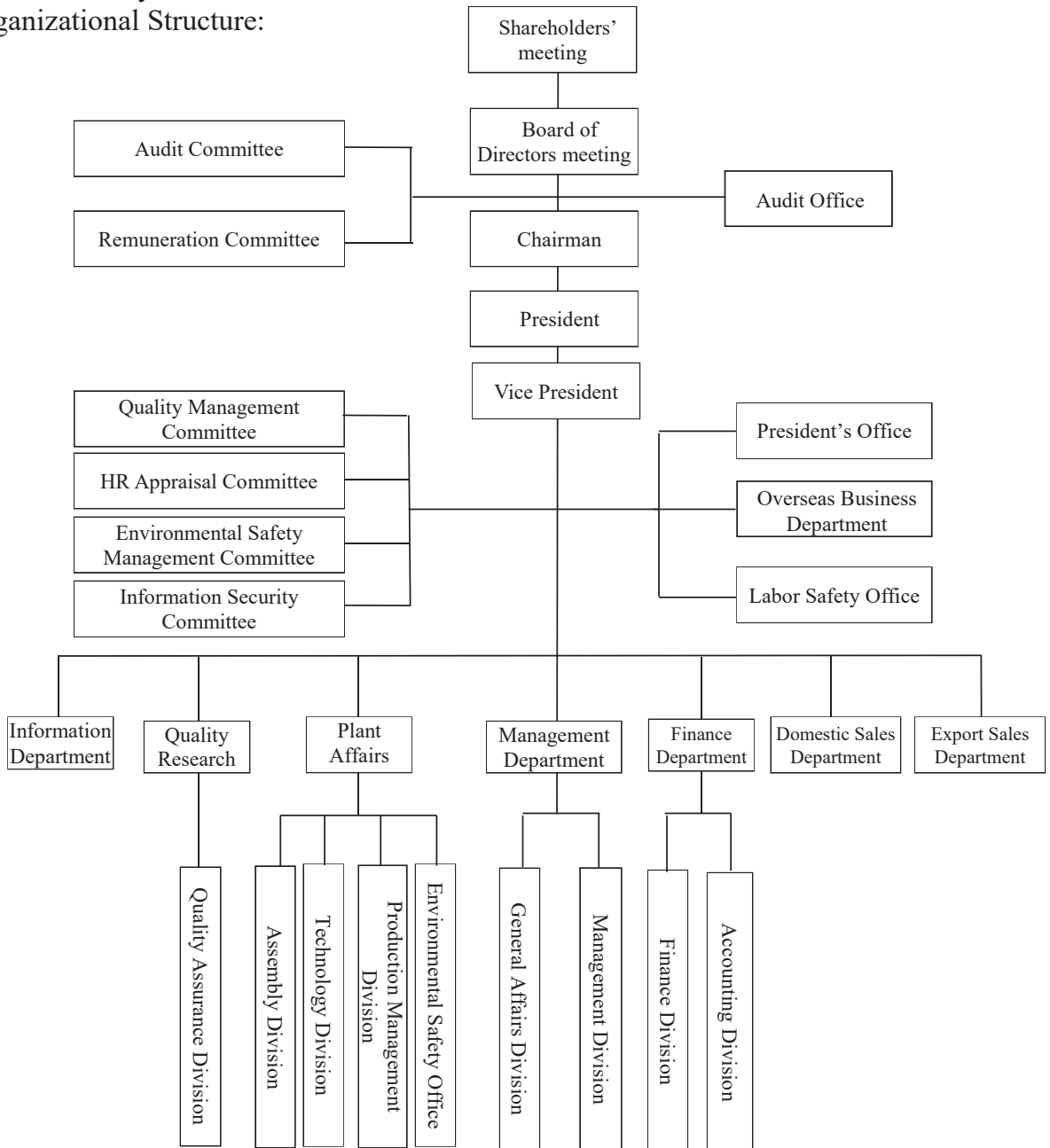
Year	Month	Events
2000	March	Application for trademark “LONG” in EU approved.
	December	Passed ISO 9001 international standard quality management system certification. Received “Excellent Foreign Labor Management Vendor” by Nantou County Government.
2001	May	The Company was renamed as Kung Long Batteries Industrial Co., Ltd.
	July	Li Long Vietnam passed ISO 9002 international certification.
2002	January	Passed OHSAS 18001 international certification. Stock became officially listed.
	October	Selected as a “Strategic Alliance Vendor” by customs.
	November	Selected as an “Excellent Bonded Factory” by Customs Administration.
2002	January	Passed OHSAS 18001 international certification. Stock became officially listed.
	October	Selected as a “Strategic Alliance Vendor” by customs.
	November	Selected as an “Excellent Bonded Factory” by Customs Administration.
2003	January	Attained the CE certification
	April	Developed and introduced “high-performance and long-life gel batteries”.
	May	Vietnam plants attained VdS certificate.
	November	Once again elected as an “Excellent Bonded Factory” by Customs Administration.
	December	Subsidiary in the U.S. established
2004	October	Application for retailer trademark “LONG” registration for lead-acid batteries in Taiwan approved.
	November	Application for trademark “LONG KL” registration for car batteries approved in the U.S.
	December	Application for trademark “KL” registration for battery storage for cars approved in China.
2006	June	Completed product development for “high power lead-acid batteries”. Presentation of leading project results.
2007	September	Production began in De He Vietnam
	November	1st domestic unsecured convertible corporate bond of NT\$500 million issued.
2008	August	Vietnam plants passed “TL 9000 Telecommunications/Communications Electronics Industry Quality System” certification.
	October	2nd phase of construction of De He Vietnam completed.
2009	July	3rd phase of construction of De He Vietnam completed.
2010	January	ERP system officially launched in Taiwan plants.
	September	4th phase of construction of De He Vietnam completed.
	October	ERP system officially launched in Vietnam plants.
	December	Developed and launched the “MSK 2V and TPK 12V large sealed batteries for communications”.
2011	February	BI system officially launched in Taiwan plants.
	June	BI system officially launched in Vietnam plants.
2012	September	5th phase of construction of De He Vietnam completed.
2013		Automated COS process fully introduced.

Year	Month	Events
2014	June	Vietnam plants initiated consultation programs for “ISO 14001, OHSAS 18001” systems.
	October	“Motorcycle stop start lead-acid batteries” approved by the largest motorcycle center in Japan.
	December	De He Vietnam began its 6th phase of expansion
2015	May	MSCI listed Kung Long as a constituent in the MSCI World SMID Cap Index
	July	Vietnam plants passed “ISO 14001:2004, OHSAS 18001:2008”. Pulse container formation introduction.
	November	Certified by the largest motorcycle center in Japan and began delivery of “motorcycle stop start lead-acid batteries”.
	December	6th phase of construction of De He Vietnam completed.
2016	December	De He Vietnam began its 7th phase of expansion
2017	June	Certified by VNPT and began delivery of “lead-acid batteries for 3G and 4G applications in telecommunications”.
	September	Labs in Vietnam plants passed “ISO 17025 : 2005” system certification.
	December	7th phase of construction of De He Vietnam completed.
2019	January	Began officially supplying to Mobifone and EVN.
	July	Vietnam plants passed “ISO 45001: 2018 occupational safety and health management system” certification.
2020	March	Taiwan plants passed “ISO 45001: 2018 occupational safety and health management system” certification.
	November	Valve regulated lead–acid (VRLA) battery won 29th Taiwan Excellence award.
2021	December	De He Vietnam began its 8th phase of expansion of the 15th plant building.

Three. Corporate Governance Report

I. Organizational System

(I) Organizational Structure:



(II) Tasks of Principal Divisions

Department	Key responsibilities
President's Office	<ol style="list-style-type: none"> 1. Coordinate decision-making and formulation, evaluation and promotion of projects of the entire company. 2. Maintain management performance evaluation and information digitization.
Audit Office	Establish, revise, promote and audit internal control systems.
Management Department	Responsible for HR, general affairs, and procurement of the Company.
Finance Department	<ol style="list-style-type: none"> 1. Matters associated with accounting and taxes. 2. Bank transactions, funding arrangement, cash and securities asset management, and cashier operations. 3. Audits of income and expenditure certificates, accounts handling, statement preparation and analysis. 4. Budget creation of each department and performance evaluation. 5. Handling of the Company's stock affairs.
Business Department	<ol style="list-style-type: none"> 1. Responsible for product marketing and new customer development. 2. Collection of information for domestic and foreign market expansion.
Information Department	Integration, planning and execution of computer information.
Plant Affairs Department	<ol style="list-style-type: none"> 1. Responsible for computer production and quality control. 2. Design, development and maintenance of production machinery and equipment.
Production Management Division	<ol style="list-style-type: none"> 1. Responsible for company production plans and scheduling. 2. Raw material warehousing management, procurement, inspection and shipment.
Quality Research Department	<ol style="list-style-type: none"> 1. Inspect the quality of company products. 2. Reduce quality variability and cost. 3. Responsible for the design and development of new products and development of new processes. 4. Improvement of quality assurance of existing products and customer service.
Overseas Business Department	<ol style="list-style-type: none"> 1. Responsible for overseas sales and production plans. 2. Business development of overseas offices.

II. Information on the company's directors, president, vice president, assistant general manager, and supervisors of the company's divisions and branch units

(I) Information on directors:

Unit: thousand shares; April 15, 2023

Title	Nationality or Place of Registration	Name	Gender Age	Date of Election	Term of Office	Date of First Election	Shareholding at the Time of Election		Current Shareholding		Current Shareholding of Spouses and Minor Children		Shareholding in the Name of Others		Major Experience and Education	Position(s) Held Concurrently in the Company/in Any Other Company	Other Heads, Directors Who Are Spouses, or Relatives Within the Second Degree of Kinship			Remark	
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
Chairman	Republic of China	Lee Yao-Min	Male 84	2021.07.30	3 years	1990.01.25	3,345	4.08%	3,345	4.08%	3,961	4.83%	-	-	Graduated from Dept. of Electronics, Changhua Vocational High School Chairman, Nantou County Industrial Association 9th President, the Entrepreneur Club, Taichung	Chairman, Kung Long Batteries Director, Li Long Vietnam Director, Aker Technology	Director	Lee Jui-Chun	Son		
Director	Republic of China	Lee Jui-Chun	Male 57	2021.07.30	3 years	1990.01.25	8,587	10.46%	5,858	7.14%	2,061	2.51%	2,998	3.65%	MBA, University of East London	President, Kung Long Batteries Chairman and President, Li Long Vietnam	Chairman	Lee Yao-Min	Father	(Note 1)	
Director	Republic of China	Shi Hwei-Yow	Male 70	2021.07.30	3 years	2015.06.12	-	-	-	-	22	0.03%	-	-	J.D., National Chengchi University Vice Chairman, the Mainland Affairs Council, Executive Yuan Director, National Security Bureau	Partner, Shi Fang Law Firm Independent Director and Remuneration Committee Member, Song Ho Industrial Independent Director and Remuneration Committee Member, King Polytechnic Engineering	-	-	-	-	
Corporate shareholder	Republic of China	Mao Long Investments Limited	Male 79	2021.07.30	3 years	2009.06.16	1,864	2.27%	1,884	2.30%	-	-	-	-	Institute of Fiscal Studies, National Chengchi University Director, Taichung City Local Tax Bureau	Managing Supervisor, Taichung World Trade Center	-	-	-	-	
Director	Republic of China	Representative: Chen, Shou-Hsin					-	-	-	-	46	0.06%	-	-							
Corporate shareholder	Republic of China	Mao Long Investments Limited	Male 67	2021.07.30	3 years	2006.06.01	1,864	2.27%	1,884	2.30%	-	-	-	-	Graduated from Dept. of Accounting, Chinese Culture University Shang Ho Accounting Firm CPA	CPA, Shang Her Law Firm Director, MPI Corporation	-	-	-	-	
Director	Republic of China	Representative: Tsai, Chang-Shou					29	0.04%	29	0.04%	-	-	-	-							

Corporate shareholder	Republic of China	Mao Long Investments Limited Representative: Chiang Yen-Hung	Male 58	2021.07.30	3 years	2009.06.16	1,864	2.27%	1,884	2.30%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
																												0
Director	Republic of China	Wang Cho-Chun	Male 71	2021.07.30	3 years	2018.06.11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent director	Republic of China	Yang Wen-Goang	Male 55	2021.07.30	3 years	2015.06.12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent director	Republic of China	Tsai Chi-Neng	Male 74	2021.07.30	3 years	2021.07.30	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Note 1: Where the chairman and the president or person of an equivalent post (the highest level company officer) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason, reasonableness, necessity thereof, and the measures adopted in response thereto.

The Company's chairman and president are father and son. To improve communication, management and decision making efficiency, while implementing corporate governance, the Company has performed the following measures:

- (1) A majority of directors are not serving concurrently as an employee or officer.
- (2) Each year, professional director courses by external institutions are arranged for directors to participate in to enhance their knowledge of corporate governance, effectively performing the functions as directors.

Major shareholders of corporate shareholders

April 15, 2023

Name of corporate shareholder	Major shareholders of corporate shareholders
Mao Long Investments Limited	Lee Jui-Chun (50%), Lee Jui-Ting (33%), Tsai Hsiang-Pei (16%), Lee Kuan-Ying (1%)

If the major shareholder of corporate shareholder is a juristic person, its major shareholder: None.

Information disclosure of professional qualification of directors as well as the independence of independent directors:

Name	Criteria	Professional qualifications and experience (Note 1)	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Lee Yao-Min		With management leadership experience to provide operational guidelines to the Company	First degree of kinship with Director Lee Jui-Chun	-
Lee Jui-Chun		With management leadership experience to implement operational objectives with more efficiency	First degree of kinship with Director Lee Yao-Min	-
Shi Hwei-Yow		Attorney at law with expertise in law and experience in government agencies to provide the Company advice.	An external professional individual that does not have a direct or indirect interest in the Company, except for receiving remuneration that is approved by the Board of Directors	2
Mao Long Investments Limited (Representative: Chen, Shou-Shin)		With long years of service in government taxation agencies, this person is able to provide the Company tax-related consultation	An external professional individual that does not have a direct or indirect interest in the Company, except for receiving remuneration that is approved by the Board of Directors	-
Mao Long Investments Limited (Representative: Tsai, Chang-Shou)		CPA in practice who can provide the Company tax-related consultation	An external professional individual that does not have a direct or indirect interest in the Company, except for receiving remuneration that is approved by the Board of Directors	-
Mao Long Investments Limited Certified Public Accountant (CPA), able to provide corporate tax related consultation		Attorney at law with expertise in laws to provide the Company advice.	An external professional individual that does not have a direct or indirect interest in the Company, except for receiving remuneration that is approved by the Board of Directors	-

Criteria Name	Professional qualifications and experience (Note 1)	Independence	Number of other public companies in which the individual is concurrently serving as an independent director
Independent director Wang Cho-Chun	Serving as the head of police department, this person is an expert in system construction and personnel management.	In line with the provisions in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters”	-
Independent director Yang Wen-Goang	Currently serving as the Vice President at Chaoyang University of Technology, this person is an expert in patent value and technology management and can provide the Company advice on industrial deployment	In line with the provisions in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters”	1
Independent director Tsai Chi-Neng	This person has been serving as a managing director at Pou Chen Corporation for many years and is able to provide views on management and is an expert in financial management	In line with the provisions in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters”	-

Note 1: None of the Board members are subject to any of the provision of Article 30 of the Company Act.

Diversity and independence of the Board:

(I) Diversity of the Board:

1. The Company has formulated a diversity policy and specific management objectives for Board members:

Article 20 of the Company's "Corporate Governance Best-Practice Principles" (abilities the Board of Directors shall possess) specifies that:

The composition of the board of directors shall be determined by taking diversity into consideration. It is advisable that directors concurrently serving as company officers not exceed one-third of the total number of the board members, and 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 the following abilities:

- (1) Ability to make operational judgments
- (2) Ability to perform accounting and financial analysis
- (3) Ability to conduct management administration
- (4) Ability to conduct crisis management
- (5) Knowledge of the industry
- (6) An international market perspective
- (7) Ability to lead
- (8) Ability to make policy decisions.

2. The achievement of the diversity of the Company's Board members:

- (1) Among the 9 members of the 12th Board - except for chairman Lee Yao-Min and president Lee Jui-Chun who are involved in management - directors Shi Hwei-Yow and Chiang Yen-Hung, and independent director Wang Cho-Chiun are experts in legal affairs; independent director Yang Wen-Goang is an expert in patent value and technology management and research; directors Chen Shou-Shin and Tsai Chang-Shou are familiar with financial affairs; and independent director Tsai Chi-Neng is good at business management. All directors possess professional backgrounds, professional abilities and experience. All Board members possess expertise in business management, legal affairs and accounting areas.

- (2) The Board is composed of all men who are Taiwanese with 33% of them being independent directors and 1 director serving as an employee, accounting for 11% of all directors. The average of the Board members is 68.33. Except for the fact that there are no woman members, all management objectives have been achieved.

(II) Independence of Board of Directors:

None of the Company's Board members are subject to any of the provision of Article 30 of the Company Act. Except for the fact that the chairman and president are father and son, no directors, their spouses, or relatives within second degree of kinship serve as a director or employee in the Company or its affiliates, meeting the provisions stipulated in Article 26-3 of the Securities and Exchange Act. While the three independent directors meet the provisions in Article 3 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters", the Company also abides by the "independent director system" in Section 2, Chapter 3 of the "Corporate Governance Best-Practice Principles" which states that "independent directors shall possess professional knowledge and there shall be restrictions on their shareholdings and the positions they may concurrently hold. They shall maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the company" in order to maintain the detached independence of the independent directors.

(II) Information on the company's president, vice president, assistant general manager, and heads of the company's divisions and branch units:

Unit: thousand shares; April 15, 2023

Title	Nationality	Name	Gender	Date of Appointment	Shareholding		Shareholding of Spouses and Minor Children		Shareholding in the Name of Others		Principal Work Experience and Academic Qualifications	Position(s) Held Concurrently in the Company/in Any Other Company	Company Officers Who Are Spouses or Relatives Within the Second Degree of Kinship			Remark
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
President	Republic of China	Lee Jui-Chun	Male	2006.06.01	5,858	7.14%	2,061	2.51%	2,998	3.65%	Master's Degree, Graduate School of Business Management, University of East London, UK	Chairman and President, Li Long Vietnam	Vice president, Management Department	Lee Jui-Ting	Brother	
President and vice president	Republic of China	Yang Jui-Hsiang	Male	2009.07.01	42	0.05%	-	-	-	-	Graduated from Mechanical Department, Chin-Yi College Manager, Yuan Yi Enterprise	None	-	-	-	
Vice president, Management Department	Republic of China	Lee Jui-Ting	Male	2022.11.01	3,498	4.26%	-	-	-	-	MBA, University of Greenwich, UK	None	President	Lee Jui-Chun	Brother	(Note 1)
Assistant General Manager, Finance Department	Republic of China	Liu Huang-Wei	Male	2014.02.01	12	0.01%	20	0.02%	-	-	Graduated from Dept. of Accounting, Tunghai University Audit Team Manager, PwC Taiwan	None	-	-	-	
Assistant General Manager, Quality Research Department	Republic of China	Chen Chien-Lang	Male	2013.08.08	60	0.07%	-	-	-	-	Master's Degree, Institute of Materials Science and Engineering, Feng Chia University	None	-	-	-	

Assistant General Manager, Export Sales Department	Republic of China	Hung Chieh-Yu	Female	2015.02.01	13	0.02%	-	-	-	-	None	Applied Foreign Language Department National Taichung University of Science and Technology	None	-	-
Assistant General Manager, Domestic Sales Department	Republic of China	Chen Chih-Hsiung	Male	2019.02.12	19	0.02%	-	-	-	-	None	Master's Degree, Business Management Department Chaoyang University of Technology)	None	-	-
Audit Assistant Manager	Republic of China	Liao Chi-Neng	Male	2015.10.30	3	0.00%	-	-	-	-	None	EMBA in Accounting and Information Technology, National Chung Cheng University Chief of Audit Division, Taiwan Hon Chuan Enterprise Co., Ltd.	None	-	-

Note 1: Where the chairman and the president or person of an equivalent post (the highest level company officer) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason, reasonableness, necessity thereof, and the measures adopted in response thereto:

The Company's chairman and president are father and son. To improve communication, management and decision making efficiency, while implementing corporate governance, the Company has performed the following measures:

(1) A majority of directors are not serving concurrently as an employee or officer.

(2) Each year, professional director courses by external institutions are arranged for directors to participate in to enhance their knowledge of corporate governance, effectively performing the functions as directors.

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

(I) Remuneration to directors:

Unit: NT\$ thousand

Title	Name	Remuneration to directors				Total sum of A, B, C and D and its proportion to profit after tax (%)		Remuneration received as company part-time employee				Total sum of A, B, C, D, E, F and G, and its proportion to net income (%)		Remuneration received from investees other than subsidiaries or parent company
		Remuneration (A)	Pension (B)	Remuneration to directors (C)	Expenses for services rendered (D)	The Company	All companies included in the financial report	Salaries, bonuses and special allowances (E)	Pension (F)	Remuneration to employees (G)		The Company	All companies included in the financial report	
Chairman	Lee Yao-Min	-	-	-	-	15,580	15,580	4,883	177	-	4,592	25,232	26,662	None
Director	Lee Jui-Chun	-	-	15,480	100	15,480	15,480	-	177	-	-	-	-	-
Director	Shi Hwei-Yow	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate director representative	Mao Long Investment - Chen Shou-Shin	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate director representative	Mao Long Investment - Tsai Chang-Shou	-	-	-	-	1.77%	1.77%	-	-	-	-	2.86%	3.02%	-
Corporate director representative	Mao Long Investment - Chiang Yen-Hung	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent director	Wang Cho-Chun	-	-	-	-	5,310	5,310	-	-	-	-	5,310	5,310	None
Independent director	Yang Wen-Goang	-	-	5,245	65	-	-	-	-	-	-	0.60%	0.60%	-
Independent director	Tsai Chi-Neng	-	-	-	-	-	-	-	-	-	-	-	-	-

I. Please provide in detail the policy, system, standards and structure of remuneration to independent directors, and describe the relevance to the amount of remuneration according to the responsibilities, risks, time invested and other factors:

(1) The remuneration percentage for the Company's directors is subject to the provisions in Article 22 of the Articles of Incorporation - no more than 5% of the annual profit, if any, shall be set aside for remuneration to directors. Pursuant to the Company's "Remuneration Committee Charter", performance evaluation and remuneration of directors shall be based on the usual rate of the industry, while taking into account the reasonableness of the linking of personal performance, company operating performance and future risks. The remuneration of directors is evaluated and determined on a regular basis.

(2) The Board of Directors is authorized to determine the director remuneration based on the extent of their participation in and contributions to the operations of the Company, taking into consideration the general standards of the industry both domestically and internationally.

(3) A majority of the Company's independent directors are Remuneration Committee members. Remuneration is paid in correspondence with the Company's current scale of business and operating conditions.

2. In addition to the disclosure in the table above, in the most recent fiscal year, remuneration received by directors (e.g., serving as a consultant for a non-employee of the parent company/companies in the financial statements/investment businesses): None.

Range of Remuneration Table

Range of remuneration paid to each director	Name of director		
	Total remuneration (A+B+C+D)	All companies included in the financial report	Total remuneration (A+B+C+D+E+F+G)
	The Company	All companies included in the financial report	The Company
Below NT\$1,000,000	-	-	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	General directors: Lee Yao-Min, Lee Jui-Chun, Shi Hwei-Yow, Chen Shou-Shin, Tsai Chang-Shou, Chiang Yan-Hung Independent director: Wang Cho-Chun, Yang Wen-Goang, Tsai Chi-Neng	General directors: Lee Yao-Min, Lee Jui-Chun, Shi Hwei-Yow, Chen Shou-Shin, Tsai Chang-Shou, Chiang Yan-Hung Independent director: Wang Cho-Chun, Yang Wen-Goang, Tsai Chi-Neng	General directors: Shi Hwei-Yow, Chen Shou-Shin, Tsai Chang-Shou, Chiang Yan-Hung Independent director: Wang Cho-Chun, Yang Wen-Goang, Tsai Chi-Neng
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	-	-	-
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	-	-	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	-	-
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-	-
Over NT\$100,000,000	-	-	-
Total	-	-	-

(Note 1) The car allocated to Chairman Lee Yao-Min had a monthly rental of NT\$133,333 from May 18, 2021 to May 17, 2024.

(II) Remuneration to the president and vice president:

Unit: NT\$ thousand

Title	Name	Salary (A)		Pension (B)		Bonuses and special allowances (C)		Remuneration to employees (D)				Total sum of A, B, C and D and its proportion to profit after tax (%)		Remuneration received from investees other than subsidiaries or parent company	
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company		All companies included in the financial report		The Company	All companies included in the financial report		
								Amount in cash	Amount in stock	Amount in cash	Amount in stock				
President	Lee Jui-Chun												9,518	10,948	None
Vice President	Yang Jui-Hsiang	4,265	5,695	264	264	-	-	4,989	-	4,989	-				
Vice President	Lee Jui-Ting												1.08%	1.24%	

Policies, standards and combinations, procedures for determining remuneration to company officers, and their correlation with business performance and future risks: The amount of remuneration to the Company's officers is based on the duties, contributions, the Company's operating performance and future risks to be reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution.

Range of Remuneration Table

Remuneration Level for the President and Vice Presidents of the Company	Name of president and vice president	
	The Company	All companies included in the financial report
Below NT\$1,000,000	-	-
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Lee Jui-Ting	Lee Jui-Ting
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Yang Jui-Hsiang	Yang Jui-Hsiang
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Lee Jui-Chun	-
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)	-	Lee Jui-Chun
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	-	-
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	-	-
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)	-	-
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)	-	-
Over NT\$100,000,000	-	-

(III) Names of company officers who receive employee remuneration and distribution status:

Unit: NT\$ thousand

	Title	Name	Amount in stock	Amount in cash	Total	Total and its proportion as a percentage of net income after tax (%)
Manager	President	Lee Jui-Chun	-	9,856	9,856	1.12
	President's Office Vice President	Yang Jui-Hsiang				
	Vice president, Management Department	Lee Jui-Ting				
	Assistant General Manager, Finance Department	Liu Huang-Wei				
	Assistant General Manager, Quality Research Department	Chen Chien-Lang				
	Assistant General Manager, Export Sales Department	Hung Chieh-Yu				
	Assistant General Manager, Domestic Sales Department	Chen Chih-Hsiung				

(IV) Analysis of the total remuneration paid to the directors, president and vice president of the Company in the last two years by the Company and all companies in the consolidated financial statements as a percentage of the net profit after tax of individual financial reports; and explain the payment remuneration policies, standards and combinations, procedures for determining remuneration, and their correlation with business performance:

1. Analysis of the total remuneration paid to the directors, president and vice president of the Company in the last two years by the Company and all companies in the consolidated financial statements as a percentage of the net profit after tax of individual financial reports:

Title	2022		2021	
	The Company	Consolidation	The Company	Consolidation
Director	3.46%	3.62%	3.87%	4.10%
President/vice president	1.08%	1.24%	1.31%	1.54%

2. Policies, standards and combinations, procedures for determining remuneration, and their correlation with business performance and future risks:

For the last two years, regardless of profit or loss, the Company paid transportation fees and salaries to the directors, president and vice president. Remuneration to directors is based on the extent of their participation in and contributions to the operations of the Company, taking into consideration the general standards of the industry.

IV. State of operation of corporate governance

(I) State of the Board of Directors:

In 2022, the Board of Directors had 5 meetings (A); the attendance of the directors is as follows:

Title	Name	Number of actual attendance (B)	Attendance by proxy Number of attendances	Number of actual attendance (B/A)	Remark
Chairman	Lee Yao-Min	5	-	100	Re-elected: July 30, 2021
Director	Lee Jui-Chun	5	-	100	Re-elected: July 30, 2021
Director	Shi Hwei-Yow	5	-	100	Re-elected: July 30, 2021
Director	Mao Long Investments Limited (Representative: Chen, Shou-Hsin)	5	-	100	Newly appointed: July 30, 2021
Director	Mao Long Investments Limited (Representative: Tsai, Chang-Shou)	5	-	100	Newly appointed: July 30, 2021
Director	Mao Long Investments Limited (Representative: Chiang Yen-Hung)	5	-	100	Re-elected: July 30, 2021
Independent director	Wang Cho-Chun	5	-	100	Re-elected: July 30, 2021
Independent director	Yang Wen-Goang	5	-	100	Re-elected: July 30, 2021
Independent director	Tsai Chi-Neng	5	-	100	Newly appointed: July 30, 2021

Other information required:

I. For Board of Directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the company has responded to such opinions:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act: None.

(II) Except for the preceding matters, any matter resolved by the Board of Directors with an independent director expressing an objection or reservation that has been included in records or stated in writing: None.

II. Recusal of the directors from motions involving their interest, specify the names of the directors, the content of the motions, the reason for recusal, and the participation in voting:

Date of Board of Directors meeting	Motion content	Interest avoidance Name of director	Reason for recusal	Participation in voting
4th meeting of the 12th Board January 14, 2022	Discussed the motion for the amount of 2020 employees' remuneration, and 2021 year-end bonus to the Company's managers and chief auditor.	Director Lee Yao-Min Director Lee Jui-Chun	These directors are company officers and recused themselves due to conflict of interest.	Approved by the chairman after consulting with the remaining directors present at the meeting.
4th meeting of the 12th Board January 14, 2022	Discussed the motion for the contents of the remuneration and payment for the Company's directors.	Directors present	The directors present at the meeting recused themselves during the discussion of their own transportation fees due to conflict of interest.	Approved by the chairman after consulting with the remaining directors present at the meeting.

7th meeting of the 12th Board August 5, 2022	Motion to disuses the 2021 director remuneration payment	Directors present	The directors present at the meeting recused themselves due to a conflict of interest in the motion involving their own remuneration distribution.	Approved by the chairman after consulting with the remaining directors present at the meeting.
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III. Evaluation cycle, evaluation period, evaluation scope, evaluation method and evaluation content of the Board's self (or peer) evaluation:

Implementation of evaluation of the Board of Directors:

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Evaluation content
Performed at least once a year	2022.01.01-2022.12.31	Performance evaluation of the Board of Directors and individual Board members as well as Remuneration Committee and Audit Committee	Performance evaluation questionnaires were internally conducted within the Board of Directors, Board members, Remuneration Committee and Audit Committee	1. The criteria for the self-evaluation of the board of directors cover the following six aspects: (1) Participation in the operation of the Company (2) Quality of the Board of Directors' decision making (3) Composition and structure of the Board of Directors (4) Election and continuing education of the directors (5) Internal control
				2. The criteria for the self-evaluation of the board members cover the following six aspects: (1) Alignment of the goals and missions of the company (2) Awareness of the duties of a director (3) Participation in the operation of the Company (4) Management of internal relationship and communication (5) The director's professionalism and continuing education (6) Internal control
				3. The criteria for the self-evaluation of the functional committees cover the following six aspects: (1) Participation in the operation of the Company (2) Awareness of the duties of the functional committee (3) Improvement of quality of decisions made by the functional committee (4) Composition and structure of the functional committee (5) Internal control

IV. Objectives to enhance Board functions during the most recent fiscal year and evaluation of the implementation:

1. Strengthening of corporate governance: In 2020, the Company's Board of Directors passed the "Rules for Performance Evaluation of Board of Directors and Functional Committees" and conducted performance evaluation of the Board of Directors. On May 3, 2022, the Board of Directors approved the establishment of the head of corporate governance to oversee corporate governance affairs and assist the directors in carrying out their duties to exert their supervision function.
2. Enhancement of Information Transparency: There is an "Investor Area" on the Company's website to provide timely information of the Company's financial, business, and corporate governance-related information. In addition, we value the communication with investors. There is a "Stakeholders" area on the Company's website. We also hold an investors conference on a regular basis to address investor-related issues at any time, ensuring that investors have the right to fully inquire and understand the Company's financial and business information.

(II) State of the Audit Committee:

In 2022, the Board of Directors had 5 meetings (A); the attendance of the independent directors is as follows:

Title	Name	Number of actual attendance (B)	Attendance by proxy	Number of actual attendance (B/A)	Remark
Convener	Wang Cho-Chun	5	-	100	Newly appointed: July 30,2021
Member	Yang Wen-Goang	5	-	100	Newly appointed: July 30,2021
Member	Tsai Chi-Neng	5	-	100	Newly appointed: July 30,2021

Other information required:

- I. For Audit Committee meetings that meet any of the following descriptions, state the date and session of the Audit Committee meeting held, the discussed topics, the content of the objections, reservations or material recommendations of independent directors, the Audit Committee’s resolution, and how the company has responded to Audit Committee’s opinions:
 - (I) Matters listed in Article 14-5 of the Securities and Exchange Act: None.
 - (II) Except for the preceding matters, any matter that has not been passed by the Audit Committee, but has been adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee: None.
- II. Recusal of the independent directors from motions involving their interest, specify the names of the independent directors, the content of the motions, the reason for recusal, and the participation in voting: Please refer to “State of the Board of Directors”.
- III. State of communication between independent directors, Chief Internal Auditors and CPAs (material matters, methods and results of communication on the Company’s financial and business status).

Date of meeting	Motion content	Resolution result	Matters listed in Article 14-5 of the Securities and Exchange Act	Matter that has not been passed by the Audit Committee, but has been adopted with the approval of two-thirds or more of all board directors without having been passed by the audit committee: None.	How the Board of Directors has responded to the opinions of the Audit Committee
3rd meeting of the 1st term January 14, 2022	1. Motion for the independence evaluation of the Company’s CPAs.	After the chair consulted with all members present at the meeting, the motion was passed without objection and submitted to the Board of Directors for resolution.	V	-	After the chair consulted with all directors present at the meeting, the motion was passed without objection.
	2. Motion for the fees of the Company’s CPAs	After the chair consulted with all members present at the meeting, the motion was passed without objection and submitted to the Board of Directors for resolution.	V	-	After the chair consulted with all directors present at the meeting, the motion was passed without objection.
4th meeting of the 1st term March 22, 2022	1. Motion for the Company’s 2021 report on the self-evaluation of the internal control and the Statement on Internal Control.	After the chair consulted with all members present at the meeting, the motion was passed without objection and submitted to the Board of Directors for	V	-	After the chair consulted with all directors present at the meeting, the motion was passed without objection.

		resolution.			
	2. Motion for the Company's 2021 business report, parent company only financial report and consolidated financial report.	After the chair consulted with all members present at the meeting, the motion was passed without objection and submitted to the Board of Directors for resolution.	-	-	After the chair consulted with all directors present at the meeting, the motion was passed without objection.
	3. Motion for the Company's 2021 earnings distribution scheme.	After the chair consulted with all members present at the meeting, the motion was passed without objection and submitted to the Board of Directors for resolution.	-	-	After the chair consulted with all directors present at the meeting, the motion was passed without objection.
5th meeting of the 1st term May 3, 2022	1. Motion for the Company's consolidated financial report for 2022Q1.	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for resolution.	-	-	Approved by the chairman after consulting with all directors present at the meeting.
	2. Motion for amendment to the Company's "Articles of Incorporation".	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for resolution.	V	-	Approved by the chairman after consulting with all directors present at the meeting.
	3. Motion for amendment to the Company's "Rules of Procedure for Shareholders' Meetings".	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for resolution.	V	-	Approved by the chairman after consulting with all directors present at the meeting.
	4. Motion for amendment to the Company's "Procedures for the Acquisition and Disposal of Assets".	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for resolution.	V	-	Approved by the chairman after consulting with all directors present at the meeting.
6th meeting of the 1st term August 5, 2022	1. Motion for the Company's consolidated financial report for 2022Q2.	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for resolution.	-	-	Approved by the chairman after consulting with all directors present at the meeting.
	2. Motion for the Company's "Management Rules for the Internal Control System".	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for resolution.	V	-	Approved by the chairman after consulting with all directors present at the meeting.
	3. Motion for subsidiary Le Long Vietnam Co., Ltd. to increase capital by surplus.	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for	-	-	Approved by the chairman after consulting with all directors present at the meeting.

		resolution.			
7th meeting of the 1st term November 4, 2022	1. Motion for the Company's consolidated financial report for 2022Q3.	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for resolution.	-	-	Approved by the chairman after consulting with all directors present at the meeting.
	2. Motion for the formulation of the 2023 audit plan for the Company's internal control system.	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for resolution.	V	-	Approved by the chairman after consulting with all directors present at the meeting.
	3. Motion for amendment to the Company's Management Rules for the Internal Control System.	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for resolution.	V	-	Approved by the chairman after consulting with all directors present at the meeting.
	4. Motion for amendment to the Company's "Corporate Governance Best-Practice Principles" and "Corporate Social Responsibility Best-Practice Principles".	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for resolution.	V	-	Approved by the chairman after consulting with all directors present at the meeting.
	5. Motion for liability insurance coverage of directors.	After the chair consulted with all members present at the meeting, the motion was passed and submitted to the Board of Directors for resolution.	V	-	Approved by the chairman after consulting with all directors present at the meeting.

(III) Status of corporate governance operations, and any difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference:

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
I. Has the company established and disclosed its Corporate Governance Best-Practice Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	v		The Company has formulated its own “Corporate Governance Best-Practice Principles”, pursuant to the “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”. The Corporate Governance Best-Practice Principles were approved by the Board of Directors on October 30, 2015 and are disclosed on the Company’s website and Market Observation Post System (MOPS).	In line; no significant difference.
II. Equity structure and shareholders’ equity				
(I) Has the company formulated internal procedures regulated to handle shareholders’ proposals, doubts, disputes, and litigation matters and have the procedures been implemented accordingly?	v		(I) The Company has designated special personnel responsible for stock affairs and established a spokesperson and deputy spokesperson system to handle shareholder proposals. There are also legal advisors for consultation on legal issues.	In line; no significant difference.
(II) Does the company possess a list of the company’s major shareholders and a list of the ultimate controllers of its major shareholders?	v		(II) The Stock Agency Department of KGI Securities is responsible for handling the major shareholders and the list of the ultimate controllers of the major shareholders, as well as preparing related statements each month to be disclosed on the MOPS.	
(III) Has the company established and implemented the risk control and firewall mechanisms between the affiliates?	v		(III) The assets, financial operations and accounting of the affiliates are operated separately, and controlled and audited under the Company’s “Subsidiary Supervision	

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
(IV) Has the company set up internal regulations to prohibit internal personnel from utilizing the undisclosed information to trade securities?	v		<p>Operations”.</p> <p>(IV) The Company has formulated its “Prevention of Insider Trading Management” to prevent insider trading. On September 9 and November 4, 2022, training courses on “insider training” were offered to the Company’s managers, staff, and directors. The courses focused on insider training regulations, the objects and the elements of regulations, as well as other regulatory requirements. The courses lasted approximately 30 minutes to an hour, and 59 employees participated.</p>	In line; no significant difference.
<p>III. Composition and duties of the Board of Directors</p> <p>(I) Has the board formulated a diversity policy and specific management objectives, and have they been implemented?</p>	v		<p>(I) The Company’s “Corporate Governance Best-Practice Principles” specify that composition of the Board shall be based on the diversity policy. At present, there are 9 directors in the Board, including 3 independent directors. Among the 9 members of the 12th Board - except for chairman Lee Yao-Min and president Lee Jui-Chun who are involved in management - directors Shi Hwei-Yow and Chiang Yen-Hung, and independent director Wang Cho-Chiun are experts in legal affairs; independent director Yang Wen-Goang is an expert in patent value and technology management and research;</p>	In line; no significant difference.

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
(II) Apart from the remuneration committee and audit committee, has the company voluntarily established other functional committees?	v		<p>directors Chen Shou-Shin and Tsai Chang-Shou are familiar with financial affairs; and independent director Tsai Chi-Neng is good at business management and finance. All directors possess professional backgrounds, professional abilities and experience. All Board members possess expertise in business management, legal affairs and accounting areas.</p> <p>(II) We have formed an Audit Committee and Remuneration Committee as required by law, and corporate governance operations are overseen by each department according to their duties and responsibilities. We have not yet set up other functional committees, which may be set up according to the needs in the future.</p>	In line; no significant difference.
(III) Has the company established Regulations Governing the Board Performance Evaluation and its evaluation methods, and does the company conduct a performance evaluation each year, submit the performance evaluation results to the board of directors and use them as reference in determining remuneration for individual directors, and nomination for reappointment?	v		(III) On January 17, 2020, the Company's Board of Directors passed the "Rules for Performance Evaluation of Board of Directors and Functional Committees" and conducted performance evaluation of the Board of Directors. By doing so, we implement corporate governance while strengthening the functions of the Company's Board of Directors. The results of the self-evaluation of the Board of Directors for 2022 were reported at the Board meeting	

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
(IV) Does the company regularly assess the independence of its CPAs?	v		<p>held on March 24, 2023. The score for the self-evaluation of the Board performance for 2022 was 96; the score for the self-evaluation of the performance of the Board members for 2022 was 99; and the scores for the self-evaluation of the performance of the Audit Committee and Remuneration Committee for 2022 was 98 and 94, respectively. These evaluation results show that the operation of the Board of Directors as a whole is robust, meeting the spirit of corporate governance.</p> <p>(IV) The Company evaluates the independence of the CPAs each year. By evaluation of the Company's Finance Department, both CPAs Hsu Chien-Yeh and Wu Sung-Yuan of PwC Taiwan meet the Company's independence evaluation criteria. The results were approved by the Board meeting held on January 14, 2022 and are adequate to serve as the Company's CPAs. The evaluation items are as follows:</p> <ol style="list-style-type: none"> 1. The accounting firm did not issue any assurance service report on the effective operation of the financial information system designed or assisted by it. 2. The CPAs were not employed by the client or audited entity to perform 	In line; no significant difference.

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
			<p>routine work for which they received a fixed salary, or currently serve as directors.</p> <p>3. Except for those subject to special approval by law, the CPAs or audit service team did not represent the Company in defending legal cases or other disputes with third parties.</p> <p>4. The CPAs or the audit service team members did not advertise or brokered shares or other securities issued by the Company.</p> <p>5. The CPAs did not provide audit services to the Company for 7 consecutive years.</p> <p>6. The CPAs recused themselves and did not engage themselves in matters in which they had a direct or material indirect interest that affected their impartiality or independence.</p> <p>7. The accounting firm had clear quality control procedures, covering the level and key points of the audit process, the handling of audit issues and judgement method, quality control review of independence, and management of risks.</p> <p>8. The accounting firm timely notified the Board of Directors of any significant issues and</p>	In line; no significant difference.

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
			development in terms of risk management, corporate governance, financial accounting and related risk controls.	
IV. Has the company designated an appropriate number of personnel that specialize in corporate governance affairs (including but not limited to providing directors with the information needed and assist directors in complying with the laws and regulations to perform their duties, convention of board meetings and shareholders' meetings, preparation of board meeting and shareholders' meeting minutes, etc.)?	√		The Company set up a head of corporate governance on May 3, 2022, served by assistant general manager Liu Huang-Wei, responsible for the planning and implementing corporate governance-related affairs, providing information needed by directors to perform their duties, matters associated with meetings of the Board of Directors and shareholders, evaluating the performance of the Board of Directors, company registration and change in registration, and preparing the minutes of the Board of Directors meeting and shareholders' meeting. From time to time, the head of corporate governance provides information needed by directors and heads of departments to perform their duties as well as the latest regulatory development in relation to managing the Company and assisting directors and heads of departments in complying with the law. The head of corporate governance also plans internal education and training, including the promotion of the prevention of insider trading, human rights policy promotion and ethical management.	In line; no significant difference.

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference												
	Yes	No	Summary													
V. Has the company established channels for communication with the stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and set up a section for stakeholders on the official website of the company with a proper response to the concerns of the stakeholders on issues related to corporate social responsibility?	√		<p>(I) We have a spokesperson and deputy spokesperson in place. The contract information of the Company is disclosed on the MOPS as required. To build sound communication channels with investors, we disclose financial and stock related information on the MOPS and its website.</p> <p>(II) We have set up a “Stakeholders” area on the website to fully explain various stakeholder relationships. We have established different contact numbers and emails depending on the nature of each the stakeholder, handled by the responsible unit.</p> <p>(III) According to the nature of the business, we have listed the important CSR issues of concern to our stakeholders and the frequency of immediate response to these issues:</p> <table border="1"> <thead> <tr> <th>Subject</th> <th>Issue of concern</th> <th>Issue response/ communication frequency</th> </tr> </thead> <tbody> <tr> <td>Employees</td> <td> <ul style="list-style-type: none"> Employee welfare and wage Talent cultivation Workplace safety </td> <td> <ul style="list-style-type: none"> Various employee welfare policies Periodic employee training Regular participation in occupational safety training and seminar </td> </tr> <tr> <td>Customers</td> <td> <ul style="list-style-type: none"> Customer services Supply chain management In line with regulatory requirements </td> <td> <ul style="list-style-type: none"> Occasional communication and discussion meetings with customers Quality management certification </td> </tr> <tr> <td>Suppliers</td> <td> <ul style="list-style-type: none"> Sustainable development strategies Supply chain management Innovative management </td> <td> <ul style="list-style-type: none"> Procurement contract Regular performance of supplier appraisals Promotion of </td> </tr> </tbody> </table>	Subject	Issue of concern	Issue response/ communication frequency	Employees	<ul style="list-style-type: none"> Employee welfare and wage Talent cultivation Workplace safety 	<ul style="list-style-type: none"> Various employee welfare policies Periodic employee training Regular participation in occupational safety training and seminar 	Customers	<ul style="list-style-type: none"> Customer services Supply chain management In line with regulatory requirements 	<ul style="list-style-type: none"> Occasional communication and discussion meetings with customers Quality management certification 	Suppliers	<ul style="list-style-type: none"> Sustainable development strategies Supply chain management Innovative management 	<ul style="list-style-type: none"> Procurement contract Regular performance of supplier appraisals Promotion of 	In line; no significant difference.
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VI. Does the company engage a professional stock transfer agency to handle affairs related to shareholders' meetings?	V		The Company engages a professional stock affairs agency - Stock Agency Department of KGI Securities, to handle the Company's stock affairs. We have also formulated the "Stock Management Rules" to regulate the related matters.	In line; no significant difference.									

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
<p>VII. Information Disclosure</p> <p>(I) Does the company have a website set up where its financial business, and corporate governance information is disclosed?</p> <p>(II) Has the company adopted other information disclosure methods (e.g., establishing an English website, designating a responsible person for collecting and disclosing information of the company, substantiating the spokesman system, and upload the procedure of investors conference on its website, etc.)?</p> <p>(III) Has the company published and reported its annual financial report within two months after the end of a fiscal year, and published and reported its financial reports for the first, second, and third quarters, as well as its operating status for each month before the specified deadline?</p>	v		<p>(I) The Company's website is as follows: http://www.KLB.com.tw http://www.KLB.com.tw, disclosing financial and business information.</p> <p>(II) In addition to disclosing financial and business information on a regular basis and from time to time on the official website, information on corporate governance and investors conference can also be found on the website. We also have a spokesperson and deputy spokesperson to release information to the public.</p> <p>(III) Although the Company did not publish or report its annual financial report within two months after the end of a fiscal year, this was done within the prescribed deadline. Moreover, the financial reports for the first, second, and third quarters, as well as the operating status for each month were published and reported before the specified deadline.</p>	In line; no significant difference.
VIII. Is there any important information (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, the continuing education of the directors, implementation of risk management policy and risk measurement criteria, the pursuit	v		<p>(I) Employee: The Company treats its employees with integrity and protects their legal rights and interests in accordance with the Labor Standards Act.</p> <p>(II) Employee care: At Kung Long, we provide a stable welfare and sound education and training systems</p>	In line; no significant difference.

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
of customer policy, and the purchase of liability insurance for the company's directors) that is helpful in understanding the corporate governance operation of the company?			<p>for employees, while also establishing a good relationship based on mutual trust and reliance. We provide subsidies for club activities, recreational activities, health examinations and medical consultations.</p> <p>(III) Investor relations: Our stock agent and spokesperson are responsible for shareholder inquiries and suggestions.</p> <p>(IV) Supplier relations: We establish partnerships with suppliers based on the principle of equality and mutual benefit to build a robust supply chain. Furthermore, we conduct audits on a regular basis and from time to time to ensure the quality of supply.</p> <p>(V) Stakeholder rights Stakeholders may communicate with and give advice to the Company, ensuring their legal rights and interests.</p> <p>(VI) Further education of directors: All directors of the Company have professional backgrounds in the industry and practical experience in business management. For information associated with further education of directors, please visit the MOPS.</p> <p>(VII) Implementation of risk management policy and risk measurement criteria: The Company has established various internal regulations in</p>	In line; no significant difference.

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
			<p>risk management and evaluation.</p> <p>(VIII) Customer policy implementation:</p> <ol style="list-style-type: none"> 1. There are special personnel designated in the Sales Department to handle customer problems. To protect customer rights, problems will be addressed within a prescribed time after being reported by the customer. 2. We have taken out USD2 million product liability insurance. <p>(IX) Liability insurance for directors: The Board of Directors approved on November 4, 2022 to take out USD15 million director liability insurance in 2023 for directors and officers.</p>	In line; no significant difference.
<p>IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement items and measures for any issues that are yet to be improved.</p> <p>Improvement already made: We have formed an Audit Committee and established a head of corporate governance to implement the spirit of corporate governance.</p> <p>Matters to be enhanced first: Implement sustainable development and planning of greenhouse gas (GHG) inventory and verification.</p>				

*Note: Further education of directors:

Title	Name	Date	Organizer	Name of course	Number of hours of further education
Director	Lee Yao-Min	May 3, 2022	Taiwan Corporate Governance Association	Corporate Legal Compliance and Supervisory Obligations of Directors	3 hours
	Lee Yao-Min	August 11, 2022	Taiwan Corporate Governance Association	Mastering the Global Economic Situation and Technological Trends	3 hours
	Lee Jui-Chun	May 3, 2022	Taiwan Corporate Governance Association	Corporate Legal Compliance and Supervisory Obligations of Directors	3 hours
	Lee Jui-Chun	August 5, 2022	Taiwan Corporate Governance Association	Mastering the Global Economic Situation and Technological Trends	3 hours
	Shi Hwei-Yow	May 3, 2022	Taiwan Corporate Governance Association	Corporate Legal Compliance and Supervisory Obligations of Directors	3 hours
	Shi Hwei-Yow	May 9, 2022	Taiwan Corporate Governance Association	Enterprise Management Mindset From CSR to ESG	3 hours
	Shi Hwei-Yow	August 5, 2022	Taiwan Corporate Governance Association	Mastering the Global Economic Situation and Technological Trends	3 hours
	Shi Hwei-Yow	November 7, 2022	Taiwan Corporate Governance Association	Net Zero Emissions, Carbon Neutrality, and Corporate Legal Compliance	3 hours
	Chen, Shou-Hsin	May 3, 2022	Taiwan Corporate Governance Association	Corporate Legal Compliance and Supervisory Obligations of Directors	3 hours
	Chen, Shou-Hsin	August 5, 2022	Taiwan Corporate Governance Association	Mastering the Global Economic Situation and Technological Trends	3 hours
	Tsai, Chang-Shou	May 3, 2022	Taiwan Corporate Governance Association	Corporate Legal Compliance and Supervisory Obligations of Directors	3 hours
	Tsai, Chang-Shou	August 5, 2022	Taiwan Corporate Governance Association	Mastering the Global Economic Situation and Technological Trends	3 hours
	Chiang, Yen-Hung	May 3, 2022	Taiwan Corporate Governance Association	Corporate Legal Compliance and Supervisory Obligations of Directors	3 hours
	Chiang, Yen-Hung	August 5, 2022	Taiwan Corporate Governance Association	Mastering the Global Economic Situation and Technological Trends	3 hours
Independent director	Wang Cho-Chun	April 22, 2022	Taiwan Institute for Sustainable Energy	Taiwan New 30 Sustainable Net Zero Summit Forum - Serious Net Zero Sustainable Achievements for 2030	3 hours
	Wang Cho-Chun	May 3, 2022	Taiwan Corporate Governance Association	Corporate Legal Compliance and Supervisory Obligations of Directors	3 hours
	Yang Wen-Goang	May 3, 2022	Taiwan Corporate Governance Association	Corporate Legal Compliance and Supervisory Obligations of Directors	3 hours
	Yang Wen-Goang	August 5, 2022	Taiwan Corporate Governance Association	Mastering the Global Economic Situation and Technological Trends	3 hours
	Tsai Chi-Neng	May 3, 2022	Taiwan Corporate Governance Association	Corporate Legal Compliance and Supervisory Obligations of Directors	3 hours
	Tsai Chi-Neng	August 5, 2022	Taiwan Corporate Governance Association	Mastering the Global Economic Situation and Technological Trends	3 hours

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

1. Composition: Pursuant to the provisions stipulated in the “Remuneration Committee Charter”, the Company’s Board of Directors appointed independent directors MR. Wang Cho-Chiun, Mr. Yang Wen-Goang, and Mr. Chen Chin-Chuan, on July 30, 2021, to serve as the members of the 5th Remuneration Committee.

Identity		Criteria	Independence	Number of other public companies in which the individual is concurrently serving as a Remuneration Committee member
		Name		
Convener Independent director	Wang Cho-Chun	Please refer to information disclosure of professional qualification of directors as well as the independence of independent directors on page 13.	In line with the provisions in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters”	-
Member Independent director	Yang Wen-Goang	Please refer to information disclosure of professional qualification of directors as well as the independence of independent directors on page 13.	In line with the provisions in Article 3 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters”	1
Member Other	Chen Chin-Chuan	Department, Mechanical Engineering, Feng Chia University Deputy Director, Central District Labor Inspection Office, Council of Labor Affairs, Executive Yuan	An external professional individual that does not have a direct or indirect interest in the Company, except for receiving remuneration that is approved by the Board of Directors	1

2. Duties: Pursuant to the “Remuneration Committee Charter”, the Remuneration Committee shall exercise duty of care of a good manager and truthfully exercise the following duties. The Remuneration Committee is responsible for the Board of Directors and submits the recommendations proposed to the Board for discussion:

- (1) Establish and regularly review policy, system, standards and structures for the performance evaluation of the directors and company officers.
- (2) Regularly evaluate and establish the remuneration to directors and company officers.

3. The status of the Remuneration Committee:

- (1) The Remuneration Committee is run in accordance with 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”, the Company’s Articles of Incorporation and the “Remuneration Committee Charter”.

(2) There are 3 members in the Remuneration Committee.

(3) Term of Office for Members: July 30, 2021 to July 29, 2024. In the most recent year, the 2022 Remuneration Committee held

3 meetings (A); the qualifications and attendance of the members are as follows:

Title	Name	Number of actual attendance (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Convener	Wang Cho-Chun	3	-	100	Re-elected on July 30, 2021
Member	Yang Wen-Goang	3	-	100	Re-elected on July 30, 2021
Member	Chen Chin-Chuan	3	-	100	Re-elected on July 30, 2021

Other information required:

I. The date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the remuneration committee shall be specified:

Date of meeting	Motion content	Resolution result	Handling of the resolution of the remuneration committee by the Board of Directors
2nd meeting of the 5th term January 14, 2022	1. Reviewed the motion for the amount of 2020 employee remuneration and 2021 year-end bonus to the Company’s officers and chief auditor.	After the chair consulted with members present at the meeting, the motion was passed without objection and submitted to the Board of Directors for resolution.	Directors Lee Jui-Chun and Lee Jui-Chun recused themselves due to their conflict of interest in the motion. This motion was approved by the chairman after consulting with the remaining directors present at the meeting.
	2. Reviewed the motion for the distribution of director remuneration and employee remuneration for 2021 as well as the estimated distribution rates for director remuneration and employee remuneration for 2022 in accordance with the Articles of Incorporation.	After the chair consulted with members present at the meeting, the motion was passed without objection and submitted to the Board of Directors for resolution.	Directors Lee Jui-Chun and Lee Jui-Chun recused themselves due to their conflict of interest in the motion. This motion was approved by the chairman after consulting with the remaining directors present at the meeting.
	3. Discussed the motion for the contents of the remuneration and payment for the Company’s	This motion involved discussion of transportation fees for the Board of Directors and each special committee. Among the directors present at the meeting, members Wang Cho-Chiun and Yang Wen-Goang are independent	Directors present at the meeting recused themselves due to conflict of interest in the motion that involved their own transportation

	directors.	directors and members of the Audit Committee and Remuneration Committee. These directors recused themselves due to conflict of interest as the motion involved their own transportation fees. After the chair consulted with members present at the meeting, the motion was passed without objection and submitted to the Board of Directors for resolution.	fees. The motion was approved by the chairman after consulting with the remaining directors present at the meeting.
	4. Discussed the motion for the contents and payments of the remuneration to the Company's officers and chief auditor.	After the chair consulted with members present at the meeting, the motion was passed without objection and submitted to the Board of Directors for resolution. Incident resolution: According to the Company's HR Rules for promotion appraisals, if the change in salary for company officers after a promotion appraisal is within NT\$3,000, it shall be adjusted subject to the Company's regulations, without being sent to the Remuneration Committee for review.	After the chair consulted with all directors present at the meeting, the motion was passed without objection. Incident resolution: According to the Company's HR Rules for promotion appraisals, if the change in salary for company officers after a promotion appraisal is within NT\$3,000, it shall be adjusted subject to the Company's regulations, without being sent to the Remuneration Committee for review.
3rd meeting of the 5th term August 5, 2022	1. Discussed the motion for the Company's director and supervisor remuneration distribution for 2021.	Members Wang Cho-Chiun and Yang Wen-Goang recused themselves due to conflict of interest in the motion that involved their own remuneration. After the chair consulted with members present at the meeting, the motion was passed without objection and submitted to the Board of Directors for resolution.	Some directors present at the meeting recused themselves due to a conflict of interest in the motion involving their own remuneration distribution. The motion was approved after the Chairman consulted with the remaining directors present at the meeting.
4th meeting of the 5th term November 4, 2022	1. Discussed the motion for the contents of the remuneration and payment for the Company's officers.	After the chair consulted with members present at the meeting, the motion was passed without objection and submitted to the Board of Directors for resolution.	Approved by the chairman after consulting with all directors present at the meeting.
<p>II. If the board of directors declines to adopt or modify a recommendation from the remuneration committee, the date, session, topic discussed and the resolution of the board meeting and handling of the resolution of the remuneration committee shall be specified (if the remuneration package approved by the Board is better than the recommendation made by the committee, please specify the discrepancy and its reason): None.</p> <p>III. For the resolutions of the Remuneration Committee, if any member expresses an objection or has a reservation which is recorded in writing, the date, session, content of the proposal, all members' opinions, and handling of members' opinions shall be described: None.</p>			

(V) State of the promotion of sustainable development operations and any difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies, and the reasons for such difference:

Promotion item	Implementation Status			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
I. Has the company established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development which is authorized by the board of directors to be handled by senior management and supervised by the board of directors?	V		The Sustainable Development Best-Practice Principles were approved by resolution adopted by the Board of Directors on October 30, 2015. These Principles are used as the guidelines to promote sustainable development governance. The part-time unit with primary responsibility for sustainable development is the President's Office, responsible for planning and implementing related operations and reporting regularly to the Board of Directors.	In line; no significant difference.
II. Has the company conducted risk assessments of environmental, social and corporate governance issues pertaining to company operation in accordance with the materiality principle and established the relevant risk management policy or strategy?	V		The boundary of the Company's risk assessment includes the parent company in Taiwan and the subsidiaries in Vietnam. We have yet to formulate a risk management policy for material environmental, social and corporate governance-related issues, which shall be formulated as necessary in the future.	In line; no significant difference.
III. Environmental issues (I) Does the company have an appropriate environmental management system established in accordance with its industrial characteristics?	V		(I) The Company has passed ISO 14001:2015 environmental management system verification. Through pollution prevention, process waste reduction and continuous improvement measures, we enhance the environmental protection performance and management efficiency. We also have dedicated management personnel to promote related systems.	In line; no significant difference.
(II) Is the company committed to enhancing the utilization efficiency of resources and using renewable	V		(II) The Company abides by the relevant laws and regulations and there are dedicated	

Promotion item	Implementation Status			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
<p>materials that have low impact on the environment?</p> <p>(III) Does the company evaluate the potential risks and opportunities of climate change for businesses now and in the future, and take measures to address climate related issues?</p> <p>(IV) Has the company has prepared statistics on greenhouse gas emissions, water consumption and total volume of waste for the past two years, and formulated policies for to save energy saving and reduce carbon, greenhouse gas, water use, or other waste management?</p>		v	<p>personnel and qualified vendors to handle wastewater, waste gas and waste management. We are committed to the utilization efficiency of various resources by continuing with the measures to recycle garbage, waste paper and waste recovery, dedicating to the environment.</p> <p>(III) The Company has yet to formulate business continuity management (BCM) or climate-related risk countermeasures for the current and future potential risks and opportunities. These will be established as necessary in the future.</p> <p>(IV) We have formulated the “Organizational GHG Inventory Management Procedures” served as the guidelines for collecting GHG-related data. For carbon reduction policies, data of GHG emissions for the past two years, controlled waste recycling, domestic waste removal and water consumption, please refer to: Disbursements for environmental protection.</p>	In line; no significant difference.
<p>IV. Social issues</p> <p>(I) Does the company have the relevant management policies and procedures stipulated in accordance with the applicable laws and regulations and international conventions on human rights?</p>	v		<p>(I) The Company has formulated human rights policies in accordance with the “Universal Declaration of Human Rights” and the “ILO Declaration on Fundamental Principles and Rights at Work”</p>	In line; no significant difference.

Promotion item	Implementation Status			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
(II) Has the company established and implemented reasonable measures for employee benefits (including: remuneration, holidays and other benefits) that appropriately reflects the business performance or achievements in the employee remuneration?	v		to serve guidelines for human rights-related actions and behaviors. We also comply with applicable labor regulations and organize employee education and training to promote regulatory systems. To protect the basic rights and interests of employees, the appointment, dismissal and remuneration of personnel are handled in accordance with the Company's Internal Control System Management Rules. (II) In addition to employee welfare, further education and training that has been mentioned above, we also specify in the dividend policy that no less than 2% of the profits, if any, are distributed as remuneration to employees and annual leave is given to employees in accordance with the Labor Standards Act.	In line; no significant difference.
(III) Has the company provided employees with a safe and healthy work environment and regularly provided safety and health education to employees?	v		(III) Given the importance of the working environment and employee safety protection measures, we have passed ISO 45001 environmental and occupational safety and health management system verification. With this system, we carry out major environmental considerations and occupational safety and health risk control. We also conduct education, training and promotion on workplace safety and health management on a regular basis, ensuring the safety and health of employees	

Promotion item	Implementation Status			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
(IV) Has the company established an effective career development training program for its employees?	v		in the workplace. (IV) We establish training plans and rotation training for employees of all departments, so that employees will perform their duties in their current positions.	In line; no significant difference.
(V) Does the company comply with the law and international standards with respect to customer health, safety and privacy, marketing and labeling in all products and services offered, and have the company implemented consumer or customer protection policies and complaint procedures?	v		(V) The Company's products have been certified by UL and VdS. At the same time, to ensure the quality of products and customer satisfaction, in addition to regular visit customers to gain their views, we also set up a section on the website dedicated to stakeholders, providing a channel for customers to ask questions, file complaints or give suggestions, which are responded by the related business supervisors. We uphold the ethical management principle and provide feedback to protect the rights and interests of customers.	
(VI) Has the company implemented a supplier management policy that regulates suppliers' conduct with respect to environmental protection, occupational safety and health or work rights/human rights issues, and does the company track suppliers' performance on a regular basis?	v		(VI) We have formulated a "Sustainable Procurement Policy". We conduct a regular supplier appraisal in accordance with the "Supplier Appraisal Management Procedures". We stop working with suppliers with poor appraisal results and do not show improvements for 3 consecutive months. With the "Sustainable Procurement Policy", we hope to lead by example in order to give back to society, facilitating the development of a harmonious	

Promotion item	Implementation Status			Difference from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons for such difference
	Yes	No	Summary	
			society.	
V. Has the company prepared a sustainability report or a report on non-financial information with reference to internationally accepted standards or guidelines? Are these reports supported by the assurance or opinion of a third-party verification entity?	V		The Company does not prepare a sustainability report. Sustainable development-related contents are disclosed on the Company's website and our environmental safety personnel periodically report environmental protection-related information. Information associated with sustainable development is disclosed in the annual report for shareholders.	In line; no significant difference.
VI. If the company has formulated its own Sustainable Development Best-Practice Principles in accordance with the "Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies", please describe the differences between its operation and the Principles: The Company follows its own Sustainable Development Best-Practice Principles; there are no significant differences.				
VII. Other important information to help understand the promotion of sustainable development implementation: Upholding the concept of creating profits and benefitting employees, we work hard to reflect company management on the employees and society, while at the same time advocating and promoting energy conservation and green corporate environmental social responsibilities. In terms of social engagement, social contribution and welfare and other social responsibility activities, we continue to invest in resources and participate in activities and local activities held for the social disadvantaged, arts and cultural groups. We take part in social welfare with practical actions, exerting the spirit of giving back to society. (I) We take part in the activities held by the "Kung Long Cultural Foundation" in promoting the development of local culture. We are also involved in the promotion and sponsorship of arts and cultural activities. The main activities we took part in 2022 were: Nantou County Government's "2022 Lantern Activity", Nantou County's "Government and Private Book Donation" activity, Cao Xie Dun Ai Yue Choir "Double Tenth! Thanksgiving Concert", Sponsorship in construction of a reading hall for the "Taiwan Reading Culture Foundation", and other various cultural welfare-related activities held by the Foundation, with total participants of 11,700. (II) In addition to investing in resources in the Foundation, we have also cared for the disadvantaged for a long period of time. Not only do we provide supplies to various public welfare organizations each year, we also make periodic donations to such as Nantou TFCF, Nantou 1995, Nantou Junior High School, and Nantou County Chiao-Jen Elementary School and other organizations and public welfare groups. (III) In terms of community engagement, we have been long sponsoring neighboring activities as well as adopting plants within Nantou county. By utilizing the joint efforts of the Company and its employees as well as the community, we are able to create a better community environment.				

(VI) Performance of ethical corporate management and any differences from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof:

Evaluation Item	The State		Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
<p>I. Establishment of the ethical corporate management policy and action plans</p> <p>(I) Has the company established an ethical corporate management policy approved by the board of directors? Does the policy clearly specify in its rules and external documents the ethical corporate management policies, and the commitment of the board of directors and the senior management to proactively implement the management policy?</p> <p>(II) Has the company established a risk assessment mechanism against unethical acts, analyzed and assessed business activities within their business scope regularly that are at a higher risk of being involved in unethical acts, and established prevention programs covering at least the preventive measures specified in Paragraph 2, Article 7 “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”?</p> <p>(III) Has the company clearly provided the operating procedures, conduct guidelines, disciplines for violations and a grievance system in its program to prevent unethical acts and have these been implemented, and has the formally disclosed</p>	<p>v</p> <p>v</p> <p>v</p>	<p>(I) The Company’s Ethical Corporate Management Policy was approved by the Board of Directors on October 30, 2015 and is disclosed on the Company’s website and the MOPS.</p> <p>(II) The Company’s “Ethical Corporate Management Policy” regulates 7 business practices, such as bribery, accepting bribes and making illegal political contributions. Aside from establishing comprehensive internal regulations to prevent unethical acts, we have set up employee mailboxes and contact means as grievance channels for stakeholders. Moreover, we provide employee education and training on a regular basis in order to promote an ethical corporate management culture.</p> <p>(III) In terms of high risk areas of unethical acts, we emphasize the promotion on directors, officers and employees so that they fully understand the Company’s ethical corporate management policy. At the same time, we</p>	<p>In line; no significant difference.</p>

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
program been regularly reviewed and amended?			encourage employees to report unethical acts and by conducting audits and inspections, we are able to prevent unethical acts.	
<p>II. Implementation of ethical corporate management</p> <p>(I) Has the company evaluated the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements entered into with business partners?</p> <p>(II) Has the company set up a dedicated unit to promote ethical corporate management under the board of directors, and has such unit reported to the Board of Directors its execution in terms of ethical management policy and preventive programs against unethical conducts and the supervision status on a regular basis (at least once a year)?</p> <p>(III) Has the company formulated a policy that prevents conflicts of interest and a channel that facilitates the reporting of conflicts of interests?</p>	<p>v</p> <p>v</p> <p>v</p>		<p>(I) The Company regulates that the employees shall treat customers and competitors fairly and shall not solicit gifts, rebates, hospitality or other improper benefits from customers with whom the Company does business.</p> <p>(II) The part-time unit of the Company that promotes ethical corporate management is the President's Office, responsible for planning and promoting the concepts of ethical corporate management and reporting regularly to the Board of Directors.</p> <p>(III) The Company has not only established a recusal system for directors in the "Rules of Procedure for Board Meetings", it has also established the "Prevention of Insider Trading Management" to prevent insider trading and other conflicts of interest. We also provide regular training on the applicable regulations to directors and employees.</p>	In line; no significant difference.

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(IV) Has the company established an effective accounting system and internal control system in order to implement ethical management, and proposed relevant audit plans according to the assessment results of the risks of unethical conducts, and reviewed the compliance of the prevention of unethical conducts, or entrusted an accountant to carry out the review?	v		(IV) The Company's internal control system keeps up with the times, and the auditors regularly audit the compliance situation of various systems. The CPAs also audit the implementation status of the Company's internal control system.	In line; no significant difference.
(V) Does the company organize internal or external training on a regular basis to maintain ethical management?	v		(V) We continue to facilitate an ethical corporate management culture through various meetings. In 2022, we provided internal and external education and training on ethical corporate management issues (ethical corporate management regulatory compliance, accounting system and internal system, human rights declaration promotion courses). A total of 50 employees participated in these courses, totaling 50 hours.	
III. State of operations of the company's reporting system				
(I) Has the company set up a specific reporting and incentive system, and established a channel to facilitate reporting and assigned dedicated personnel to receive reports?	v		(I) On November 4, 2016, the Company's Board of Directors approved the "Handling of Unlawful and Unethical or Dishonest Conduct". Additionally, we have set up a whistleblowing hotline and mailbox for internal and external parties to report a concern. We also keep full confidential the identity of the	In line; no significant difference.

Evaluation Item	The State			Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(II) Has the company implemented any standard operating procedures and/or subsequent measures after carrying out an investigation or confidentiality measures for handling grievances filed?	V		whistleblower so that the Ethical Corporate Management Policy formulated by the Company is properly implemented, ensuring the legal rights of the whistleblower and the related parties. (II) The Company receives reports in accordance with applicable regulations, with procedures for communication and response clearly defined. The relevant supervisors have the responsibility to keep the information of the parties involved confidential.	In line; no significant difference.
(III) Has the company taken appropriate measures to protect the whistleblower from improper treatment as a result of whistleblowing?	V		(III) During the Company's whistleblowing process, the identification of the whistleblower will be kept confidential and will not be disciplined for whistleblowing.	
IV. Information Disclosure Strengthening Has the company disclosed the content of its Ethical Corporate Management Best-Practice Principles and the results of implementation on its official website and MOPS?	V		We have set up a website and promote the concept of "sustainability, honesty and practical value" in the Company's profile and corporate vision. The Company has assigned special personnel to be responsible for company information collection and disclosure, which is available on the Company's website. The Company also emphasizes the concept of ethical management on the annual report and external documents.	In line; no significant difference.

Evaluation Item	The State		Summary	Difference from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
V.			If the company has formulated its own Ethical Corporate Management Best-Practice Principles in accordance with the “Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe the differences between its operation and the Principles: The Company follows its own Ethical Corporate Management Policy; there are no significant differences.	
VI.			Any other important information that may help understanding the performance of ethical corporate management better: (e.g., review of an amendment to its Ethical Corporate Management Best-Practice Principles): The Company’s operations are in compliance with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, regulations promulgated for TPEX and TWSE listed companies and other laws and regulations related to business practices as the basis for the implementation of ethical management. Aside from the Audit Office that performs audits for each department according to the audit plan, we also engage external auditors to regularly audit the implementation status of the Company’s systems. Matters of major decision-making, investment proposals and bank financing are implemented subject to an evaluation made by the relevant responsible departments followed by approval of the Board of Directors.	

(VII) If the company has adopted corporate governance best-practice principles or related bylaws, disclose how these are to be searched:
The Company’s Board of Directors approved the “Corporate Governance Best-Practice Principles”, the “Ethical Corporate Management Policy” and the Sustainable Development Best-Practice Principles on October 30, 2015. Other regulations are disclosed on the Company’s website (www.KLB.com.tw).

(VIII) Other significant information that will provide a better understanding of the state of the company's implementation of corporate governance:

1. The Company's officers regularly participate in training on corporate governance-related courses. The further study and training provided in 2022 are as follows:

Title	Name	Date	Organizer	Name of course	Number of hours of further education
Chairman	Lee Yao-Min	May 3, 2022	Taiwan Corporate Governance Association	Corporate Legal Compliance and Supervisory Obligations of Directors	3 hours
		August 11, 2022	Taiwan Corporate Governance Association	Mastering the Global Economic Situation and Technological Trends	3 hours
President	Lee Jui-Chun	May 3, 2022	Taiwan Corporate Governance Association	Corporate Legal Compliance and Supervisory Obligations of Directors	3 hours
		August 5, 2022	Taiwan Corporate Governance Association	Mastering the Global Economic Situation and Technological Trends	3 hours
Assistant General Manager, Finance Department	Liu Huang-Wei	November 24, 2022 to November 25, 2022	Accounting Research and Development Foundation	Continuous Training Class for Accounting Supervisors of Issuers' Securities Firms and Stock Exchanges	12 hours
Deputy of Accounting Supervisor	Hung, Hsiang-Cheng	July 22, 2022	Accounting Research and Development Foundation	ESG Information Disclosure Trends and Related Regulations	3 hours
		July 25, 2022	Accounting Research and Development Foundation	Prevention and Resolution of Withholding Tax Disputes Arising From Cross-border Transactions	3 hours
		November 23, 2022	Accounting Research and Development Foundation	Common Deficiencies in Financial Report Review and Practical Analysis of Important Internal Control Regulations	3 hours
Chief Auditor	Liao Chi-Neng	September 28, 2022	Computer Audit Association of the Republic of China	Practice Class for Collecting Fraud Data in the Database	7 hours
		November 21, 2022	Internal Audit Association of the Republic of China	How to Adjust the Internal Control System to Respond to the New ESG Standards	6 hours
Audit Representative	Shih Mei-Yu	September 20, 2022	Accounting Research and Development Foundation	Internal Auditors' Audit and Control Practices for "Information Security"	6 hours
		November 16, 2022	Internal Audit Association of the Republic of China	Notes and Practical Analysis on "Shareholders' Meeting" and "Company Act"	6 hours

2. The environmental safety training of the Company's personnel and related licenses obtained in 2022 are as follows:

Date	Organizer	Name of course or licenses obtained	Number of hours of further education	Department
July 9, 2020	SAHTECH	On-the-job education and training for supervisors of occupational safety and health	Within two years	President's Office
July 17, 2020	Taiwan Changchun Group	Training for fire prevention management staff	Within three years	Plant Affairs Department
July 26, 2020	Industrial Safety and Health Association of the R.O.C	Education and training on safety and health for supervisors of organic solvent operations	Within three years	Plant Affairs Department
July 28, 2020	Industrial Safety and Health Association of the R.O.C	Education and training on safety and health for supervisors of organic solvent operations	Within three years	Plant Affairs Department
September 21, 2020	Taiwan Boiler Association	Training for fire prevention management staff	Within three years	Plant Affairs Department
November 26, 2020	Industrial Safety and Health Association of the R.O.C	Health and Safety of Specific Chemical Substance Operation Supervisors On-the-job training	Within three years	Plant Affairs Department
March 16, 2021	Industrial Safety and Health Association of the R.O.C	On-the-job education and training on labor safety and health for first responders	Within two years	Quality Research Department
August 19, 2021	Industrial Safety and Health Association of the R.O.C	On-the-job education and training on safety and health for supervisors of dust work	Within three years	Plant Affairs Department
October 15, 2021	Taiwan Boiler Association	Education and training on safety and health for supervisors of anoxic operations	Within three years	Plant Affairs Department
October 30, 2021	Labor Safety & Health Management Association	On-the-job education and training on safety and health for supervisors of lead operations	Within three years	Plant Affairs Department
November 18, 2021	Taiwan Boiler Association	Education and training on safety and health for forklift operators with a load of one ton or more	Within three years	Plant Affairs Department
January 10, 2022	Industrial Safety and Health Association of the R.O.C	On-the-job education and training on labor safety and health for first responders	Within three years	Export Sales Department
March 11, 2022	Taiwan Boiler Association	Education and training on safety and health for forklift operators with a load of one ton or more	Within three years	Production Management Department
				Plant Affairs Department
April 8, 2022	Industrial Safety and Health Association of the R.O.C	On-the-job education and training on labor safety and health for first responders	Within three years	President's Office
April 25, 2022	Industrial Safety and Health Association of the R.O.C	On-the-job education and training on safety and health for supervisors of specific chemical operations	Within three years	Plant Affairs Department
April 25, 2022	Industrial Safety and Health Association of the R.O.C	Education and training on safety and health for supervisors of organic solvent operations	Within three years	Plant Affairs Department
August 4, 2022	Taiwan Boiler Association	Education and training on safety and health for forklift operators with a load of one ton or more	Within three years	Production Management Department
				Plant Affairs Department
September 20, 2022	Nantou County Government	On-the-job education and training for supervisors of occupational safety and health	Within two years	Domestic Sales Department
October 12, 2022	Nantou County Government	Supervisors of type A labor safety and health operations	Within two years	President's Office

Date	Organizer	Name of course or licenses obtained	Number of hours of further education	Department
December 14, 2022	Environmental Protection Personnel Training Institute of Environmental Protection Department, Executive Yuan	Class B air pollution prevention technician	Within two years	Plant Affairs Department

(IX) Implementation of an internal control system:

1. Statement of Internal Control System:

Kung Long Batteries Industrial Co., Ltd.
Internal Control System Statement

Date: March 24, 2023

The Company declares the following concerning its internal control system during the fiscal year 2022, based on the findings of a self-assessment:

- I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of Directors and Company Officer of the Company. As such, the Company has established the aforementioned system. Its objectives are to provide reasonable assurance for the effectiveness and efficiency of its operations (including profitability, performance, and the guarantee of assets safety, etc.), reliable, timely and transparent reporting, and conformity to applicable rules, regulations, and laws.
- II. The internal control system has its inherent limitations. Regardless of how exhaustive the design is, an effective internal control system can only provide reasonable assurance for the achievement of the aforementioned three objectives. Further, due to changes in the environment or circumstances, the effectiveness of the internal control system may vary accordingly. Nevertheless, the Company's internal control system has set up a self-supervision mechanism. Once a deficiency has been identified, the Company will take immediate remedial actions.
- III. In accordance with the determining criteria for the effectiveness of the internal control system prescribed in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereafter the "Regulations"), the Company evaluated the effectiveness of the design and execution for its internal control system. The determining criteria of the internal control system prescribed in the "Regulations" are based on the process of management control, dividing the internal control system into five composite factors:
 1. Control of the environment, 2. Risk evaluation, 3. Control of operations, 4. Information and communication, and 5. Supervision.The composition of each element includes several items. Please refer to the "Regulations" for the aforesaid items.
- IV. The Company has adopted the aforementioned determining criteria of the internal control system to evaluate the effectiveness of the design and execution for its own internal control system.
- V. Based on the evaluation result of the preceding paragraph, the Company believes that its internal control system (including the supervision and management of its subsidiaries) as of December 31, 2021, including understanding the achievement for the objectives of effectiveness and efficiency of its operations, reliability, timeliness and transparency of its reporting and compliance with the applicable law and regulations, was effective in design and execution, and can be reasonably assured of the achievement of the aforementioned objectives.
- VI. This Statement will serve as the main content of the Company's annual report and prospectus and will be made available to the public. If the aforesaid public content has any illegal events including falseness or concealment etc., it shall be liable to the legal liabilities stipulated in Article 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Statement was approved by the Board of Directors on March 24, 2023. Among the nine attending directors, none expressed objections, and all agreed with the Statement.

Kung Long Batteries Industrial Co., Ltd.

Chairman: Lee Yao-Min Signature

President: Lee Jui-Chun Signature

2. CPA audit report, where a CPA was engaged to carry out a special audit of the internal control system: None.

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

(XI) In the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, important resolutions adopted at the shareholders' meeting or board of directors meeting:

1. Important resolutions adopted at the 2022 shareholders' meeting and implementation:

Date of meeting	Important resolutions and implementation	
	Important Resolution	Implementation Status
June 17, 2022	1. Ratification of the motion for the 2021 statement of accounts.	Motion approved by the shareholders' meeting and has been announced on the MOPS and the Company's website.
	2. Ratification of the motion for the 2021 earnings distribution.	Bonus to shareholders resolved-NT\$7 per share in cash. The ex-dividend base date was set on August 23, 2022 and cash dividends were fully paid on September 12, 2022.
	3. Motion to discuss the amendment to the Company's "Articles of Incorporation", "Rules of Procedure for Shareholders' Meetings", and "Procedures for the Acquisition and Disposal of Assets".	Motion approved by the shareholders' meeting and has been announced on the MOPS and the Company's website.

2. Important resolutions adopted at the Board meeting between 2022/01/01-2023/05/03

Board of Directors meeting	Motion content and subsequent handling	Matters listed in Article 14-3 of the Securities and Exchange Act	Independent directors who expressed any objection or reservation
4th meeting of the 12th term January 14, 2022	1. Passed the motion for the independence evaluation of the Company's CPAs.	V	-
	2. Passed the motion for the fees of the Company's CPAs.	V	-
	3. Passed the motion for the Company to apply for a loan facility from a bank for operational turnover.	-	-
	4. Passed the motion for the Company's 2022 operating plan and budget.	-	-
	5. Passed the motion for the distribution of director remuneration and	V	-

Board of Directors meeting	Motion content and subsequent handling	Matters listed in Article 14-3 of the Securities and Exchange Act	Independent directors who expressed any objection or reservation
	employee remuneration for 2021 as well as the estimated distribution rates for director remuneration and employee remuneration for 2022 in accordance with the Articles of Incorporation.		
	6. Passed the motion for the amount of 2020 employee remuneration and 2021 year-end bonus to the Company's officers and chief auditor.	V	-
	7. Passed the motion for the contents of the remuneration and payment for the Company's directors.	V	-
	8. Passed the motion for the contents of the remuneration and payment for the Company's officers and chief auditor.	V	-
	Opinions expressed by independent directors: None.		
	How the Company responded to such opinions: None.		
	Resolution: Passed by all directors present		
5th meeting of the 12th term March 22, 2022	1. Passed the motion for the Company's 2021 report on the self-evaluation of the internal control and the Statement on Internal Control.	V	-
	2. Passed the motion for the Company's 2021 business report, parent company only financial report, and consolidated financial report.	-	-
	3. Passed the motion for the distribution of 2021 employees' remuneration and directors' remuneration.	V	-
	4. Passed the motion for the Company's 2021 earnings distribution scheme.	-	-
	5. Passed the motion for the time, venue, and motions for the Company's 2022 general shareholders' meeting.	-	-
	Opinions expressed by independent directors: None.		
	How the Company responded to such opinions: None.		
	Resolution: Passed by all directors present		
6th meeting of the 12th term May 3, 2022	1. Passed the motion for the appointment of the corporate governance director.	-	-
	2. Passed the motion for the Company's consolidated financial report for the first quarter of 2022.	-	-
	3. Passed the motion for amendment to the Company's "Articles of Incorporation".	V	-
	4. Passed the motion for amendment to the Company's "Rules of Procedure for Shareholders' Meetings".	V	-
	5. Passed the motion for amendment to the Company's "Procedures for the Acquisition and Disposal of Assets".	V	-
	6. Passed the motion for the new motions for the 2022 general shareholders' meeting.	-	-
	Opinions expressed by independent directors: None.		
	How the Company responded to such opinions: None.		
	Resolution: Passed by all directors present		
7th meeting of the 12th term August 5, 2022	1. Passed the motion for the Company's consolidated financial report for the second quarter of 2022.	-	-
	2. Passed the motion for the Company's "Management Rules for the Internal Control System".	V	-
	3. Passed the motion for subsidiary Le Long Vietnam Co., Ltd. to increase capital from earnings.	-	-
	4. Passed the motion for the 2021 directors' remuneration payment.	V	-
	Opinions expressed by independent directors: None.		
	How the Company responded to such opinions: None.		

Board of Directors meeting	Motion content and subsequent handling	Matters listed in Article 14-3 of the Securities and Exchange Act	Independent directors who expressed any objection or reservation
	Resolution: Passed by all directors present		
8th meeting of the 12th term November 4, 2022	1. Passed the motion for the Company's consolidated financial report for the third quarter of 2022.	-	-
	2. Passed the motion for the Company's 2023 audit plan for the internal control system.	V	-
	3. Passed the motion for amendment to the Company's Management Rules for the Internal Control System.	V	-
	4. Passed the motion for amendment to the Company's "Corporate Governance Best-Practice Principles" and "Corporate Social Responsibility Best-Practice Principles".	V	-
	5. Passed the motion for directors' liability insurance coverage.	V	-
	Opinions expressed by independent directors: None.		
	How the Company responded to such opinions: None.		
	Resolution: Passed by all directors present		
9th meeting of the 12th term January 13, 2023	1. Passed the motion for amendment to the Company's "Corporate Governance Best-Practice Principles".	V	-
	2. Passed the motion for the independence and suitability evaluation of the Company's certifying CPAs.	V	-
	3. Passed the motion for the Company's application for loan facilities from banks for operational turnover.	-	-
	4. Passed the motion for the Company's 2023 business plan and budget.	-	-
	5. Passed the motion for the amounts of the Company's directors' remuneration and employees' remuneration for 2022 and the estimated distribution ratios for 2023.	V	-
	6. Passed the motion for the amount of 2021 employees' remuneration and 2022 year-end bonus to the Company's managers and chief auditor.	V	-
	7. Passed the motion for the contents of the remuneration and payment for the Company's directors.	V	-
	8. Passed the motion for the contents of the remuneration and payment for the Company's managers and chief auditor.	V	-
	Opinions expressed by independent directors: None.		
	How the Company responded to such opinions: None.		
	Resolution: Passed by all directors present		
10th meeting of the 12th term March 24, 2023	1. Passed the motion for the Company's 2022 report on the self-evaluation of the internal control and the Statement on Internal Control.	V	-
	2. Passed the motion for the Company's 2022 business report, parent company only financial report, and consolidated financial report.	-	-
	3. Passed the motion for the distribution of 2022 employees' remuneration and directors' remuneration.	V	-
	4. Passed the motion for the Company's 2022 earnings distribution scheme.	-	-
	5. Passed the motion for the time, venue, and motions for the Company's 2023 general shareholders' meeting.	-	-
	Opinions expressed by independent directors: None.		
How the Company responded to such opinions: None.			
	Resolution: Passed by all directors present		
11th meeting of the 12th term May 3, 2023	1. Passed the motion for the Company's consolidated financial report for the first quarter of 2023.	-	-
	2. Passed the motion for amendment to the Company's "Corporate	V	-

Board of Directors meeting	Motion content and subsequent handling	Matters listed in Article 14-3 of the Securities and Exchange Act	Independent directors who expressed any objection or reservation
	Governance Best-Practice Principles” and “Sustainable Development Best-Practice Principles”.		
	3. Passed the motion for the Company’s the issuance rules of restricted stock awards, it is approved to cancel the shares while employees granted of restricted stock awards fail to meet vesting conditions and fix the record date of capital reduction.	-	-
	Opinions expressed by independent directors: None.		
	How the Company responded to such opinions: None.		
	Resolution: Passed by all directors present		

(XII) In the most recent fiscal year or during the current fiscal year up to the date of publication of the Annual Report, if any director has expressed an objection to an important resolution passed by the Board meeting with the objection recorded in writing, disclose the principal content thereof:

None.

(XIII) A summary of resignations of the company’s chairman, president, head of accounting, head of finance, chief internal auditor, head of corporate governance, and chief R&D officer in the most recent year and up to the date of publication of the Annual Report:

None.

V. Information on the professional fees of the attesting CPAs:

Name of accounting firm	Name of CPA	Audit period	Audit fee	Non-audit fee	Total	Remark
PwC Taiwan	Hsu Chien-Yeh Wu Sung-Yuan	2022.01.01-2022.12.31	NT\$2,160 thousand	NT\$560 thousand	NT\$2,720 thousand	None

(I) Non-audit fees were for the provision of income tax audit and transfer-pricing consulting services for the profit-making business.

(II) Audit fee for the change of accounting firms paid in the year is less than the previous year, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

(III) Over 10% decrease in audit fees on a year-to-year basis, the decreased amount, percentage and reason of the audit fee shall be disclosed: None.

VI. Information on Replacement of Certifying CPAs: None.

VII. Where the company's chairman, president, or any company officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise: None.

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

(I) Any transfer of equity interests and/or pledge of or change in equity interests by a director, company officer, or shareholder with a stake of more than 10 percent:

Unit: thousand shares

Title	Name	2022		2023 up to April 15	
		Increase (decrease) in shareholding	Increase (decrease) in pledged shares	Increase (decrease) in shareholding	Increase (decrease) in pledged shares
Chairman	Lee Yao-Min	-	-	-	-
Director	Lee Jui-Chun	(2,774)	-	47	-
Director	Shi Hwei-Yow	-	-	-	-
Director	Mao Long Investments Limited	20	-	-	-
	Representative: Chen Shou-Shin	-	-	-	-
Director	Mao Long Investments Limited	20	-	-	-
	Representative: Tsai, Chang-Shou	-	-	-	-
Director	Mao Long Investments Limited	20	-	-	-
	Representative: Chiang, Yen-Hung	-	-	-	-
Independent director	Wang Cho-Chun	-	-	-	-
Independent director	Yang Wen-Goang	-	-	-	-
Independent director	Tsai Chi-Neng	-	-	-	-
Vice President	Yang Jui-Hsiang	7	-	3	-
Vice president, Management Department	Lee Jui-Ting	2	-	2	-
Assistant General Manager, Finance Department	Liu Huang-Wei	3	-	3	-
Assistant General Manager, Quality Research Department	Chen Chien-Lang	3	-	3	-
Assistant General Manager, Export Sales Department	Hung Chieh-Yu	3	-	1	-

Assistant General Manager, Domestic Sales Department	Chen Chih- Hsiung	2	-	2	-
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- (II) Information on the transfer of the shares of counter-parties of the equity transfer or equity pledge are related parties who are directors, managers and shareholders with a stake of more than 10 percent: None.
- (III) Information on the transfer of the shares of counter-parties of the equity pledge are related parties who are directors, managers and shareholders with a stake of more than 10 percent: None.

IX. Relationship information, if the company's top 10 shareholders are related parties or relatives within the second degree of kinship:

April 15, 2023

Name	Number of shares held		Shareholding of Spouses and Minor Children		Total number of shares held in the name of others		Names and relationships between the top ten shareholders including spouses, second degree of kinship of another.		Remark
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Title (or name)	Relationship	
Fubon Life Insurance Co., Ltd.	6,500,000	7.92	-	-	-	-	None	-	-
Person in charge: Tsai Ming-Hsing	0	0.00	-	-	-	-	None	-	-
Lee Jui-Chun	5,857,802	7.14	2,061,000	2.51	2,998,000	3.65	Lee Yao-Min	Father	-
							Tsai Hsiang-Pei	Mother	
							Lee Jui-Ting	Brother	
							Lee Chung-Chen	Son	
Tsai Hsiang-Pei	3,960,770	4.83	3,344,951	4.08	-	-	Lee Yao-Min	Husband	-
							Lee Jui-Chun	Son	
							Lee Jui-Ting	Son	
							Lee Chung-Chen	Grandchild	
Lee Jui-Ting	3,498,089	4.26	-	-	-	-	Lee Yao-Min	Father	-
							Tsai Hsiang-Pei	Mother	
							Lee Jui-Chun	Brother	
Lee Yao-Min	3,344,951	4.08	3,960,770	4.83	-	-	Tsai Hsiang-Pei	Wife	-
							Lee Jui-Chun	Son	
							Lee Jui-Ting	Son	
							Lee Chung-Chen	Grandchild	

Name	Number of shares held		Shareholding of Spouses and Minor Children		Total number of shares held in the name of others		Names and relationships between the top ten shareholders including spouses, second degree of kinship of another.		Remark
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Title (or name)	Relationship	
Min Chung Investments Co., Ltd.	2,998,000	3.65	-	-	-	-	None	-	-
Person in charge: Lee Jui-Chun	5,857,802	7.14	2,061,000	2.51	2,998,000	3.65	Lee Yao-Min Tsai Hsiang-Pei Lee Jui-Ting Lee Chung-Chen	Father Mother Brother Son	-
Standard Chartered as custodian of LGT Bank	2,034,210	2.48	-	-	-	-	None	-	-
Lee Chung-Chen	1,991,000	2.42	-	-	-	-	Lee Yao-Min Tsai Hsiang-Pei Lee Jui-Chun	Grandfather Grandmother Father	-
Citibank as custodian of Yuanta Securities (Hong Kong) Company Limited	1,971,864	2.40	-	-	-	-	None	-	-
Mao Long Investments Limited	1,884,469	2.30	-	-	-	-	None	-	-
Person in charge: Tsai Hsiang-Pei	3,960,770	4.83	3,344,951	4.08	-	-	Lee Yao-Min Lee Jui-Chun Lee Jui-Ting Lee Chung-Chen	Husband Son Son Grandchild	-

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

Unit: thousand shares

Investment business (Long-term investment accounted for using the equity method)	The Company's investment		Investment by directors, company officers and any companies controlled either directly or indirectly by the company		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Le Long Vietnam Co., Ltd.	32,000	100%	-	-	32,000	100%
Kung Long International Ltd.	2,170	100%	-	-	2,170	100%

Four. Capital Raising

I. Company capital and shares

(I) Source of share capital:

Year/ month	Issue price	Authorized share capital		Paid-up capital		Remark		
		Number of shares	Amount (NT\$)	Number of shares	Amount (NT\$)	Source of share capital	Offset by any property other than cash	Other
January 1990	1,000	8,160	8,160,000	8,160	8,160,000	Registration of establishment	-	-
October 1990	1,000	29,880	29,880,000	29,880	29,880,000	Capital increase by cash	-	-
May 1994	1,000	60,000	60,000,000	60,000	60,000,000	Capital increase by cash	-	-
October 1997	1,000	120,000	120,000,000	120,000	120,000,000	Capital increase by cash	-	-
May 1999	10	16,000,000	160,000,000	16,000,000	160,000,000	Capital increase from earnings NT\$40,000,000	-	-
July 1999	10	36,000,000	360,000,000	36,000,000	360,000,000	Capital increase for merger NT\$200,000,000	-	(88) Tai-Cai-Zhen (I) Letter No.63141
September 2000	10	54,700,000	547,000,000	40,680,000	406,800,000	Capital increase from earnings NT\$46,800,000	-	(89) Tai-Cai-Zhen (I) Letter No.70273
May 2001	10	54,700,000	547,000,000	46,300,000	463,000,000	Capital increase from earnings NT\$56,200,000	-	(90) Tai-Cai-Zhen (I) Letter No.121889
August 2002	10	54,700,000	547,000,000	51,230,000	512,300,000	Capital increase from earnings NT\$49,300,000 (including employee bonus NT\$3,000,000)	-	(91) Tai-Cai-Zhen (I) Letter No.128147
August 2002	10	62,000,000	620,000,000	58,230,000	582,300,000	Capital increase by cash NT\$70,000,000	-	Tai-Cai-Zhen (I) Letter No.0910128148
August 2003	10	100,000,000	1,000,000,000	64,353,000	643,530,000	Capital increase from earnings NT\$61,230,000 (including employee bonus NT\$3,000,000)	-	Tai-Cai-Zhen (I) Letter No.0920131075
October 2005	10	100,000,000	1,000,000,000	66,000,000	660,000,000	Capital increase from earnings NT\$16,470,000	-	Jing-Shou-Shang- Zi Letter No.09401198960
May 2008	10	100,000,000	1,000,000,000	66,663,877	666,638,770	Company bonds converted to shares for NT\$6,638,770	-	Jing-Shou-Shang- Zi Letter No.09701123260
September 2008	10	100,000,000	1,000,000,000	67,138,874	671,388,740	Company bonds converted to shares for NT\$4,749,970	-	Jing-Shou-Shang- Zi Letter No.09701234940
May 2010	10	100,000,000	1,000,000,000	73,827,274	738,272,740	Company bonds converted to shares for NT\$66,884,000	-	Jing-Shou-Shang- Zi Letter No.09901091450

Year/ month	Issue price	Authorized share capital		Paid-up capital		Remark		
		Number of shares	Amount (NT\$)	Number of shares	Amount (NT\$)	Source of share capital	Offset by any property other than cash	Other
June 2010	10	100,000,000	1,000,000,000	73,974,812	739,748,120	Company bonds converted to shares for NT\$1,475,380	-	Jing-Shou-Shang-Zi Letter No.09901122280
October 2010	10	100,000,000	1,000,000,000	74,683,001	746,830,010	Company bonds converted to shares for NT\$7,081,890	-	Jing-Shou-Shang-Zi Letter No.09901226710
December 2010	10	100,000,000	1,000,000,000	75,937,345	759,373,450	Company bonds converted to shares for NT\$12,543,440	-	Jing-Shou-Shang-Zi Letter No.09901282230
May 2011	10	100,000,000	1,000,000,000	79,885,055	798,850,550	Company bonds converted to shares for NT\$39,477,100	-	Jing-Shou-Shang-Zi Letter No.10001088080
June 2011	10	100,000,000	1,000,000,000	80,365,890	803,658,900	Company bonds converted to shares for NT\$4,808,350	-	Jing-Shou-Shang-Zi Letter No.10001126230
October 2011	10	100,000,000	1,000,000,000	81,501,771	815,017,710	Company bonds converted to shares for NT\$11,358,810	-	Jing-Shou-Shang-Zi Letter No.10001228140
October 2011	10	100,000,000	1,000,000,000	81,585,394	815,853,940	Company bonds converted to shares for NT\$836,230	-	Jing-Shou-Shang-Zi Letter No.10001241580
December 2015	10	100,000,000	1,000,000,000	81,785,394	817,853,940	Issuance of restricted stock awards by NT\$2,000,000	-	Jing-Shou-Shang-Zi Letter No.10401275750
December 2020	10	100,000,000	1,000,000,000	82,068,394	820,683,940	Issuance of restricted stock awards by NT\$2,830,000	-	Jing-Shou-Shang-Zi Letter No.10901243570
March 2021	10	100,000,000	1,000,000,000	82,066,394	820,663,940	Issuance of restricted stock awards by NT\$20,000	-	Jing-Shou-Shang-Zi Letter No.11001057910

April 15, 2023

Type of shares	Authorized share capital			Remark
	Outstanding shares (Note)	Unissued shares	Total	
Ordinary shares	82,066,394	17,933,606	100,000,000	-

Note: Current listed outstanding. The Company was listed on January 22, 2002.

(II) Shareholder structure:

April 15, 2023

Shareholder structure Amount	Government agency	Financial institution	Other legal entities	Individual	Foreign institutions and foreigners	Total
Number of people	-	5	283	14,579	144	15,011
Number of shares held	-	8,766,000	11,130,884	47,835,305	14,334,205	82,066,394
Shareholding ratio	-	10.68%	13.56%	58.29%	17.47%	100%

Note: Shareholding ratio of the Company's investment in China: 0%.

(III) Dispersion of equity ownership:

April 15, 2023

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio %
1 ~ 999	7,116	364,023	0.44
1,000 ~ 5,000	6,729	12,046,764	14.68
5,001 ~ 10,000	606	4,823,499	5.88
10,001 ~ 15,000	194	2,466,007	3.00
15,001 ~ 20,000	102	1,875,625	2.29
20,001 ~ 30,000	94	2,421,587	2.95
30,001 ~ 40,000	32	1,152,994	1.41
40,001 ~ 50,000	30	1,387,732	1.69
50,001 ~ 100,000	48	3,285,941	4.00
100,001 ~ 200,000	20	2,795,514	3.41
200,001 ~ 400,000	13	3,203,050	3.90
400,001 ~ 600,000	7	3,299,541	4.02
600,001 ~ 800,000	5	3,454,331	4.21
800,001 ~ 1,000,000	3	2,639,631	3.22
Over 1,000,001 shares	12	36,850,155	44.90
Total	15,011	82,066,394	100.00

(IV) List of major shareholders:

April 15, 2023

Shares Name of major shareholder	Number of shares held	Sharehold ing ratio (%)
Fubon Life Insurance Co., Ltd.	6,500,000	7.92
Lee Jui-Chun	5,857,802	7.14
Tsai Hsiang-Pei	3,960,770	4.83
Lee Jui-Ting	3,498,089	4.26
Lee Yao-Min	3,344,951	4.08
Min Chung Investments Co., Ltd.	2,998,000	3.65
Standard Chartered as custodian of LGT Bank	2,034,210	2.48
Lee Chung-Chen	1,991,000	2.42
Citibank as custodian of Yuanta Securities (Hong Kong) Company Limited	1,971,864	2.40
Mao Long Investments Limited	1,884,469	2.30
Total	34,041,155	41.48

(V) Share prices for the last two years, together with the company's net worth per share, earnings per share, dividends per share, and related information:

Unit: NT\$

Item		Year			
		2021	2022	2023 March 31 (Note 1)	
Market price per share	Highest	160.50	147.00	144.00	
	Lowest	136.00	130.00	136.00	
	Average	143.64	137.84	139.79	
Net value per share	Before distribution	46.14	52.94	54.31	
	After distribution	39.14	52.94 (Note 2)	—	
Earnings per share	Weighted average number of shares (thousand shares)		81,829	81,879	81,908
	Earnings per share	Before retrospective adjustment	7.58	10.77	1.48
		After retroactive adjustment	—	—	—
Dividend per share	Cash dividends		7.00	10.00 (Note 2)	—
	Stock grants	Stock dividends from retained earnings	—	—	—
		Stock dividends from capital surplus	—	—	—
	Accumulated unpaid dividends		—	—	—
Return on investment analysis	P/E ratio		18.95	12.80	—
	P/D ratio		20.52	13.78	—
	Cash dividend yield		4.87%	7.25%	—

Note 1: Net value per share and earnings per share are data reviewed by CPAs as of 2023Q1 and the remaining are data as of March 31, 2023.

Note 2: The 2022 earnings distribution scheme was proposed by the Board of Directors on March 24, 2023, but has not yet been resolved by the shareholders' meeting.

(VI) The Company's dividend policy and implementation status and an expected material change in dividend policy:

1. Dividend policy:

According to the provisions in Articles 22 and 22-1 of the Articles of Incorporation:

Article 22:

To motivate the employees and management team, if the Company records a profit (defined as gains before tax after deducting remuneration to employees and directors), not less than 2% of the profit shall be distributed as employee remuneration and not less than 5% of the profit shall be distributed as director remuneration.

When employee remuneration is distributed in the form of stock or cash, a resolution shall be adopted by approval of two-thirds of the directors at a meeting attended by more than half of the directors, and reported to the shareholders' meeting.

Employee remuneration in the form of stock or cash shall be distributed to employees who meet certain specific requirements. The requirements are set by the Board of Directors.

Article 22-1:

Where there are earnings for the year, in addition to paying taxes and making up for losses as required by law, 10% of the remaining earnings shall be set aside as legal reserve. In addition, after a special reserve is set aside or reserved in accordance with the relevant laws and regulations, the Board of Directors shall propose a motion for the distribution of the remaining earnings along the undistributed earnings at the beginning of the period for resolution at the shareholders' meeting, to be submitted to the shareholders' meeting for resolution.

As the Company is in the stage where growth is stable, the interests of shareholders, the financial structure and long-term development of the Company are taken into account, the total amount of bonus to shareholders shall be 20% to 80% of the accumulated distributable earnings and cash dividends shall not be less than 10% of the total dividends to shareholders.

2. Dividend distribution proposed at the shareholders' meeting for 2023:

As resolved by the Board meeting on March 24, 2023, it will be proposed to the shareholders' meeting of the Company to distribute a bonus in cash to shareholders of NT\$819,365,940 at NT\$10 per share. If subsequently the number of the outstanding shares is affected by any change in the Company's share capital which results in a change in the shareholder dividend payout ratio, it is proposed that the chairman be authorized by the annual general meeting to handle the related matters.

3. Material change in dividend policy expected:

The dividend policy is handled in accordance with the Articles of Incorporation and there is no need for material change for now.

- (VII) The effect of the current bonus shares on the operating performance, EPS and return on shareholder's investment proposed at the shareholders' meeting:

Not applicable.

- (VIII) Remuneration to employees and directors:

1. The percentages or ranges with respect to employee and director remuneration, as set forth in the Company's Articles of Incorporation:

Pursuant to provisions in Article 22 of the Articles of Incorporation:

To motivate the employees and management team, if the Company records a profit (defined as gains before tax after deducting remuneration to employees and directors), not less than 2% of the profit shall be distributed as employee remuneration and not less than 5% of the profit shall be distributed as director remuneration.

When employee remuneration is distributed in the form of stock or cash, a resolution shall be adopted by approval of two-thirds of the directors at a meeting attended by more than half of the directors, and reported to the shareholders' meeting.

Employee remuneration in the form of stock or cash shall be distributed to employees who meet certain specific requirements. The requirements are set by the Board of Directors.

2. The basis for estimating the amount of employee and director remuneration, for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

(1) The estimated remuneration to employees is proposed to be paid in cash.

(2) The actual amount of distribution is different from the estimated amount, it is recorded as an adjustment to profit or loss in the year of distribution.

3. Remuneration passed by the Board meeting:

(1) Amount of employee remuneration and director remuneration distributed by cash or stocks:

As resolved by the Board meeting on March 24, 2023, the remuneration to employees this year is proposed to be NT\$39,724 thousand and the remuneration to directors this year is proposed to be NT\$20,725 thousand.

There was no difference between the remuneration to employees and directors recognized in the 2022 financial report.

- (2) The amount of any employee remuneration distributed in stocks, and that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial report for the current period and total employee remuneration: Not applicable, as the Board of Directors did not distribute stocks to employees.
4. The actual distribution of employee and director remuneration for the previous fiscal year (with an indication of the number of shares, amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee or director remuneration, additionally the discrepancy, cause, and how it is treated:

The bonus to shareholders - NT\$573,200,558 (NT\$7 per share) in cash resolved by the shareholders' meeting held on June 17, 2022. The remuneration to employees was NT\$28,227 thousand and remuneration to directors for 2021 was NT\$16,364 thousand. There was no difference between the remuneration to employees and directors recognized in the 2021 financial report.

(IX) Status of the company repurchasing its own shares: None.

II. Status of corporate bonds: None.

III. Preferred shares: None.

IV. Global depository receipts: None.

V. Employee share subscription warrants: None.

VI. Custodian of new restricted employee shares:

- (I) For all restricted stock awards for which the vesting conditions have not yet been met for the full number of shares up to the date of publication of the annual report and the effect on shareholders' equity: May 3, 2023

Type of restricted stock awards	1st restricted stock awards in 2020
Effective date of reporting	November 30, 2020
Date of issuance	December 15, 2020
Number of restricted stock awards issued	283,000 shares
Issue price	Paid subscription at issuance price of NT\$10
Ratio of the number of shares of restricted stock awards to the number of total issued shares	0.34% (Note 1)
Vesting conditions of restricted stock awards	<p>The set number of shares of employees is settled annually. The vesting ratios for each year are as follows:</p> <ol style="list-style-type: none"> 1. An employee still employed by the Company on February 20 of the following year after the issuance date of restricted stock awards, provided the employee did not commit a breach of contract or work rules in the first year with an appraisal grade of B+ or higher in the most recent year, the employee is 20% vested. 2. An employee still employed by the Company on February 20 of the second year after the issuance date of restricted stock awards, provided the employee did not commit a breach of contract or work rules in the second year with an appraisal grade of B+ or higher in the most recent year, the employee is 20% vested. 3. An employee still employed by the Company on February 20 of the third year after the issuance date of restricted stock awards, provided the employee did not commit a breach of contract or work rules in the third year with an appraisal grade of B+ or higher in the most recent year, the employee is 20% vested. 4. An employee still employed by the Company on February 20 of the fourth year after the issuance date of restricted stock awards, provided the employee did not commit a breach of contract or work rules in the fourth year with an appraisal grade of B+ or higher in the most recent year, the employee is 20% vested. 5. An employee still employed by the Company on February 20 of the fifth year after the issuance date of restricted stock awards, provided the employee did not commit a breach of

	contract or work rules in the fifth year with an appraisal grade of B+ or higher in the most recent year, the employee is 20% vested.
Restricted rights of restricted stock awards	<ol style="list-style-type: none"> 1. Before the vesting conditions are met after awarding restricted stock awards, employees may not sell, pledge, transfer, donate, or request the Company to buy back or dispose of said restricted stock awards for other means, except for inheritance. 2. Attendance, proposals, speaking, and voting and election rights at a shareholders' meeting are subject to the Trust Custodian Agreement. 3. Pursuant to these Rules, employees who are granted with restricted stock awards before vesting conditions are met, in addition to participating in stock dividend allocation, other rights and benefits of such employees are the same as those with the Company's issued common shares (including, but not limited to, any rights and benefits granted to employees as a result of share options for capital increase by cash, capital reductions, and/or mergers, demergers, or share conversions, collectively referred to as "allocated rights and benefits"). Rights and benefits granted are not required to be held in custody by trust and are not restricted to the vesting period. 4. Other agreements: <ol style="list-style-type: none"> (1) Restricted stock awards must be delivered to the trust for custody immediately after issuance. Before the vesting conditions are met, employees may not request the trustee to return the restricted stock awards for any reason or in any way. (2) During the period where restricted stock awards are delivered to the trust, the Company shall have full authority to negotiate, sign, amend, extend, cancel, and terminate (included by not limited to) the trust agreement or the delivery, application and termination of the instructions of the trust property between the Company and the stock trust agency.
Custodian of restricted stock awards	Delivered to the trust for custody
Handling method of employee who have not yet met the vesting conditions after being granted with or subscribed new shares	<ol style="list-style-type: none"> 1. Voluntary departure or dismissal: restricted stock awards without vested rights by an employee are deemed forfeited upon the date of departure. restricted stock awards granted to an employee who has not yet met the vesting conditions will be purchased and cancelled by the Company at the price originally issued in accordance with the law. 2. Retirement: Vesting rights of shares not yet vested by an employee are deemed to have lapsed upon the date of retirement. restricted stock awards granted to an employee who has not yet met the vesting conditions will be purchased and cancelled by the

	<p>Company at the price originally issued in accordance with the law.</p> <p>3. General death: restricted stock awards granted to an employee who has not yet met the vesting conditions will be purchased and cancelled by the Company at the price originally issued in accordance with the law.</p> <p>4. Leave without pay: Employees who are on leave without pay with special approval by the Company during the period when restricted stock awards are granted will be deemed to have not met the vesting conditions. Upon reinstatement of the employee, the chairman may approve the resumption of their restricted stock awards without vested rights and re-approve the number of shares, vesting rights conditions and period within the allocated number of shares in proportion to the actual period of employment. However, the period is subject to the vesting period of restricted stock awards (e.g., restricted period). After reinstatement, restricted stock awards granted to the employee on leave without pay who has not yet met the vesting conditions will be purchased and cancelled by the Company at the price originally issued in accordance with the law.</p> <p>5. Lay off: restricted stock awards without vested rights are deemed to have lapsed on the date of being laid off, and any shares that have not been vested during the year are purchased and cancelled by the Company at the original issue price in accordance with the law.</p> <p>6. Position transfer: Due to the Company's operation needs, if employees of the Company are required and approved by the Company to transfer to the Company's affiliates, where the transfer meets the vesting conditions stated in Article 5-2 of these Rules in the year, the chairman or the supervisor authorized by the chairman may approve the percentage and time limit for fulfilling the vesting conditions within the scope of the time limit and rate stated in Article 5-2 of these Rules. However, if an employee voluntarily requests to be transferred to an affiliate, his/her restricted stock awards are handled in accordance with "voluntary discharge or dismissal" stipulated in Article 5, paragraph 4, subparagraph 1 of these Rules.</p> <p>7. Occupational disasters: (1) Employees who are unable to continue working due to a physical disability resulting from an occupational disaster, the vesting conditions of his/her restricted stock awards not yet met may be vested earlier than the effective date of his/her departure. (2) For an employee who dies as a result of an occupational</p>
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	<p>disaster, the vesting conditions of his/her restricted stock awards not yet met may be vested earlier on the date of death to be received by his/her heir.</p> <p>8. Employees that fail to score B+ for their appraisal during the vesting period are deemed to have not met the vesting conditions. Any shares that have not been vested during the year are purchased and cancelled by the Company at the original issue price in accordance with the law.</p>
Number of restricted stock awards redeemed or repurchased	2,000 shares (Note 2)
Number of shares in which the restrictions on rights have been released	151,200 shares (Note 3)
Number of shares in which the restrictions on rights have not been released	129,800 shares
Ratio of the number of shares in which the restrictions on rights have not been released to the number of total issued shares (%)	0.16% (Note 4)
Effect on shareholders' equity	The Company expects that revenue will grow in the next few years. Based on this, the dilution of the Company's earnings per share in the next few years will not have material impact on the shareholders' equity.

Note 1: The calculation was based on the 82,068 thousand shares of capital registered at the Ministry of Economic Affairs of Taiwan on January 6, 2022.

Note 2: Based on the capital reduction date of March 22, 2021 and cancellation of registration was completed on April 7, 2021.

Note 3: The calculation was based on the number of shares in which the restrictions on rights were released on February 20, 2023.

Note 4: The calculation was based on the 82,066 thousand shares of capital registered at the Ministry of Economic Affairs of Taiwan on June 30, 2022.

(II) Names of the officers holding restricted stock awards and the top ten employees holding restricted stock awards and the status of acquisition as of the date of publication of the annual report:

1st restricted stock awards in 2020:

May 3, 2023

	Title	Name	Number of restricted stock awards acquired (thousand shares)	Ratio of the number of shares of restricted stock awards to the number of total issued shares (Note 1)	Restrictions on rights have been released				Restrictions on rights not yet released			
					Number of shares in which restrictions on rights have been released (thousand shares)	Issue price (NT\$)	Issue amount (NT\$ thousand)	The number of shares released to the number of total issued shares (Note 2)	Number of shares in which restrictions on rights have not yet been released (thousand shares)	Issue price (NT\$)	Issue amount (NT\$ thousand)	The number of shares not yet been released to the number of total issued shares (Note 2)
Manager	Vice President	Yang Jui-Hsiang	81	0.10%	48	10	480	0.06%	33	10	330	0.04%
	Vice president, Management Department	Lee Jui-Ting										
	Assistant General Manager, Finance Department	Liu Huang-Wei										
	Assistant General Manager, Quality Research Department	Chen Chien-Lang										
	Assistant General Manager, Export Sales Department	Hung Chieh-Yu										
	Assistant General Manager, Domestic Sales Department	Chen Chih-Hsiung										
Employees	Manager, Finance Department	Hung O-Mien	136	0.17%	66	10	660	0.08%	70	10	700	0.09%
	Manager, Finance Department	Hung O-Cheng										
	Manager, Export Sales Department	Lai O-Yi										
	Manager, Export Sales Department	Chang O-Chen										
	Manager, Domestic Sales Department	Liu O-Chien										
	Vice President, subsidiary	Lai O-Ren										
	Assistant General Manager, subsidiary	Huang O-Chen										
	Assistant General Manager, subsidiary	Huang O-Chiang										
	Assistant General Manager, subsidiary	Liu O-Chieh										
	Plant Director, subsidiary	Huang O-Chunng										
	Plant Director, subsidiary	Chang O-Hsiung										
	Manager, subsidiary	Tsai O-Cheng										
	Manager, subsidiary	He O-Pao										

	Manager, subsidiary	Chang O-Yu											
	Manager, subsidiary	Huang O-Liang											
	Manager, subsidiary	Chien O-Chin											

Note 1: The calculation was based on the 82,066 thousand shares of capital registered at the Ministry of Economic Affairs of Taiwan on June 30, 2022.

Note 2: The calculation was based on the number of shares in which the restrictions on rights were released on February 20, 2023.

VII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None.

VIII. Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: Not applicable.

Five. An Overview of Operations

I. Description of the business

(I) Scope of business:

1. Main contents of the Company's business
 - (1) Manufacturing, trading and domestic and international sales of various types of battery plates.
 - (2) Manufacturing and assembly of batteries for vehicles and motorcycles and hermetically sealed batteries.
 - (3) Trading of raw materials in the preceding paragraph.
 - (4) General import and export trade business.
 - (5) Processing and trading of various computer and peripheral devices and parts.
 - (6) Agent of tenders for domestic and foreign manufacturers for product quotation and distribution business.
 - (7) Power generation, transmission and distribution
 - (8) Domestic appliances manufacturing.
 - (9) Lighting equipment manufacturing.
 - (10) Data storage media units manufacturing.
 - (11) Wired communication equipment and apparatus manufacturing.
 - (12) Electronics components manufacturing.
 - (13) Battery manufacturing.

2. Main products and their operating weight:

Unit: NT\$ thousand

Item	2022	
	Revenue amount	Business weighting
Electronic sealed batteries	6,058,204	82.78%
Motorcycle batteries	1,012,093	13.82%
Car batteries	225,772	3.09%
Other	22,659	0.31%
Net operating income	7,318,728	100%

3. Current products and services:

We constantly drive the growth of business by creating more efficient, energy-saving, safer and eco-friendly mobile resources in order to break through the tradition of technology while meeting the demand of the customers and market. Not only are our products used to serve as secondary power for high-tech electronic products, they are also widely applied in everyday life. Our product line includes batteries for renewable

energy storage systems, communication switches and telecommunications rooms, UPS power supplies, batteries for electric vehicles, batteries for starting automobiles and motorcycles, and stop start batteries for motorcycles.

In 2020, our research and development focused on “development of ultra-high power long-life batteries”, “research on long cycle life lead-carbon electrode batteries”, “technology development for mass production of long-life stop start batteries”, “development of backup batteries for 4G and cloud data center base stations”, and “development of high-temperature batteries”.

“Development of ultra-high power long-life batteries” - in response to the rise of home office and delivery markets driven by COVID-19, the demand for IDC (Internet Data Center) redundancy has increase drastically. Based on this, the development for this year’s battery technology focused on “ultra-high power”, “long float life”, and “new assembly process”. The first batch of samples have been installed VNPT IDC Center for use and sent to customers in Russia for validation.

Alongside the development trend of energy issues around the world, there are more and more applications for renewable energy and energy stations. Based on this, the research and development this year focused on the “development of lead-carbon batteries for deep recycling green energy applications” and “research on long cycle life lead-carbon electrode batteries”. The initial research results show that the lead-carbon composite electrode has significantly improved the cycle life, which will be gradually applied in 2023 in green energy stations and energy storage stations.

With the introduction of 5G systems around the world coupled with the fact that cold room operations in SMR systems for carbon reduction applications are to be eliminated, the “development of backup batteries for 5G and cloud data center base stations” and the “development of high-temperature batteries” have become paramount. This year, we have optimized the material and process formula for high-temperature batteries which has begun to be applied in outdoor stations.

We have continued to develop the specifications for “motorcycle stop start batteries” by expanding the product specification line. In 2020, one more model of our products was approved by a large Japanese manufacturer and we expect to increase the mass production of said model for the Japanese motorcycle manufacturer in its Guangzhou plant in 2021.

In 2021, our research and development focused on projects of “development of ultra-high power long-life batteries”, “research on long cycle life lead carbon electrode batteries”, “technology development for mass production of long-life stop start batteries”, “development of backup batteries for cloud data center base stations”, and “development of high-temperature batteries for outdoor stations”.

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With the introduction of 5G systems around the world coupled with the fact that cold room operations in SMR systems for carbon reduction applications are to be eliminated, the “development of backup batteries for cloud data centers” and the “development of high-temperature batteries for outdoor base stations” have become paramount. The development focused on the optimization of the material and process formula for high-temperature batteries which has been applied to an outdoor base station in New Taipei City for 4 years, which is still properly operated.

We have continued to develop the specifications for “motorcycle stop start batteries” by expanding the product specification line. In 2021, one more model of our products was approved by a large Japanese manufacturer in Guangzhou. Validation work in other plants overseas is also underway.

In 2022, our research and development focused on projects of “development of ultra-high power long-life batteries”, “research on long cycle life lead carbon electrode batteries”, “technology development for mass production of long-life stop start batteries”, “development of backup

batteries for cloud data center base stations”, and “development of high-temperature batteries for outdoor stations”.

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4. New products under development and services:

- (1) “Long life ultra-high power batteries” - in response to the rise of home office and delivery markets driven by COVID-19, the demand for IDC (Internet Data Center) redundancy has increase drastically. Based on this, the development for this year’s battery technology focused on “ultra-high power”, “long float life”, and “new assembly process”. The development of WXL series products was completed this year for customers.
- (2) Continue with the development of the “long-life motorcycle stop start batteries” by expanding the product specification line. Validation work in other plants overseas is also underway.
- (3) In response to the global demand, we will develop “full gel batteries” and “AGM gel batteries” to be used for “5G and cloud data center base stations” and “high-temperature batteries”, deepening the application of the communications industry and strengthening the Company’s competitiveness.

- (4) We will research on lead-carbon battery technology for “lead-carbon batteries for deep recycling green energy applications” and “long cycle life lead carbon electrode batteries”. In doing this, we will be able to improve product quality and battery cycle life, increasing our competitive niche.
- (5) Develop highly reliable and high-performance " yacht batteries" for yacht applications in response to the new market demand.

(II) Industry Overview

1. Current status and development of the industry:

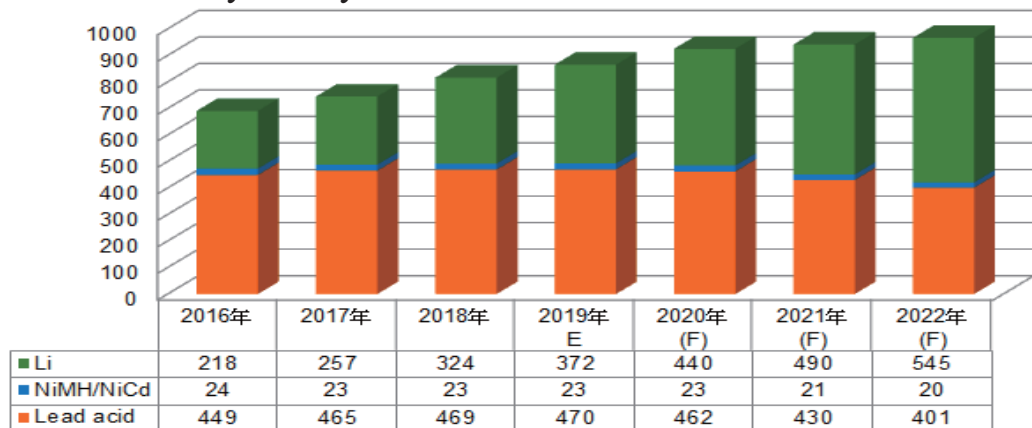
Lead-acid batteries have been around for over a decade and are a highly mature market. As lead-acid batteries have the advantages of low manufacturing cost, high quality and stability and wide range of applications. At present, lead-acid batteries are mostly used in uninterruptible power supplies (UPS), automobiles and motorcycles, and electric vehicles, medical equipment, and communications equipment. Lead-acid batteries are the most economical and safe secondary batteries as recognized internationally. The large amount of lead-acid batteries exported by China has made the market very competitive. Since China reduced its export tax rebate for lead-acid batteries to 0% from 13% in 2006, the cost of manufacturers in China has significantly increased, helping the overall industry enter into healthy competition and stable growth. The “entry condition” was promulgated in the lead-acid battery industry by China in 2012 to regulate and rectify the industry. After environmental remediation, the number of lead-acid battery manufacturers has been reduced from over 2,000 to nearly 300. In terms of production, commissioned processing, and import - 4% excise tax was imposed on lead-acid batteries on January 1, 2016. This has caused a considerable cost burden to Chinese lead-acid manufacturers.

It is a common goal to pursue environment protection and energy conservation. Nowadays, 3C products are mostly developed toward the trend of light, thin, short and small design, small secondary batteries in these 3C products naturally become an important key to the competitive niche or market attraction. The insufficiency of secondary battery power, battery volume, and flexible design of batteries have been the bottlenecks in product development. Coupled with the fact that Japanese manufacturers dominate the global battery market, the purchase cost of downstream vendors has always remained high. Due to this, major international battery manufacturers and R&D departments began to focus on the development of secondary batteries with features of high battery energy density, lighter weight, fast charging that are safe, economically efficient and eco-friendly. At present,

although expensive, lithium polymer batteries have been developed more than others as their life can be prolonged to 500-1,000 cycles.

In 2019, the global secondary battery market was estimated to reach USD86.5 billion, with lead-acid batteries accounting for USD47 billion. It was also estimated that the global secondary battery market in 2020 would reach USD94.1 billion, with lead-acid batteries accounting for USD43 billion. Although new nickel-metal hydride, lithium-ion, and lithium-iron batteries have entered the market, with considerations of high prices, size restrictions and security, they still yet to replace lead-acid batteries with high quality stability, safety, and wide range of applications. To reduce pollution in the environment, lead recovery and remanufacturing technology is used to overcome the environmental protection side of lead-acid batteries at present. We learn that lead-acid batteries are irreplaceable as they are not included among the hazardous substances banned by RoHS and WEEE.

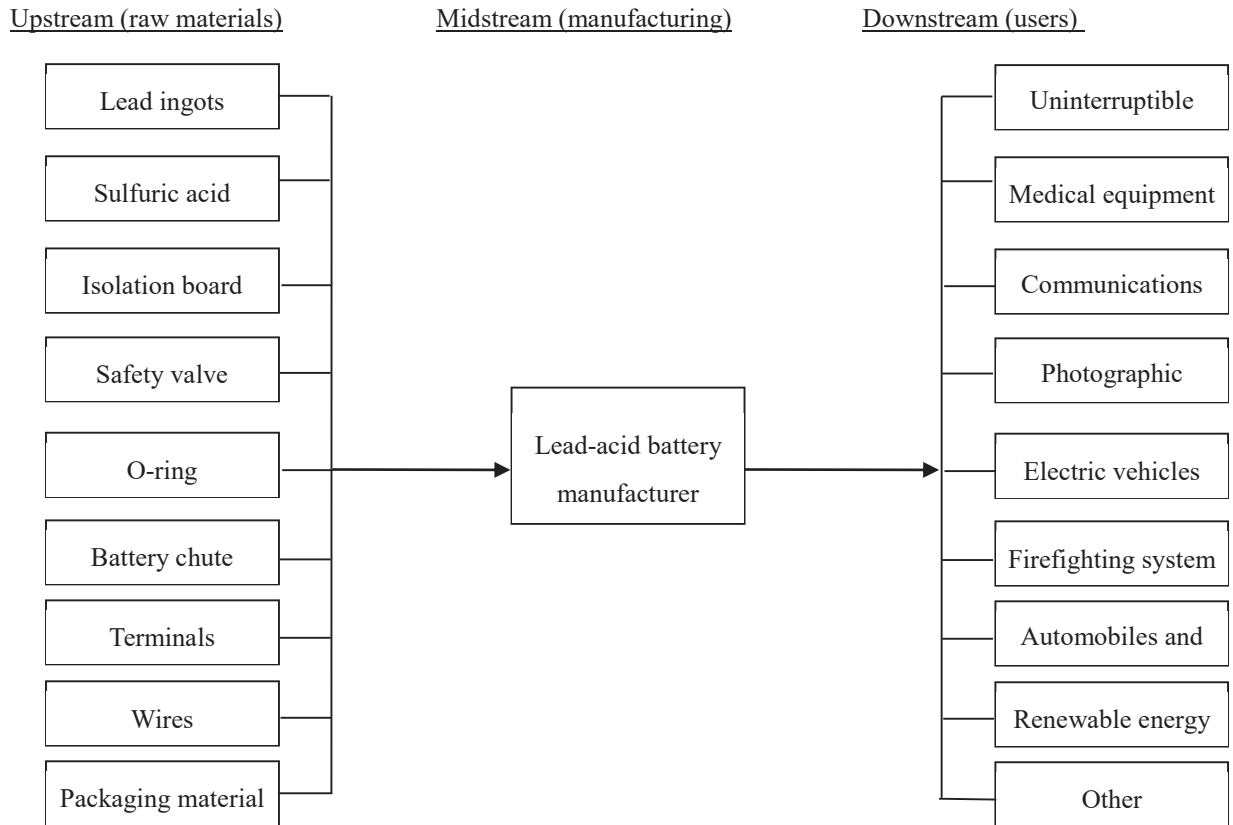
※ Global secondary battery market size:



Global Secondary Battery Market Size (Unit: USD100 million)

Source: IEK of ITRI (April 2019)

2. The links between the upstream, midstream, and downstream segments of the industry supply chain:



3. Development trends and competition of products:

With industrial standards progressing, transportation traffic rapidly growing and information products becoming more popular, the need to save spare energy has become more important. In addition to lead-acid batteries, most hybrid vehicles today use nickel metal hydride batteries, mainly due to safety and reliability. Given that nickel metal hydride batteries have disadvantages of power capacity, volume and memory effect, they have been largely replaced by nickel-metal hydride batteries in the market for portable electronic products, such as notebooks, mobiles phones, PDAs, camcorders, digital cameras, mini CD-ROMs and Bluetooth headsets. As a result of this, nickel-metal hydride batteries have become the mainstream of small secondary batteries.

According to different cathode materials, lithium batteries are classified into lithium cobalt oxide (LiCoO₂), lithium manganese dioxide (LiMnO₂), lithium nickel oxide (LiNiO₂) and lithium iron phosphate (LiFePO₄). Among these batteries, LiCoO₂ batteries are mainly used in electronic products such as handheld devices, which have worrying safety problems. As the safety for LiNiO₂ batteries has not yet been tackled, there are only a few LiNiO₂ battery

manufacturers and users. With high capacity and safety characteristics, LiMnO₂ batteries are mostly used in hand tools, although possessing poor high-temperature characteristics with high product price. Considering that LiFePO₄ batteries developed in recent years are safe, which are perfect to be used in vehicles; however, their market share is low as there are bottlenecks including LiFePO₄ batteries not being easy to sinter, product prices too low, immature patent and process technology, coupled with the fact that electric vehicles are not yet popular. With the exploration risk of lithium batteries not being ruled out as well as the immature development in terms of their safety and performance and their price and marketing, whether lead-acid batteries will be effected in the future solely depends on the future royalties and cost of lithium battery licenses.

With float voltage, non-memory, safe and high-temperature advantages of lead-acid batteries, alongside their cheap prices, lead-acid batteries will not be easily replaced by other battery technologies in the near future. The future trend of the development of lead-acid batteries is moving towards 3 goals: high capacity, light weight and low cost. High energizing batteries mainly include higher battery energy density and volumetric energy density. Not only do lighter batteries require to be lightweight, small sized batteries in some applications are also emphasized. Low cost of batteries is mainly due to the large quantities of batteries being used, applying to new generation of batteries with low cost and high-capacity electrode materials. At this stage, nanotechnology has been applied to the development of materials for lead-acid batteries. Through the innovative development of high-capacity and high-power nanoscale lead-acid battery materials and process technology, it is likely that the current technical bottlenecks of lead-acid batteries will be tackled. For that reason, as long as the primary technologies for lead-acid batteries, including improving battery energy density, reducing weight as well as smart power management, are achieved, lead-acid batteries will enter vast blue ocean market of the high tech industry.

More manufacturers with low labor costs from China and Southeast Asia have joined in the competition. Their stability of quality and product diversification still cannot compete with Taiwan. At Kung Long, we continue to develop high-performance and low-pollution products. We are committed to enhancing product capability and improving quality while making use of a “global market strategy” to achieve the objectives of cost reduction, product life cycle extension and risk diversification. In doing this, we are able to successfully overcome challenges under this competitive environment.

(III) An overview of the company's technologies:

1. R&D expenses invested in 2022

Unit: NT\$ thousand

Item	2022	2023 up to the first quarter
Amount	44,348	10,859

2. Technologies or products successfully developed in 2022:

- (1) "Long Life Ultra-high Power Batteries" - in response to the rise of the home office and delivery markets driven by COVID-19, the demand for IDC (Internet Data Center) redundancy has increase drastically. Based on this, the development for this year's battery technology focused on "ultra-high power", "long float life", and "new assembly process". The development of WXL series products was completed this year for customers.
- (2) The research and development this year focused on the "development of lead-carbon batteries for deep recycling green energy applications", "research on long cycle life lead-carbon electrode batteries", "development of backup power for cloud data centers", and the "development of high temperature batteries for outdoor base stations". The development focused on the optimization of the material and process formula for high-temperature batteries which has been applied to an outdoor base station in New Taipei City for four years, which is still properly operated.
- (3) Continue with the development of the "long-life motorcycle stop start batteries" by expanding the product specification line. Validation work in other plants overseas is also underway.

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

1. Short-term plan:

- (1) Develop new long-term and stable customers - We adjust the selling price according to the fluctuation for lead prices and establish fair trade approaches. Our pricing strategy is adjusted in a timely manner according to different markets so as to maintain our international competitiveness.
- (2) Promote and strengthen the sales for large sealed batteries and long-life UPS batteries for telecommunications and batteries for energy storage.
- (3) Capture the firefighting and emergency lighting markets with light weight and high-performance batteries.
- (4) Continue to enhance the market share of our own brand of motorcycles, automobiles, and electric vehicles in Vietnam.

2. Long-term plan:

- (1) We are dedicated to technological improvement in order to develop products that can be charged quickly, have more cycles and are suitable for renewable energy and energy storage including solar photovoltaic systems and wind power.
- (2) Launch large sealed batteries and high cost performance batteries in line with the development of customized batteries.
- (3) Continue to increase the specifications of stop start batteries for motorcycles and improve the revenue base.
- (4) Launch large and long-life batteries for the UPS repair market and industrial, 4G and cloud base stations.
- (5) Continue to promote our own brands to establish segmentation of our products to drive the sales of after-sales service market.
- (6) Take advantage of preferential tariff for ASEAN market and proactively develop new markets with long-life and large capacity batteries.
- (7) Continue to diversify regions and specifications as well as taking into account the risk of customer concentration, we work hard to expand new customers and markets to expand our global market share, with emphasis on the Middle East, Eastern Europe, Central and South America, Africa, and the ASEAN market in Asia.

II. Market as well as the production and marketing situation

(I) Market analysis:

1. Sales areas of the Company's main products:

Unit: NT\$ thousand

Product	Region	2022		2021	
Batteries	Americas	1,330,585	18%	1,181,714	20%
	Europe	1,934,866	27%	1,479,983	26%
	Asia	3,316,031	45%	2,440,331	42%
	Domestic sales	410,951	6%	408,193	7%
	Other	303,636	4%	199,247	3%
Other		22,659	-	88,280	2%
Total operating income		7,318,728	100%	5,797,748	100%

2. Market share:

2022 Lead-acid Batteries Export Statistics in Taiwan

Unit: Quantity / Thousand units Value / NT\$ Thousand

Year	Item	Quantity of export sales	Amount of export sales
2022	Lead-acid batteries	17,133	7,709,017
	Kung Long sales	-	90,389
	market share	-	1.17%

Source: Customs Administration, Ministry of Finance/Bureau of Foreign Trade

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

(1) In terms of demand:

A. Stable demand in medical and healthcare equipment market:

The aging of the global popular and the increase in health awareness of consumers have contributed to the rise of medical devices. The top export device in the wellbeing medical equipment industry is motorized patient vehicles (powered wheelchairs). In 2019, the elderly population over 65 years old in Europe accounted for approximately 19% of the total population, reaching more than 100 million people, which is expected to be increased to 23% after 2030. This means that more than one quarter of the population in Europe will be over 65 years old and the wellbeing medical device industry continue to have a promising future. Currently, the sales of electric scooters in Europe continue to grow year by year and there is a trend of them replacing wheelchairs with demand continuing to increase.

B. Increased demand for electric vehicles:

In recent years, the gradual depletion of oil sources that caused roaring oil prices, the rising awareness of energy conservation around the world and the agreement on waste emission in the United Nations Climate Change conference have put the development of electric vehicles (electric cars, electric bicycles, electric motorcycles) in the spotlight. According to the Global EV Outlook 2019 report of the International Energy Agency (IEA), the electric two/three-wheeler sales in 2018 reached around 260 million in 2018 and are expected to grow to 46 million by 2030. Among all the markets, countries in Asia-Pacific will be the most important. By far, the global inventory in countries in Asia-Pacific, including China, India, and ASEAN, is around 800 million electric two/three-wheelers. Among these countries, the main consumer country is China, where 90% of the electric two-wheelers use lead-acid batteries. This shows significant demand.

C. Steady growth in demand for uninterruptible power supplies (UPS)

As the trend of cloud and virtualization is expected, the market scale of data centers for small, medium and large enterprises continue to grow. As a result of this, ISP and ASP servers need to be supported by stable power supplies and 4G base stations are widely installed across China. Due to the greenhouse effect, the frequency of snowstorms in Europe and the U.S. has increased, further driving the continuous growth of UPS in the market. According to QYResearch, the UPS market is estimated to reach USD14 billion by 2025. Given that lead-acid batteries have advantages of low cost, stable quality, high voltage and high instantaneous discharge rate, they are widely used in UPS products. This is the reason why lead-acid batteries have considerable potential and momentum in the future market.

D. Endless potential of renewable energy storage market

With the trend of energy conservation and environmental protection, wind power and solar power have become the technology commonly used. However, since solar and wind power generation are affected by natural conditions, the power generated is unstable and needs to be integrated with the grid after voltage is stabilized by the energy storage system. This creates business opportunities for energy storage batteries and the commonly used batteries for energy storage is high power lead-acid batteries. According to the New Energy Outlook 2018 report released by BNEF, the global investment in energy storage will reach USD548 billion by 2050, with two-third of the investment going in

grid-level storage systems. This shows that the market for renewable energy has vast potential.

(2) In terms of supply:

Nowadays, all countries around the world take energy as their economic orientation and mobile energy - batteries- is one of the key industries of each country. That being the case, battery manufacturers in Europe, the U.S., China, and Japan, such as Varta, Saft, Delphi, Exide, Sonnenschein, Enersys, Tianneng Power, and Chaowei Power have all invested in battery development. At present, the 4 top battery manufacturers in Taiwan are YUASA, SG, Showa Denko (formally Hitachi), and Kung Long, covering nearly all domestic exports. The sales targets of Showa Denko are similar - UPS manufacturers and distributors, while YUASA and GS focus on automobile and motorcycle manufacturers and distributors. This is mainly due to Japanese battery manufacturers maintaining long-term cooperative relationships with automobile manufacturers, making it difficult for Taiwanese companies to enter the market. As there are fewer Japanese manufacturers in UPS and electric automobile manufactures, we have taken the initiative to target the after-sales service market with quality and cost advantages.

Due to the fact that the lead-acid battery industry is mature and stable, there have only been a handful of competitors over the years. With major manufacturers taking over the market share, there is a clear trend that the industry is getting larger. Constrained to quality stability and longevity problems, smaller battery manufacturers can only compete in the remaining domestic market with low prices. In terms of production, commissioned processing, and import, 4% excise tax was imposed on lead-acid batteries on January 1, 2016. This has caused a considerable cost burden to Chinese lead-acid manufacturers. Considering that the size of the lead-acid battery industry in Taiwan is small and lacks overall growth, with the global demand for lead-acid batteries continuing to thrive, we have shifted our main production base to Vietnam in order to deliver more results.

(3) Growth:

Lead-acid batteries can be used in a variety of products, such as wellbeing medical equipment, electric bicycles, mobility scooters that have become popular in Europe and the U.S., boosting the growth demand for lead-acid batteries. In particular, with UPS batteries and batteries for starting automobiles and motorcycles driving the demand in Vietnam, in conjunction with the mass production of the Company's "long-life sealed

batteries for communications”, we have established our R&D capabilities in the market, bringing growth momentum to the Company.

4. Competitive niche:

(1) As the largest Lead-acid battery manufacturer in Taiwan, we have our own core technology research and development:

A. We master advanced battery self-manufacturing capabilities, R&D capabilities and production technologies and have experience in process critical technology and mass production management.

B. With a flat organization, we save operation time and shorten product delivery times.

(2) We have passed various certifications and our products are highly recognized:

At Kung Long, our self-developed lead-acid battery is our star product, that has attained six patents in Taiwan and one in Vietnam. A total of our 1,532 products have been certified in the U.S. and 68 in Germany, totaling 1,600 certificates, including VdS, by which we are the first company in Asia to have been certified, and UL certification. At the same time, we have passed ISO 9001 international standard quality management system certification and TL 9000 telecommunications/communications electronics industry quality system. In terms of the operating environment and safety and health, we have attained ISO 14001 and ISO 45001 certifications. Thanks to our experience in responding to rapid changes in the industry, we have the upper hand to securing orders from major international manufacturers, further developing products needed in the market more effectively and quickly.

(3) Wide range of product applications:

At Kung Long, we strive for the development and research of electrical energy technology, with most of our products certified by the VdS and UL. We have a complete range of product specifications to meet the requirements of different customers.

(4) Professional international labor division:

To make full use of international labor division, our subsidiary Le Long Vietnam Co., Ltd. researches and develops products. With its advantages of economic scale and tax incentives, we are able to produce mass market specifications to expand greater profitability.

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

(1) Positive factors -

- A. We have an excellent management team and staff as well as robust management and production organizational systems:
At Kung Long, we have an excellent management team and professional and knowledgeable employees, as well as a robust management system and smooth production line management organizational system. These have become the Company's best tools for its sustainability and in the face of rapidly changing market challenges.
- B. Advanced R&D capabilities and production technologies:
With our strong capabilities on the development of products of new specifications, we are able to respond to quick market changes and quickly develop products needed in the market.
- C. Harmonious cooperative relationship with third party suppliers:
Over the years, we have built good long-term cooperative relationships with our upstream raw material suppliers. This way, we are able to ensure the supply, quality and delivery of raw materials are maintained at a stable level to meet the Company's needs for growth.
- D. Excellent and stable quality:
We have obtained ISO 9001 international standard quality management certification and various technology patents and product safety certificates. We received a Gold Customer Satisfaction Award in 1997 and 1998 and 29th Taiwan Excellence Award by the Ministry of Economic Affairs in 2020. In recent years, we have been developing product tailored to meet the needs of individual customers, enabling the product quality and brand reputation of the Company more trusted and recognized.
- E. Product capability expansion in Vietnam plants:
In response to the demand of orders, at Kung Long we are constantly expanding the production capabilities and production scale in our plants in Vietnam. By doing so, not only can we meet customers' diverse needs, we are also able to meet their delivery schedules.
- F. Automation equipment:
In order to increase productive and expand revenue, we take a proactive approach to introduce comprehensive automated equipment while continuing to maintain our manufacturing advantage of high cost performance with quality and efficiency.

(2) Negative factors -

- A. Exchange rate changes increase exchange rate risks:
The Company's products are manufactured mainly for export. Because of this, the risk arising from changes in exchange rates has a considerable impact on the Company's profitability.

Countermeasures:

1. The Finance Department keeps a close eye on exchange rate changes at all times while also collecting the views of various professional institutions on exchange rates. In doing this, the Finance Department is able to strengthen its ability to analyze and judge exchange rate trends so that the Company can make timely adjustments to selling prices and appropriate foreign exchange hedges.
2. Foreign currencies of imports and exports are naturally hedged to reduce the risk of loss arising from foreign exchange.

B. Environmental standards increasingly stringent:

Lead is a heavy metal raw material. In view of the emphasis on environmental protection issues around the world, government agencies are imposing stringent regulations on wastewater, waste gas and waste. With high cost of battery recycling, the expenses and costs to invest in pollution control are bound to increase.

Countermeasures:

1. Allocate full-time qualified personnel to handle environmental matters and engage a government-approved institution for regular monitoring.
2. We enter into a contract with a qualified vendor for the removal of lead waste and comply with the spirit of ISO 14001 to meet environmental requirements.
3. In terms of safety and hygiene of production, we follow the spirit of ISO 45001, so that the overall production environment better meets the environmental regulatory requirements.

C. Rising raw material costs:

With the rise in international lead prices that increase the cost of goods purchased, production costs also increase

Countermeasures:

1. Our business quotation adopts a floating price adjustment mechanism in order to reasonably pass on and reflect on raw material price fluctuation.
2. Timely adjustment of lead material inventory.

D. Competition of low-priced products in China and Southeast Asia:

As countries around the world have been impacted by economic turmoil, consumption is conservative. Although possessing advantages of sufficient labor with low wages as well as looser enforcement of environmental regulations, China and South Asia are dumping low-quality products at low prices in international markets. However, the quality stability and product specifications are not as diverse as those of Taiwan's products.

Countermeasures:

1. Continue to strengthen the R&D capabilities of subsidiary Le Long Vietnam Co., Ltd. to develop new high quality and high power batteries to form market differentiation.
2. Position our electronic sealed batteries as higher technology with strict quality stability requirements in order to avoid price competition with small manufactures. This way, we are able to maintain a higher gross margin.
3. By taking an international labor division approach and to be in line with the development trends in the industry, we have shifted our products with popular specifications to be manufactured in Vietnam. Moreover, we will also expand production capability by economy of scale to improve production efficiency, production management efficiency and quality to expand profitability.

(II) Important usage and manufacturing processes for the company's main products:

1. Important usage for the company's main products:

Our products are mainly used in power supplies for technology products such as: uninterruptible power supplies (UPS), anti-theft devices, security and emergency lighting, communications equipment, ignition for automobiles and motorcycles, jet skis, bobsleigh, electric scooters, wellbeing medical devices with high product value, mobility scooters for old people, electric wheelchairs, electric bicycles, electric motorcycles, electric vehicles, and renewable energy.

2. Manufacturing process of major products:

(1) Manufacturing process of lead-acid batteries - sealed batteries (cast-on-strap (C.O.S)):

Acid added	>	Charging	>	Ultrasonic riveting	>	Automatic checker	>	Finished product
⋈								
Dispensing of terminal glue	<	Terminal soldering	<	Oil seal	<	Spot sealing	<	Short circuit checking
⋈								
Metal box	>	Cast welding			>	Battery chute	>	Cross-link
⋈								
Cladding	<	Slitting	<	Anode plate drying	<	Cathodic plate drying	<	Chemical conversion coating
⋈								
Lattice body casting	>	Lead powder	>	Kneading	>	Plate coating	>	Cell maturity

(2) Lead-acid battery manufacturing process - car batteries:

Finished product	<	Branding date	<	Airtight inspection	<	Heat seal	<	Short circuit checking
⋈								
Metal box	>	Molding	>	Group welding	>	Battery chute	>	Spot welding
⋈								
Cladding	<	Slitting	<	Anode plate drying	<	Cathodic plate drying	<	Chemical conversion coating
⋈								
Lattice body casting	>	Lead powder	>	Kneading	>	Plate coating	>	Cell maturity

(III) Supply situation for the company's major raw materials:

The main raw materials for the Company's products are: lead ingots, sulfuric acid, isolation plates, battery cells. We have many suppliers and there is no over-concentration of supply sources. In addition, the Company has been able to maintain a sound and long-term cooperative relationships with suppliers. However, to ensure the stability of supply sources, we also maintain contact with other suppliers who have good supply status. There has been no shortage or interruption of supply.

(IV) A list of any suppliers and customers accounting for 10 percent or more of the company's total procurement (sales) amount in either of the last two years, the amounts bought from (sold to) each, and the percentage of total procurement (sales) each:

1. List of major sales customers:

Unit: NT\$ thousand

2021				2022				2023 up to the first quarter			
Name	Net sales	As a ratio to annual net sales (%)	Relationship with the issuer	Name	Net sales	As a ratio to annual net sales (%)	Relationship with the issuer	Name	Net sales	As a ratio to net sales for the year up to the first quarter (%)	Relationship with the issuer
Company A	298,562	5.15%	Customers	Company A	514,891	7.04%	Customers	Company A	146,266	10.24%	Customers
Other	5,499,186	94.85%	Customers	Other	6,803,837	92.96%	Customers	Other	1,282,489	89.76%	Customers
Net sales	5,797,748	100.00%		Net sales	7,318,728	100.00%		Net sales	1,428,755	100.00%	

(1) Benefiting from the stable supply quality of the Company, our amount and proportion to Company A increased in 2022 compared to those in the previous year.

(2) The Company's products are not affected by a single economic cycle as they have a wide range of applications.. In summary, the Company's customers, market and product applications are diversified, and are unlikely to be affected by any one factor; hence the operational risk is relatively low.

2. List of major import suppliers:

Unit: NT\$ thousand

2021				2022				2023 up to the first quarter			
Name	Net procurement	As a percentage to annual net procurement (%)	Relationship with the issuer	Name	Net procurement	As a percentage to annual net procurement (%)	Relationship with the issuer	Name	Net procurement	As a percentage to net procurement for the year up to the previous quarter (%)	Relationship with the issuer
Company B	1,189,469	27.32%	Suppliers	Company B	1,515,351	30.59%	Suppliers	Company B	187,079	24.80%	Suppliers
Company D	788,604	18.11%	Suppliers	Company E	547,533	11.05%	Suppliers	Company D	164,449	21.80%	Suppliers
Other	2,376,406	54.57%	Suppliers	Other	2,891,660	58.36%	Suppliers	Other	402,726	53.40%	Suppliers
Net procurement	4,354,479	100.00%		Net procurement	4,954,544	100.00%		Net procurement	754,254	100.00%	

The main raw materials for the Company's products are: lead ingots, sulfuric acid, isolation plates, battery cells. In the last two years, there was not much

change in suppliers and all raw materials were procured based on the principle of appropriate diversification and risk. We maintain a good and long-term cooperative relationships with suppliers so that the supply, quality and delivery schedules are maintained at a stable level.

(V) Production volume for the last two years:

Unit: Quantity / Thousand units, Value / NT\$ Thousand

Major products:	2021			2022		
	Production capability	Production volume	Production value	Production capability	Production volume	Production value
Electronic sealed batteries	21,494	14,866	3,892,226	23,003	18,403	5,533,474
Motorcycle batteries	4,549	4,172	680,838	4,547	4,319	806,631
Car batteries	164	131	174,710	191	153	231,456
Other	—	—	—	—	—	—
Total	26,207	19,169	4,747,774	27,741	22,875	6,571,561

(VI) An indication of the volume/value of units sold for the past two years:

Unit: Quantity / Thousand units, Value / NT\$ Thousand

Major products:	2021				2022			
	Domestic sales		Overseas sales		Domestic sales		Overseas sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Electronic sealed batteries	575	398,865	14,056	4,220,612	624	402,453	15,803	5,655,751
Motorcycle batteries	4	1,322	3,904	900,270	6	2,036	3,941	1,010,056
Car batteries	3	8,006	132	180,393	2	6,462	141	219,311
Other	—	—	—	88,280	—	—	—	22,659
Total	582	408,193	18,092	5,389,555	632	410,951	19,885	6,907,777

III. Information on employees

The number of employees employed in the group in the past two years, and during the current fiscal year up to the date of publication of the annual report:

Year		2021	2022	2023 (up to March 31)
Number of employees	Cadre and technical staff	388	402	406
	Operators	2,747	2,962	3,007
	Manage business and other	323	345	341
	Total	3,458	3,709	3,754
Average age		34.89	34.77	34.72
Average length of service		5.75	5.76	5.72
Education distribution ratio	Ph.D.	0	0	0
	Master	12	12	12
	University	154	154	134
	College	196	208	206
	Senior high school and below	3,096	3,335	3,402

Note: The above information is based on the payroll for December 31, 2021 and 2022 and March 31, 2023.

IV. Disbursements for environmental protection

(I) Describing any losses suffered by the company in 2022 and up to the publication date of the annual report due to environmental pollution incidents (including any compensation paid), and an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

(II) In response to RoHS:

According to European Commission's Frequently asked Questions on directive 2002/95/EC on the ROHS and WEEE, the WEEE and RoHS directives do not apply to batteries. Nevertheless, as the Company manufactures lead-acid batteries, Directive 2006/66/EC on "batteries and accumulators and waste batteries and waste accumulators" and the 2013/56/EU amendment are complied with.

(III) Greenhouse gas (GHG) inventory:

GHG emission inventory can be divided into Scope 1 and Scope 2:

Scope 1: Direct emissions from the plant, including fugitive emissions that use fuel such as gasoline and diesel from company cars, product transport vehicles, and forklifts.

Scope 2: Indirect emissions for purchased electricity.

Unit: Metric tons of Co2/year

Year	Scope 1	Scope 2	Total
2021	4,684.15	51,375.48	56,059.63
2022	8,024.10	71,621.80	79,645.90

(IV) Total water consumption and waste

Unit: Ton

Year	Water consumption	Hazardous business waste	General business waste
2021	324,636	1,949	867
2022	374,928	2,491	1,089

(V) Energy reduction measures:

In addition to continuing with the past effective control and reduction measures, we also make an effort to promote and implement the following energy reduction measures:

1. Electricity reduction:

- (1) Reduce the amount of air conditioning used during the peak period
- (2) Pay continued attention to and check and replace damaged capacitors to improve the overall power factor in electricity consumption.
- (3) High-efficiency equipment introduced to reduce electricity needs.
- (4) Unnecessary lighting removed to switch to zoned lighting.
- (5) A new-type insulation mechanism is used in some sections to reduce the power consumption of heating.
- (6) Electrode plate and battery charging improvement and some battery specifications were changed to chemical conversion coating to reduce electric power.
- (7) The outdoor lighting of the plant was replaced with LED lighting which is solar powered.
- (8) Low wattage LED lamps used to replace T5 lamps to reduce electricity consumption.

2. Gas reduction:

- (1) Gas heating is replaced with steam or electric heating.
- (2) The gas heating equipment is added with a insulation material to reduce the heat energy supplement of burning gas.
- (3) Automated equipment continually introduced in the assembly line to reduce the amount of gas used for welding.
- (4) Vendor asked to check gas leakage of each pipeline and to repair any leakage.

3. Fuel reduction:

- (1) Registration and control of fuel consumption for individual vehicles are required in a strict manner
- (2) Forklifts or company cars (vans) with excessive fuel consumption replaced with new hire vehicles to reduce fuel consumption.

4. Water reduction:

- (1) Unidentified and unused pipelines disconnected and the pressure of the booster pump reduced to reduce water consumption and increase some water meters to control water consumption.
- (2) Treated water bodies are centrally stored and reused by supplying

them to other equipment in order to improve the diverse use of water resources and emission reduction measures.

(VI) The Company's environmental maintenance and protection related expenses for 2022 were NT\$4,583 thousand.

V. Labor relations

(I) Employee welfare measures, further education, training:

At Kung Long, we uphold a pragmatic and sustainable management philosophy and value the welfare of employees highly. In 1991, we established an Employee Welfare Committee to coordinate various welfare measures of employees.

1. Insurance:

(1) Our employees are covered with labor insurance and national health insurance since the date of their employment.

(2) Employees on business overseas are covered with accident insurance at least NT\$10 million.

(3) To protect our employees, we also take out group medical insurance for them.

2. Various emergency relief funds: Including the death and hospitalization of the employee, and the death of an employee's first degree relative.

3. Various subsidies: Including wedding and birthday money/gift, birth money/gift for the employee or their spouse.

4. Regular company trips in Taiwan or overseas.

5. Annual physical examination.

6. Meal allowance and a bottle of fresh milk a day.

7. From time to time, we appoint external instructors to perform education and training within the Company and select employees, according to their expertise, to perform education and training outside the Company.

8. Money/Gifts on 3 festivals: Labor Day, Mid-Autumn Festival and Spring Festival.

9. Year-end bonus and employee remuneration.

10. Multiple sports clubs have been established to encourage employees to exercise.

11. Regular organize hiking activities and seminars on health.

12. Children of outstanding employees are selected to receive scholarships.

13. Year-end party and prize draws are held each year to reward employees.

14. Employee health management and psychological counseling channels are provided.

(II) Retirement system and its implementation:

In July 1, 2005, we established a defined contribution pension plan in accordance with the "Labor Pension Act" applicable to Taiwanese employees. For employees who opted for the labor pension system under the "Labor Pension Act", the Company makes monthly contribution of 6% of their wage to their personal account at the Bureau of Labor Insurance. The employees' pension is paid to the employees' personal pension account and the accumulated earnings are received in the form of monthly pension or lump-sum; or the Company may choose to apply the employee retirement plan under the Labor Standards Act, which provides for monthly contributions to a special

account at the Bank of Taiwan, and the Pension Fund Supervision and Management Committee is responsible for the management of the pension

(III) Status of labor-management agreements and measures for preserving employees' rights and interests:

As the Company values welfare matters of employees and attaches importance to the coordination of employee communication, labor relations are pleasant. However, the Company shall work on improving various welfare measures to make the labor relations more harmonious, further eliminating possible labor disputes.

(IV) Code of conduct and ethics for employees

The Company has adopted the "Ethical Corporate Management Policy", the "Guidelines for the Adoption of Codes of Ethical Conduct" and applicable management rules for directors, company officers and employees. These are to prohibit any unethical conduct and avoid opportunities for self-interest, prohibit bribery and accepting bribes, while protecting and appropriately using company assets, complying with regulations, and encouraging the reporting of any unlawful acts or breaches of regulations.

(V) Workplace and employee safety protection measures:

Given the importance of the protection measures of the workplace and employees, ISO 14001 and ISO 45001 environmental and occupational safety and health management systems have been adopted to control major environmental considerations and occupational safety and health risks. This way, we are able to ensure the safety and health of the workplace.

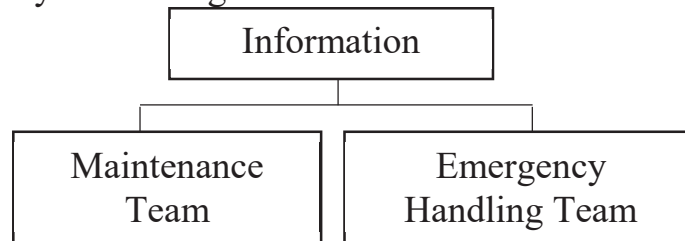
(II) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to labor disputes, and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken: None.

VI. Cyber security management

(I) Cyber security policy formulation:

As a means to ensure the security and stability of information, we prevent unauthorized access, use, control, leakage, destruction, tampering, destruction, or other infringement of information or information systems. To meet the regulations of the Cyber Security Management Act and its bylaws, we ensure the confidentiality, integrity and availability of information in order to smoothly facilitate the Company's various businesses. We have adopted a cyber security policy used as the top guidelines for cyber security management.

(II) Cyber security risk management framework:



In order to strengthen the information security of the Company, improve the information security management system, and ensure the effective operation of the information security management system, the Company established the Information Security Management Committee, and an Information Security Group (as shown in the organizational structure diagram above) is established under the Information Security Committee. The Group is responsible for reviewing the Company's information security policies and supervising the operation of information security management, in order to build a comprehensive information security defense capability and good information security awareness among the staff. If a security incident occurs, it is necessary to report it to the emergency response team, and take appropriate response measures according to the infocomm security incident level, and respond in the shortest possible time to ensure the normal operation of the Company.

(III) Cyber security risk management framework:

The Company's cyber security policy applies to its employees, vendors and third parties who have access to the Company's business or provide services to the Company.

(IV) Cyber security risk objectives:

1. Quantitative objectives:

- (1) Ensure that the availability of the server room for transport services reach 98% of the annual working hours throughout the year.
- (2) Ensure that the availability of each critical business system reaches 98% of the annual working hours throughout the year.
- (3) Cyber security incident of data leakage on cyber security system (≤ 2 times/year).
- (4) Unauthorized incident of account authority management (≤ 1 /year).
- (5) Information security and social engineering education and training (2 times/year).
- (6) Continued business continuity planning (1 time/year).
- (7) The Company's internal audit on information security (1 time/year).

2. Value-oriented objectives:
 - (1) Timely respond to regulatory and technological changes to adjust cyber security maintenance contents. By doing so, we are able to prevent unauthorized access, use, control, leakage, destruction, tampering, destruction, or other infringement of information or information systems.
 - (2) Achieve the requirements of cyber security responsibility level classification to reduce the threat of exposure to information security risks.
 - (3) Improve information security protection awareness among personnel to effectively detect and prevent external attacks.
 - (4) Ensure that all information security accidents and incidents or suspected security weaknesses are reported upwards according to the appropriate notification mechanism and are properly investigated and handled.
- (V) Specific management measures for cyber security risks:
 1. Multi-layer information security protection:
 - (1) Network security:

In terms of network security defense measures, we have adopted a multi-layer network security defense system. At the front end of network, firewalls and anti-virus system have been installed as the foundation of information security protection. Anti-virus software has also been deployed in internal hosts and endpoints by the central console to update virus codes at any time and instantly identify malicious behaviors to block viruses and Trojan horse and worms, ransomware, and malwares in documents, effectively reducing the risk of damage caused by hackers. In terms of business continuity planning, we have built an uninterruptible power supply in the server room which provides continuous power supply for 5-6 hours in the event of an emergency continuous power outage. We also have a complete backup mechanism and perform regular business continuity drills each year to ensure that the Company's operations are uninterrupted.
 - (2) Device security

We have built an inbound scanning mechanism for cyber and communication equipment to prevent machines containing malware from entering the Company. We also establish endpoint anti-virus measures according to the type of computers, strengthening malware behavior detection.
 - (3) Supply chain information security

We have established a supplier information security self-inspection mechanism to regular convey the Company's latest information security regulations and precautions.

(4) Reinforcement of information security protection technology
Documents and information are encrypted to effectively track outgoing mail of important information by adopting multi-backup approaches.

2. Strengthening information security awareness:

(1) Training and promotion

To enhance information security awareness among employees, we strengthen the alertness of employees with respect to social engineering attacks in emails and implement phishing email defense detection. Furthermore, we also announce news of recent major information security attacks and regularly perform information security promotion.

(VI) List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken: None.

VII. Important contracts

Current effective important contracts and important contracts expired in the most recent year:

Nature of contract	Parties	Start and end dates of the contract	Main contents	Restrictive clause
Contract for buying and selling raw materials	30TWN018	2022.01.01-2022.12.31	Contract for buying and selling raw materials signed	None
	29TWN021			
	29SGP002			
	30KOR001			
	26VNM008			
	33VNM001			
Contract for buying and selling finished products	ARE0006	2021.02.28-2022.12.31	Basic purchase contract for volume of annual finished products signed	None
	USA0035	2021.10.17-2025.10.16		
	ITA0008	2022.01.01-2022.12.31		
	ARE0006	2022.01.01-2022.12.31		
	ARE0019	2022.01.01-2022.12.31		
	ARE0023	2022.01.01-2022.12.31		
	ESP0005	2022.01.03-2024.01.02		
	TWN0840	2022.09.01-2023.08.31		

Six. An Overview of the Company's Financial Status

I. Condensed Balance Sheet and Statement of Comprehensive Income

(I) Condensed Financial Statements for the Past 5 Fiscal Years (Consolidated) - Under IFRS

Unit: NT\$ thousand

Item \ Year		Financial Information for the Past 5 Fiscal Years					Financial information for the year up to March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Current assets		4,547,732	4,182,709	4,270,945	4,125,125	4,778,661	4,755,871
Property, plant and equipment (Note 2)		1,059,402	1,044,753	881,918	751,296	742,867	720,350
Intangible assets (Note 2)		3,768	2,357	1,141	613	2,442	2,267
Other assets (Note 2)		202,182	211,871	291,594	377,844	321,671	372,871
Total assets		5,813,084	5,441,690	5,445,598	5,254,878	5,845,641	5,851,359
Current liabilities	Before distribution	1,534,340	989,703	1,039,199	1,057,958	1,083,764	961,482
	After distribution	2,352,194	1,807,557	1,857,555	1,631,159	1,083,764 (Note 3)	961,482 (Note 3)
Non-current liabilities		362,120	392,266	416,295	410,055	417,061	432,664
Total liabilities	Before distribution	1,896,460	1,381,969	1,455,494	1,468,013	1,500,825	1,394,146
	After distribution	2,714,314	2,199,523	2,273,850	2,041,214	1,500,825 (Note 3)	1,394,146 (Note 3)
Equity attributable to owners of the parent company		3,916,624	4,059,721	3,990,104	3,786,865	4,344,816	4,457,213
Share capital		817,854	817,854	820,684	820,664	820,664	820,664
Capital surplus		665,000	665,000	702,215	701,951	701,951	701,951
Retained earnings	Before distribution	2,398,270	2,591,637	2,652,004	2,459,385	2,773,056	2,894,610
	After distribution	1,580,416	1,773,783	1,833,648	1,886,184	2,773,056 (Note 3)	2,894,610 (Note 3)
Other equity		35,500	(14,770)	(184,799)	(195,135)	49,145	39,988
Treasury stocks		-	-	-	-	-	-
Non-controlling interests		-	-	-	-	-	-
Total equity	Before distribution	3,916,624	4,059,721	3,990,104	3,786,865	4,344,816	4,457,213
	After distribution	3,098,770	3,251,867	3,171,748	3,213,664	4,344,816 (Note 3)	4,457,213 (Note 3)

Note 1: Financial information up to 2023Q1 reviewed by the CPAs under the IFRS.

Note 2: No revaluation of assets conducted in each year.

Note 3: Up to the publication date, the motion for the 2022 earnings distribution was approved by the Board meeting on March 24, 2023, but has not yet been approved by the shareholders' meeting.

Note 4: The Company was not notified of correction or restatement by the competent authority.

(II) Condensed Statement of Comprehensive Income for the Past 5 Fiscal Years
(Consolidated) - Under IFRS:

Unit: NT\$ thousand

Item \ Year	Financial Information for the Past 5 Fiscal Years					Financial information for the year up to March 31, 2023 (Note 1)
	2018	2019	2020	2021	2022	
Operating income	8,489,866	7,933,589	7,119,214	5,797,748	7,318,728	1,428,755
Gross profit	1,831,069	1,854,822	1,655,136	1,220,582	1,525,720	269,896
Operating profit and loss	1,242,791	1,312,999	1,199,446	794,617	941,519	155,579
Non-operating income and expenses	89,074	31,121	(13,819)	22,920	235,818	8,654
Profit before tax	1,331,865	1,344,120	1,185,627	817,537	1,177,337	164,233
Profit from continuing operations for the period	982,996	1,007,068	879,196	620,038	881,575	121,554
Discontinuing operation losses	-	-	-	-	-	-
Net income (loss) for the period	982,996	1,007,068	879,196	620,038	881,575	121,554
Other comprehensive income for the period (net after tax)	79,016	(51,121)	(135,353)	(13,601)	240,886	(11,330)
Total comprehensive income for the period	1,062,012	955,947	743,843	606,437	1,122,461	110,224
Net income attributable to owners of the parent company	982,996	1,007,068	879,196	620,038	881,575	121,554
Net income attributable to non-controlling interests	-	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	1,062,012	955,947	743,843	606,437	1,122,461	110,224
Total comprehensive income attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share (NT\$)	12.03	12.32	10.75	7.58	10.77	1.48

Note 1: Financial information up to 2023Q1 reviewed by the CPAs under the IFRS.

Note 2: The Company was not notified of correction or restatement by the competent authority.

(III) Condensed Financial Statements for the Past 5 Fiscal Years (Parent Company Only) - Under IFRS

Unit: NT\$ thousand

Year		Financial Information for the Past 5 Fiscal Years				
		2018	2019	2020	2021	2022
Current assets		2,247,116	2,218,517	2,438,079	1,675,795	2,244,786
Property, plant and equipment (Note 1)		142,536	137,082	131,028	124,943	120,486
Intangible assets (Note 1)		-	-	-	-	-
Other assets (Note 1)		2,901,776	3,015,143	3,069,960	3,043,040	3,350,436
Total assets		5,291,428	5,370,742	5,639,067	4,843,778	5,715,708
Current liabilities	Before distribution	1,014,049	923,560	1,233,932	646,976	953,962
	After distribution	1,831,903	1,741,414	2,052,288	1,220,177	953,962 (Note 2)
Non-current liabilities		360,755	387,461	415,031	409,937	416,930
Total liabilities	Before distribution	1,374,804	1,311,021	1,648,963	1,056,913	1,370,892
	After distribution	2,192,658	2,128,875	2,467,319	1,630,114	1,370,892 (Note 2)
Share capital		817,854	817,854	820,684	820,664	820,664
Capital surplus		665,000	665,000	702,215	701,951	701,951
Retained earnings	Before distribution	2,398,270	2,591,637	2,652,004	2,459,385	2,773,056
	After distribution	1,580,416	1,773,783	1,833,648	1,886,184	2,773,056 (Note 2)
Other equity		35,500	(14,770)	(184,799)	(195,135)	49,145
Treasury stocks		-	-	-	-	-
Total equity	Before distribution	3,916,624	4,059,721	3,990,104	3,786,865	4,344,816
	After distribution	3,098,770	3,241,867	3,171,148	3,213,664	4,344,816 (Note 2)

Note 1: No revaluation of assets conducted in each year.

Note 2: Up to the publication date, the motion for the 2022 earnings distribution was approved by the Board meeting on March 24, 2023, but has not yet been approved by the shareholders' meeting.

Note 3: The Company was not notified of correction or restatement by the competent authority.

(IV) Condensed Statement of Comprehensive Income for the Past 5 Fiscal Years
(Parent Company Only) - Under IFRS:

Unit: NT\$ thousand

Item \ Year	Financial Information for the Past 5 Fiscal Years				
	2018	2019	2020	2021	2022
Operating income	6,742,627	6,290,090	5,584,637	4,428,931	5,574,513
Gross profit	1,054,897	1,128,309	990,756	781,070	914,940
Operating profit and loss	723,659	823,330	765,211	557,437	581,482
Non-operating income and expenditure	510,024	439,110	337,770	218,820	514,819
Profit before tax	1,233,683	1,262,440	1,102,981	776,257	1,096,301
Profit from continuing operations for the period	982,996	1,007,068	879,196	620,038	881,575
Net income for the period					
Discontinuing operation losses	-	-	-	-	-
Net income for the period	982,996	1,007,068	879,196	620,038	881,575
Other comprehensive income for the period (net after tax)	79,016	(51,121)	(135,353)	(13,601)	240,886
Total comprehensive income for the period	1,062,012	955,947	743,843	606,437	1,122,461
Earnings per share (NT\$)	12.03	12.32	10.75	7.58	10.77

Note: The Company was not notified of correction or restatement by the competent authority.

(V) The names and opinions of the attesting CPA for the most recent 5 fiscal years:

Year	CPA	Names of Certified Public Accountants	Audit Opinion	Remark
2018	PwC Taiwan	Yang Ming-Ching, Hsu Chien-Yeh	Unqualified opinion No other matter paragraph	None
2019	PwC Taiwan	Yang Ming-Ching, Hsu Chien-Yeh	Unqualified opinion No other matter paragraph	None
2020	PwC Taiwan	Hsu Chien-Yeh, Wu Sung-Yuan	Unqualified opinion No other matter paragraph	None
2021	PwC Taiwan	Hsu Chien-Yeh, Wu Sung-Yuan	Unqualified opinion No other matter paragraph	None
2022	PwC Taiwan	Hsu Chien-Yeh, Wu Sung-Yuan	Unqualified opinion No other matter paragraph	None

II. Financial analysis

(I) Financial Information Analysis for the Past 5 Fiscal Years (Consolidated) - Under IFRS

Item	Year	Financial Analyses for the Past Five Fiscal Years					Financial analysis for the year up to March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Financial structure	Ratio of liabilities to assets (%)	32.62	25.40	24.11	27.94	25.67	23.83
	Ratio of long-term funds to real estate, plant, and equipment (%)	403.88	426.13	499.64	558.62	641.01	678.82
Solvency	Current ratio (%)	296.40	422.62	410.98	389.91	440.93	494.64
	Quick ratio (%)	171.27	277.70	267.58	211.22	242.12	285.36
	Times interest earned	254.30	317.49	1,217.03	1,108.77	5,187.51	3,820.37
Operating capabilities	Accounts receivable turnover ratio (times)	6.68	6.46	6.73	6.90	9.94	7.55
	Average collection days	54.64	56.50	54.23	52.90	36.72	48.34
	Inventory turnover (times)	3.67	3.58	3.67	2.67	2.83	2.21
	Accounts payable turnover ratio (times)	15.64	16.14	17.43	13.63	19.18	16.87
	Average sales days	99.46	101.96	99.46	136.70	128.98	165.16
	Property, plant and equipment turnover (times)	8.03	7.54	7.39	7.10	9.80	7.81
	Total asset turnover ratio (times)	1.53	1.41	1.31	1.08	1.32	0.98
Profitability	Return on assets (%)	17.84	17.96	16.17	11.60	15.89	2.08
	Return on assets (%)	26.06	25.25	21.84	15.95	21.68	2.76
	Ratio of net income before tax to paid-in capital (%)	162.85	164.35	144.47	99.62	143.46	20.01
	Profit margin (%)	11.58	12.69	12.35	10.69	12.05	8.51
	Earnings per share (NT\$)	12.03	12.32	10.75	7.58	10.77	1.48
Cash flow	Cash flow ratio (%)	75.82	168.39	122.68	55.77	78.84	23.66
	Cash flow adequacy ratio (%)	104.73	119.14	124.96	125.82	116.31	131.95
	Cash reinvestment ratio (%)	6.83	14.43	7.64	-	4.12	3.26
Leverage	Operating leverage	1.41	1.41	1.29	1.51	1.53	1.71
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

Please explain the reason for ratio changes in financial information in the most recent 2 fiscal years: (increase or decrease change of 20% or more in two periods)

1. Times Interest Earned: This year's operating income increased by NT\$1,520,980 thousand, resulting in an increase of NT\$359,800 thousand in pre tax net profit and a 368% increase in times interest earned.
2. Accounts Receivable Turnover Rate and Average Cash Collection Days: Due to an increase of NT\$1,520,980 in operating revenue this year, the accounts receivable turnover rate and average cash collection days increased by 44% and decreased by 31%, respectively.
3. Payable Turnover Rate: This year, due to an increase in operating costs of NT\$1,215,842 thousand, the payable turnover rate increased by 41%.
4. Property, Plants, and Equipment Turnover Rate and Total Asset Turnover Rate: This year, due to an increase of NT\$1,520,980 in operating revenue, the property, plants, and equipment turnover rate increased by 38%, and the total asset turnover rate increased by 22%.
5. Return on Assets, Return on Equity, Ratio of Pre-tax Net Profit to Paid-in Capital, and Earnings per Share: This year, due to an increase in operating income of NT\$1,520,980 thousand, the pre-tax net profit increased by NT\$359,800 thousand and the post-tax net profit increased by NT\$261,537 thousand, resulting in an increase of 37% in return on assets, 36% in return on equity, 44% in pre-tax net profit to paid-in capital, and 42% in earnings per share.
6. Cash Flow Ratio: Due to an increase of NT\$264,396 thousand in net cash inflow from operating activities compared with that in the previous year, the available cash increased, resulting in a 41% increase in cash flow ratio.
7. Cash Reinvestment Ratio: Due to an increase of NT\$264,396 thousand in net cash inflow from operating activities compared with that in the previous year, the available cash increased, resulting in a increase in cash reinvestment ratio.

Note 1: Financial information up to 2023Q1 reviewed by the CPAs under the IFRS.

Note 2: Financial ratios are calculated as follows:

1. Financial structure:

- (1) Ratio of liabilities to assets = Total liabilities / total assets.
- (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency:

- (1) Current ratio = Current assets / current liabilities.
- (2) Quick ratio = (Current assets - inventory - prepayment) / current liabilities.
- (3) Times interest earned = Net profit before income tax and interest expenses / interest expenses for the period.

3. Operating capabilities:

- (1) Receivables (including accounts receivable and notes receivable from operation) turnover ratio = Net sales / average of accounts receivable (including accounts receivable and notes receivable from operation) balance.
- (2) Average collection days = 365 / accounts receivable turnover ratio.
- (3) Inventory turnover = Cost of sales / average inventory.
- (4) Payables (including accounts payable and notes payable from operation) turnover ratio = Cost of sales / average of accounts payable (including accounts payable and notes payable from operation) balance.
- (5) Average sales days = 365 / inventory turnover.
- (6) Property, plant and equipment turnover ratio = Net sales / average net property, plant and equipment.
- (7) Total assets turnover ratio = Net sales / average total assets.

4. Profitability:

- (1) Return on assets = [Profit and loss after tax + interest expense × (1 - tax rate)] / average total assets.
- (2) Return on equity = Profit and loss after tax / average total equity.
- (3) Net profit margin = Profit and loss after tax / net sales.
- (4) EPS = Profit and loss attributable to owners of parent company - dividends from preferred shares) / weighted average number of outstanding shares.
(Note: For the transfer of undistributed earnings to capital increase, the calculation of the weighted average number of outstanding shares was based on a retrospective adjustment approach)

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 most recent five years / (capital expenditure + increase in inventory + cash dividends) for the past 5 fiscal years.
- (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross of property, plant and equipment + long-term investment + other non-current assets + operating funds).

6. Leverage:

- (1) Operating leverage = (Net operating revenue - variable operating costs and expenses of operations) / operating profit.
- (2) Financial leverage = Operating profit / (operating profit - interest expenses).

(II) Financial Information Analysis for the Past 5 Fiscal Years (Parent Company Only) - Under IFRS

Item		Year		Financial Information for the Past 5 Fiscal Years				
		2018	2019	2020	2021	2022		
Financial structure	Ratio of liabilities to assets (%)	25.98	24.41	29.24	21.82	23.98		
	Ratio of long-term funds to real estate, plant, and equipment (%)	3,000.91	3,244.18	3,361.98	3,358.97	3,952.12		
Solvency	Current ratio (%)	221.60	240.21	197.59	259.02	235.31		
	Quick ratio (%)	184.44	223.28	178.93	233.70	194.53		
	Times interest earned	370.15	809.22	2,039.78	1,614.84	5,510.05		
Operating capabilities	Accounts receivable turnover ratio (times)	6.37	6.43	6.54	6.59	9.56		
	Average collection days	57.30	56.77	55.81	55.39	38.18		
	Inventory turnover (times)	17.89	19.42	24.10	18.70	16.88		
	Accounts payable turnover ratio (times)	29.62	15.70	8.65	10.00	29.55		
	Average sales days	20.40	18.80	15.15	19.52	21.62		
	Property, plant and equipment turnover (times)	49.66	44.99	41.66	34.61	45.43		
	Total asset turnover ratio (times)	1.33	1.18	1.01	0.85	1.06		
Profitability	Return on assets (%)	19.48	18.91	15.98	11.84	16.70		
	Return on assets (%)	26.06	25.25	21.84	15.95	21.68		
	Ratio of net income before tax to paid-in capital (%)	150.84	154.36	134.40	94.59	133.59		
	Profit margin (%)	14.58	16.01	15.74	14.00	15.81		
	Earnings per share (NT\$)	12.03	12.32	10.75	7.58	10.77		
Cash flow	Cash flow ratio (%)	85.31	110.76	85.42	2.04	79.95		
	Cash flow adequacy ratio (%)	71.49	83.34	88.08	78.57	93.90		
	Cash reinvestment ratio (%)	2.05	4.59	5.36	-	3.93		
Leverage	Operating leverage	1.05	1.04	1.03	1.06	1.06		
	Financial leverage	1.00	1.00	1.00	1.00	1.00		

Please explain the reason for ratio changes in financial information in the most recent 2 fiscal years: (increase or decrease change of 20% or more in two periods)

1. Times Interest Earned: This year's operating income increased by NT\$1,145,582 thousand, resulting in an increase of NT\$320,044 thousand in pre tax net profit and a 241% increase in times interest earned.
2. Accounts Receivable Turnover Rate and Average Cash Collection Days: Due to an increase of NT\$1,145,582 in operating revenue this year, the accounts receivable turnover rate and average cash collection days increased by 45% and decreased by 31%, respectively.
3. Payable Turnover Rate: This year, due to an increase in operating costs of NT\$1,013,141 thousand, the payable turnover rate increased by 196%.
4. Property, Plants, and Equipment Turnover Rate and Total Asset Turnover Rate: This year, due to an increase of NT\$1,145,582 in operating revenue, the property, plants, and equipment turnover rate increased by 31%, and the total asset turnover rate increased by 25%.
5. Return on Assets, Return on Equity, Ratio of Pre-tax Net Profit to Paid-in Capital, and Earnings per Share: This year, due to an increase in operating income of NT\$1,145,582 thousand, the pre-tax net profit increased by NT\$320,044 thousand and the post-tax net profit increased by NT\$261,537 thousand, resulting in an increase of 41% in return on assets, 36% in return on equity, 41% in pre-tax net profit to paid-in capital, and 42% in earnings per share.
6. Cash Flow Ratio: Due to an increase of NT\$800,925 thousand in net cash inflow from operating activities compared with that in the previous year, the available cash increased, resulting in a 3,819% increase in cash flow ratio.
7. Cash Reinvestment Ratio: Due to an increase of NT\$800,925 thousand in net cash inflow from operating activities compared with that in the previous year, the available cash increased, resulting in a increase in cash reinvestment ratio.

Note 1: Financial ratios are calculated as follows:

1. Financial structure:
 - (1) Ratio of liabilities to assets = Total liabilities / total assets.
 - (2) Ratio of long-term funds to property, plant, and equipment = (Total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency:
 - (1) Current ratio = Current assets / current liabilities.
 - (2) Quick ratio = (Current assets - inventory - prepayment) / current liabilities.
 - (3) Times interest earned = Net profit before income tax and interest expenses / interest expenses for the period.
3. Operating capabilities:
 - (1) Receivables (including accounts receivable and notes receivable from operation) turnover ratio = Net sales / average of accounts receivable (including accounts receivable and notes receivable from operation) balance.
 - (2) Average collection days = 365 / accounts receivable turnover ratio.
 - (3) Inventory turnover = Cost of sales / average inventory.
 - (4) Payables (including accounts payable and notes payable from operation) turnover ratio = Cost of sales / average of accounts payable (including accounts payable and notes payable from operation) balance.
 - (5) Average sales days = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover ratio = Net sales / average net property, plant and equipment.
 - (7) Total assets turnover ratio = Net sales / average total assets.
4. Profitability:
 - (1) Return on assets = [Profit and loss after tax + interest expense × (1 - tax rate)] / average total assets.
 - (2) Return on equity = Profit and loss after tax / average total equity.
 - (3) Net profit margin = Profit and loss after tax / net sales.
 - (4) EPS = Profit and loss attributable to owners of parent company - dividends from preferred shares) / weighted average number of outstanding shares.
(Note: For the transfer of undistributed earnings to capital increase, the calculation of the weighted average number of outstanding shares was based on a retrospective adjustment approach)
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 most recent five years / (capital expenditure + increase in inventory + cash dividends) for the past 5 fiscal years.
 - (3) Cash reinvestment ratio = (Net cash flow from operating activities - cash dividends) / (gross of property, plant and equipment + long-term investment + other non-current assets + operating funds).
6. Leverage:
 - (1) Operating leverage = (Net operating revenue - variable operating costs and expenses of operations) / operating profit.
 - (2) Financial leverage = Operating profit / (operating profit - interest expenses).

III. Review report of the Audit Committee for the latest annual financial statement

Kung Long Batteries Industrial Co., Ltd.

Audit Committee's Review Report

The Board of Directors prepared the Company's 2022 business report and annual financial statements (including parent company only financial report and consolidated financial report). Among them, the annual financial report was audited by CPAs Hsu Chien-Yeh and Wu Sung-Yuan of PwC Taiwan as commissioned by the Board of Directors. The reports were considered adequate to present the financial results and cash flow of the Company, and issue an audit report with unqualified opinions and other paragraphs. The business report, annual financial reports, and earnings distribution proposal stated above have been audited by the Audit Committee with no discrepancy found; we therefore present the recognition report based on the provisions of Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2023 Annual General Meeting of Shareholders of Kung Long Batteries Industrial Co., Ltd.

Kung Long Batteries Industrial Co., Ltd.

Convener of the Audit Committee: Wang Cho-Chun

March 24, 2023

IV. Consolidated Financial Report for the Most Recent Fiscal Year
Certified by CPAs:

Please refer to Appendix 1

V. A parent company only financial report for the most recent fiscal year:

Please refer to Appendix 2

VI. If the company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the company's financial situation:

None.

Seven. Review and Analysis of Financial Position and Financial Performance, and Risk Items

I. Financial Position

Unit: NT\$ thousand

Item \ Year	2022	2021	Difference	
			Amount	Ratio of change (%)
Current assets	4,778,661	4,125,125	653,536	15.84
Property, plant and equipment	742,867	751,296	(8,429)	(1.12)
Other assets	324,113	378,457	(54,344)	(14.36)
Total assets	5,845,641	5,254,878	590,763	11.24
Current liabilities	1,083,764	1,057,958	25,806	2.44
Non-current liabilities	417,061	410,055	7,006	1.71
Total liabilities	1,500,825	1,468,013	32,812	2.24
Share capital	820,664	820,664	-	-
Capital surplus	701,951	701,951	-	-
Retained earnings	2,773,056	2,459,385	313,671	12.75
Other equity	49,145	(195,135)	244,280	125.19
Total equity attributable to owners of the parent company	4,344,816	3,786,865	557,951	14.73
Non-controlling interests	-	-	-	-
Total equity of shareholders	4,344,816	3,786,865	557,951	14.73
Analysis of ratio changes: (reaching 20 percent and amounting to NT\$10 million or more in 2 periods)				
1. Other Equity: Mainly due to the exchange differences on translation foreign financial statements this year.				

II. Financial Performance

(I) Analysis of financial performance comparison

Unit: NT\$ thousand

Item	Year		Difference	
	2022	2021	Amount	Ratio of change (%)
Operating income	7,318,728	5,797,748	1,520,980	26.23
Operating costs	<u>(5,793,008)</u>	<u>(4,577,166)</u>	1,215,842	26.56
Gross profit	1,525,720	1,220,582	305,138	25.00
Operating expenses	<u>(584,201)</u>	<u>(425,965)</u>	158,236	37.15
Operating income	941,519	794,617	146,902	18.49
Subtotal of non-operating income and expenses	<u>235,818</u>	<u>22,920</u>	212,898	928.87
Profit before tax	1,177,337	817,537	359,800	44.01
Income tax expense	<u>(295,762)</u>	<u>(197,499)</u>	98,263	49.75
Net income for the period	881,575	620,038	261,537	42.18

Analysis of ratio changes reaching 20 percent and amounting to NT\$10 million or more in 2 periods:

1. Operating Income, Operating costs, Gross Profit From Operations, Operating Expenses, Net Operating Income, Net Profit Before Tax, Income Tax Expenses, and Net Profit After Tax: Due to the shutdown of the Vietnam plant for two months as a result of the impact of the pandemic in the previous period but not in this period, the operating income increased, resulting in an increase in gross profit from operations, related expenses, and net profit.
2. Non-operating Income and Expenses: Mainly due to the impact of exchange rate fluctuations, resulting in an increase in exchange gains.

(II) Reason for change in the Company's major business content: The Company did not change its major business content.

(III) Projected sales volume in the coming year and its basis, and the main factors affecting the Company's projected continuous growth in sales volume:

1. The Company's project sales volume in the coming year is 21,916 thousand.
2. Main factors affecting the Company's projected continuous growth in sales volume:
 - (1) In response to the trend of cloud and virtualization, the market size of small, medium and large enterprises will continue to grow, further prompting the continuous growth of the demand for UPS.
 - (2) Thanks to the growing economy and the expansion of the market for automobiles, motorcycles and electric vehicles in Vietnam, the demand for the Company's lead-acid batteries in the assembly plant and repair market channels remains thriving. In response to motorcycle stop start batteries developed by a large Japanese motorcycle manufacturer, we continue to increase the approved specifications to increase our shipment volume. In addition, we have been engaging ourselves in the

local telecommunications base station in Vietnam. The local sales of our subsidiary, Le Long Vietnam, are expected to grow with a steady pace. The demand for quality of electricity, renewable energy and green energy storage in emerging markets is constantly increasing, in particular large long-life batteries. By investing in domestic and foreign as well as local large tenders in Vietnam, the market penetration rate and share of the Company's products will be largely increased. As other markets and existing customers have considerable purchase power, we take a proactive approach to develop new markets and customers. With costs and expenses reasonably controlled, we make an effort to secure our core competencies. Moreover, we continue to improve our operational performance with a pragmatic management strategy.

III. Cash Flow

(I) Analysis of cash flow changes in 2022:

Unit: NT\$ thousand

Opening cash balance	Net cash flow from operating activities for the year	Net cash outflow from investing and financing activities for the year	Effects of changes in foreign exchange rates	Residual cash amount	Remedies for cash shortfalls	
					Investment plan	Financial plan
1,329,030	854,399	(706,423)	242,846	1,719,852	-	-

Compared with that in 2021, the Company's net cash decreased by NT\$390,822 thousand in 2022. The changes in cash flows from operating activities are as follows:

1. The net inflow from operating activities was NT\$854,399 thousand, mainly due to the stable growth of the Company's profits in the current year, resulting in an increase in cash inflows.
2. The net outflow from investment activities was NT\$96,234 thousand, mainly due to the purchase of financial assets and equipment in the current year.
3. The net outflow from financing activities was NT\$610,189 thousand, mainly due to the payment of cash dividends.

(II) Remedies for cash shortfalls and liquidity analysis:

1. Financial plan: Not applicable.

2. Liquidity analysis:

Item	Year		Increase (decrease) amount (%)
	2022	2021	
Cash flow ratio (%)	78.84	55.77	41.37
Cash flow adequacy ratio (%)	116.31	125.82	(7.56)
Cash reinvestment ratio (%)	4.12	-	-

Analysis of ratio changes: (reaching 20 percent in 2 periods)

1. Cash Flow Ratio: Due to an increase of NT\$264,396 thousand in net cash inflow from operating activities compared with that in the previous year, the available cash increased, resulting in a 41% increase in cash flow ratio.
2. Cash Reinvestment Ratio: Due to an increase of NT\$264,396 thousand in net cash inflow from operating activities compared with that in the previous year, the available cash increased, resulting in a increase in cash reinvestment ratio.

(III) Liquidity analysis for the coming year:

Unit: NT\$ thousand

Opening cash balance (1)	Estimated full-year net cash inflow from operating activities (2)	Net cash outflow from investing and financing activities for the year (3)	Estimated residual cash amount (1)+(2)-(3)	Remedies for estimated cash shortfalls	
				Investment plan	Financial plan
1,719,852	939,000	(897,000)	1,761,852	-	-

1. Analysis of changes in cash flow:
 - (1) Operating activities: The estimated cash inflow from operating activities was mainly due to the continuous growth of operating revenue, increasing profitability.
 - (2) Investing activities: The estimated cash inflow from investing activities was mainly due to the purchase of equipment.
 - (3) Financing activities: The estimated cash outflow from financing activities was mainly due to the payment of cash dividends.
2. Remedies for estimated cash shortfalls to maintain a comparable cash balance: None.

IV. Effect of any major capital expenditure on financial operations in the most recent year:
None.

V. Reinvestment policy for the most recent fiscal year, the main reasons for the profits/losses generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year

(I) 2022 Investment policy:

Investment analysis table

Description Item	Amount	Policy	Main reasons for gain or loss	Improvement plan
Le Long Vietnam Co., Ltd.	USD32,000 thousand	Improve production capacity, reduce production costs, and develop markets internationally in order to enhance international competitiveness.	This year, the production capability of Li Long Vietnam grew steadily, and the domestic sales market continued to expand; in addition, due to the development of new markets, the production capability is fully used to reduce costs, the profit growth.	-
Kung Long International Ltd.	USD2,170 thousand	General investment	Good investment benefits.	-

(II) Investment plan for the coming year: None.

VI. Analysis and assessment of risks in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report

(I) Impact upon the company's profit and loss from inflation and changes in interest and exchange rates, and the future measures the company plans to adopt in response:

1. Impact of interest rate changes on the Company and the future measures the Company's plans to adopt in response:
The risk arising from interest rate changes mainly come from long-term and short-term liabilities. According to Taiwan's current economic development trend, there is no significant change in the low interest rate policy. Therefore, interest rate fluctuations should not pose a significant impact on the Company.
2. Impact of exchange rates on the Company's profit and loss and the future measures the Company's plans to adopt in response:
Given the fact that the Company's sales are mainly to other countries, exchange rate changes pose a considerable impact on the Company's profit and loss. The future measures the Company's plans to adopt in response:
 - (1) The finance personnel keep close contact with the bank and collect exchange rate-related information while fully keeping abreast of exchange rate trends in order to respond to the risk arising from exchange rate changes.
 - (2) We engage in hedging on a timely manner for pre-sale forward contracts in order to hedge the risk arising from exchange rate fluctuations.

- (3) Depending on the actual capital needs and exchange rate fluctuations, customers may settle foreign currency payments in advance in order to reduce the impact of exchange rate fluctuations.
 - (4) Some purchases are paid in foreign currencies and foreign currencies of imports and exports are naturally hedged to reduce the risk of loss arising from foreign exchange.
3. Impact of inflations on the Company's profit and loss and the future measures the Company's plans to adopt in response:
Inflation is the rate of increase in prices over a given period of time, a general economic phenomenon that affects a wide ranges of areas. The Company works hard to control and reduce costs to minimize the impact of inflation, and is committed to implementing future measures that reduce costs.
- (II) High-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future:
1. The Company did not engage in transactions involving high-risk or highly leveraged investments, nor did the Company lend fund to others or make gurantees/endorsements.
 2. The Company's derivative transactions are mainly establishing forward exchange contracts in order to hedge the impact of exchange rate changes arising from exchange debts. Derivative transactions are handled in accordance with the Company's "Regulations for Derivative Transactions".
- (III) Future research and development projects, and expenditures expected in connection therewith:
- (1) "Long life ultra high power batteries" - in response to the rise of home office and delivery markets driven by COVID-19, the demand for IDC (Internet Data Center) redundancy has increase drastically. Based on this, the development for this year's battery technology focused on "ultra-high power", "long float life", and "new assembly process". The development of WXL series products was completed this year for customers.
The development of "high-temperature batteries" and "lead-carbon batteries" has been completed and certified. During this period, we are in the development of the mass production process technology while improving the yield of the product process. In conjunction with large disc type welding process, single machine and new introduction of automatic production line for large density through-wall welding, we are able to improve the life in high temperature environment while

reducing the difference between batteries in applications, enabling LONG's products to be used in outdoor or backup systems without air conditioning, ensuring they are adopted by domestic large UPS and communication system tenders of large institutions and public construction projects. Long's products are used by Taiwan telecom system providers and certified by VNPT and Mobifone in Vietnam and passed by EVN.

Alongside the development trend of carbon reduction issues around the world, there are more and more applications for electric mobility tools and renewable energy. Based on this, the research and development this year focused on the "development of lead-carbon batteries for deep recycling green energy applications", "research on long cycle life lead-carbon electrode batteries". The initial research results show that the lead-carbon composite electrode has significantly improved the cycle life, which will be gradually developed in 2023.

With the introduction of 5G systems around the world, we will develop backup power batteries for 5G devices.

Develop highly reliable and high-performance "yacht batteries" for yacht applications in response to the new market demand.

From 2020 to 2022, the R&D expenses accounted for 0.54%, 0.60% and 0.61% of the revenue, respectively. In the future, we will continue to invest in R&D resources according to the product development plans. In 2023, the R&D expenses is expected to account for 1% of revenue for the year.

(IV) The impact of important policies and legal developments at home and abroad on the company's financial operations, and countermeasures:

We continued to keep a close eye on domestic and international policy and regulatory changes. By far, there has been no significant impact.

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

At present, the demand for batteries has increased due to the development of technology, posing positive effect on the Company's products. In addition to being committed to innovation in R&D, we also take a proactive approach to improve the quality of products and strictly control costs to enhance competitiveness in the market, reducing the impact of product price changes on the Company's profit and loss. We will continue to maintain our high sensitivity to technological changes in the industry to quickly respond to meet customer needs.

In response to increasing information security risks, we have established a cyber security policy. We adopt a corresponding risk prevention mechanism

according to the specific management measures of the cyber security policy. In the event of a risk, the Information Security Team collects information and conduct a risk assessment and perform appropriate response measures according to the level of security incidents. The Information Security Team also notifies each department to perform relevant handling and protection in order to reduce the impact on the Company's finance.

(VI) Effect of changes in the company's corporate image on the company's crisis management, and countermeasures:

Upholding a philosophy of sustainable management, we strictly control costs to achieve the objective of profitability. We fulfill the responsibility to our shareholders in order to create profits and benefit our employees. We have a sound corporate image and there has been no corporate crisis management due to corporate image changes.

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

None.

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

The Company continues to expand its plants and production in Vietnam. The production capability is expected to increase, driving the growth of the Company's revenue.

(IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

The major raw material for the Company's products is lead. In addition to maintaining a certain percentage of procurement by long-term cooperation with domestic listed companies, we also import lead from foreign suppliers with whom we maintain a stable procurement relationship, reducing the risk of concentration of imports.

In addition to mature markets in North America and Europe in which we have continued to make an effort to increase sales, we also proactively develop and expand in emerging markets for global deployment. By doing so, we will reduce the impact of changes in economic conditions or demand in a single region.

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

None.

(XI) Effect upon and risk to company associated with any change in governance personnel, and mitigation measures being or to be taken:

None.

(XII) Litigious and non-litigious matters: List major litigious, non-litigious or administrative disputes that: (1) involve the company and/or any company director, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities:

None.

(XIII) Other important risks and measures to be adopted in response:

None.

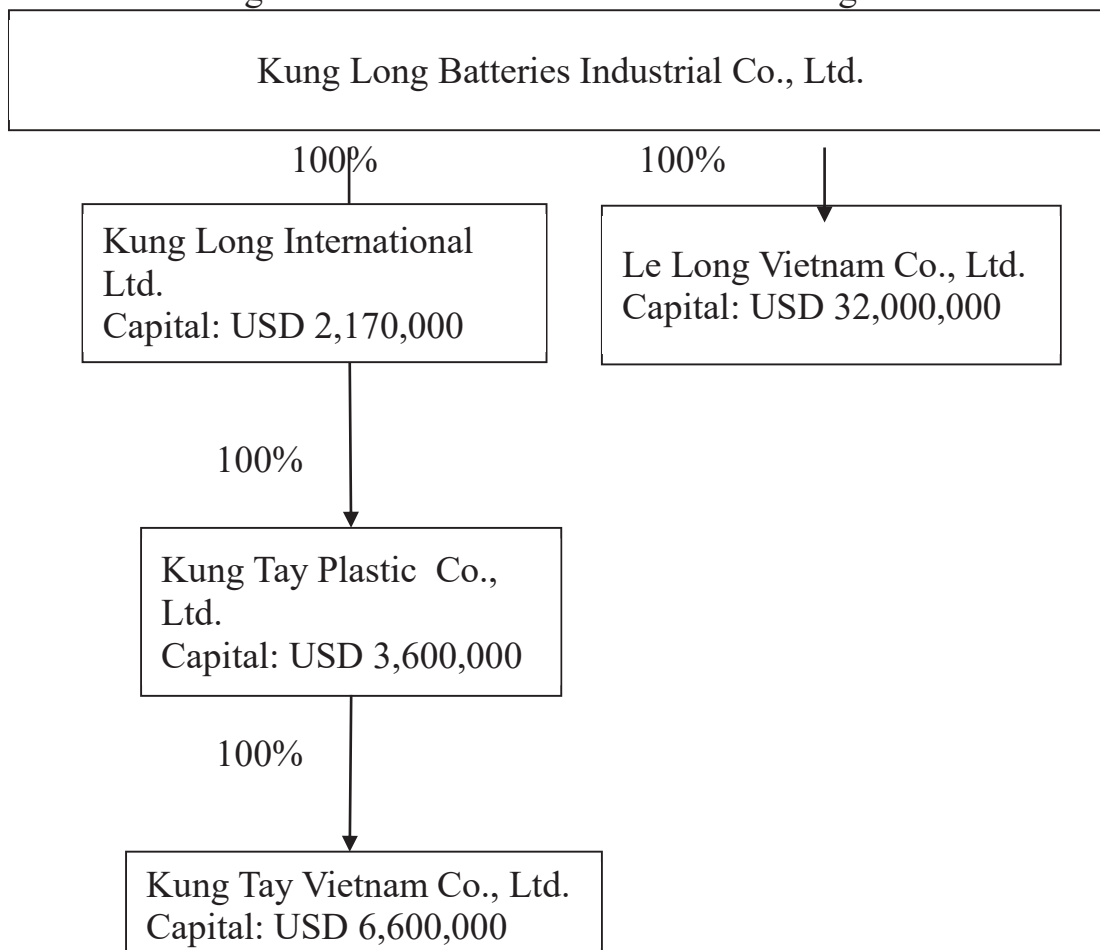
VII. Other important matters: None

Eight. Special Items to Be Included

I. Profile of Affiliates

(I) Profile of Affiliates:

1. Organizational chart of domestic and foreign affiliates:



Name of investment company	Name of subsidiary	Nature of business	Percentage equity shareholding	
			December 31, 2022	December 31, 2021 and 2021
The Company	Le Long Vietnam Co., Ltd.	Manufacturing and sales of batteries for household and industrial use	100%	100%
The Company	Kung Long International Ltd.	General investment	100%	100%
Kung Long International Ltd.	Kung Tay Plastic Co.,Ltd.	General investment	100%	100%
Kung Tay Plastic Co.,Ltd.	Kung Tay Vietnam Co., Ltd.	Manufacturing and sales of plastic products	100%	100%

2. For companies presumed to have a relationship of control and subordination under Article 369-3 of the Company Act: None.

3. The company has a direct or indirect control over the management of the personnel, financial or business operation of another company, and the said another company is considered the subordinate company under subparagraph 2 of Article 369-2 of the Company Act: None.

(II) Basic information on each affiliate:

Name of company	Date of establishment	Address	Paid-in capital	Main business or production
Le Long Vietnam Co., Ltd.	1996.09.19	SO 40,BA CHANH THAU,KHU PHO 2,THI TRAN BEN LUC,HUYEN BEN LUC,TINH LONG AN.	USD 32,000 thousand	Manufacturing and sales of batteries for household and industrial use
Kung Long International Ltd.	2008.01.08	Intershore Chambers,P.O Box 4342,Road Town, Tortola,British Virgin Islands	USD 2,170 thousand	General investment
Kung Tay Plastic Co.,Ltd.	2008.01.02	Unit 25 2 Floor,Nia Mall,Salefui Street, Apia,Somoa	USD 3,600 thousand	General investment
Guang Tai Vietnam Co., Ltd.	2008.03.27	DUC MY INDUSTRIAL,DUC HOA DONG COMMUNE,DUC HOA DISTRICT,LONG AN PROVINCE	USD 6,600 thousand	Production, manufacturing, and sales of plastic products

(III) For companies presumed to have a relationship of control and subordination: None.

(IV) The industries covered by the business operated by the affiliates overall:

The Company and its affiliates operate in: Production and manufacturing of batteries, plastic products and general investment.

(V) Information on the directors and presidents of each affiliate:

Unit: Thousand shares; December 31, 2022

Name of company	Title	Name or representative	Shareholding	
			Number of shares	Shareholding ratio
Le Long Vietnam Co., Ltd.	Director	Kung Long Batteries Industrial Co., Ltd.	32,000	100%
		Representatives: Lee Yao-Min, Lee Jui-Chun Chairman and president – Lee Jui-Chun		
Kung Long International Ltd.	Director	Kung Long Batteries Industrial Co., Ltd.	2,170	100%
		Representative: Lee Jui-Chun		
Kung Tay Plastic Co.,Ltd.	Director	Kung Long International Ltd.	3,600	100%
		Representatives: Lee Yao-Min, Lee Jui-Chun, Lee Jui-Ting		
Guang Tai Vietnam Co., Ltd.	Director	Kung Tay Plastic Co.,Ltd.	6,600	100%
		Chairman and president – Lee Jui-Chun		

(VI) Operating profile of affiliates:

Unit: NT\$ thousand December 31, 2022

Name of company	Amount of capital	Total asset value	Total liabilities	Net value	Operating income	Operating income (loss)	Net income (loss) for the period	Earnings per share (NT\$)
Le Long Vietnam Co., Ltd.	1,029,090	3,780,944	1,269,247	2,511,697	6,677,116	350,181	310,697	10.22
Kung Long International Ltd.	70,464	667,946	-	667,946	-	(62)	53,556	24.43
Kung Tay Plastic Co., Ltd.	136,590	547,897	3,290	544,607	-	(8,705)	52,611	14.46
Guang Tai Vietnam Co., Ltd.	207,883	424,129	15,010	409,119	342,901	58,577	53,556	8.11

Note 1: The asset and liability accounts were translated at the exchange rates at the end of the year and the profit and loss accounts were translated at average exchange rates throughout the year.

※ Consolidated financial statements of affiliates: Considering that the companies to be included into the consolidated financial statements of affiliates were the same as those to be included in the consolidated financial statements of the parent and subsidiaries under International Accounting Standards 10, and the related information to be disclosed in the consolidated financial statements of affiliates has already disclosed in said consolidated financial statements of the parent and subsidiaries, no consolidated financial statements of affiliates were prepared separately.

Report of affiliates: Not applicable.

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

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

IV. Other matters that require additional description: None.

Nine. Any of the situations listed in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, which may materially affect shareholders' equity or the price of the company's securities in the most recent year and up to the date of publication of the Annual Report: None.

Appendix 1: A consolidated financial report for the most recent fiscal year

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD.

DECLARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF AFFILIATED
ENTERPRISES

For the year ended December 31, 2022, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the Company that is required to be included in the consolidated financial statements of affiliates, is the same as the Company required to be included in the consolidated financial statements of parent and subsidiary companies under International Financial Reporting Standard No. 10. Also, if 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, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

Kung Long Batteries Industrial Co., Ltd.

Representative:LEE YAO MIN

March 24, 2023

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of
Kung Long Batteries Industrial Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Kung Long Batteries Industrial Co., Ltd. and its subsidiaries (the "Group") as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only 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. Based on our audits and the reports of other independent auditors, 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 Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the the Group financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

The Group's key audit matters of consolidated financial statement for the year ended December 31, 2022 are as follows:

Revenue recognition timing

Description

Refer to Note 4(28) for accounting policies on sales revenue. For the year ended December 31, 2022, the Group's consolidated operating revenue was NT\$ 7,318,728 thousand.

The Group is primarily engaged in the manufacture and sales of lead-acid batteries. The sales channels of products are located globally and sales to customers involve different kinds of transaction terms, which are based on the transaction terms agreed upon by individual customers. Depending on the different transaction terms, control of the goods is transferred only when the goods have been shipped or delivered, and the shipment date or delivery date is used as revenue recognition timing in accordance with the transaction terms. Certain processes of revenue recognition often involves a high degree of manual judgment and operations, which may result in revenue recognition not being properly recorded in the correct period. We consider revenue recognition timing as a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Obtained an understanding and assessed the process and internal controls of sales transactions and tested the effectiveness of the controls.
2. Verified the Group's sales transactions around balance sheet date to check whether revenues are recorded in the correct period. We also tested whether changes in inventory were recorded in the proper period in order to assess the appropriateness of revenue recognition timing.
3. Performed confirmation procedures and substantive test on the ending balance of accounts receivable, and checked whether accounts receivable and sales revenue have been recorded in the proper period and the timing met the criteria of revenue recognition.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(14) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions related to inventory valuation, and Note 6(6) for detailed information on inventory. As of December 31, 2022, the total amount of inventory and allowance for inventory valuation losses were NT\$ 2,171,787 thousand and NT\$ 65,405 thousand, respectively.

The Group is primarily engaged in the manufacture and sales of lead-acid batteries. Inventories aged over a certain period of time and separately recognised as obsolete inventories are measured at the lower of cost and net realisable value and provided allowance for inventory valuation losses based on individually identified reasonable net realizable value and usable condition of obsolete or slow-moving inventories. Considering the inventory and allowance for inventory valuation losses were material to the financial statements and the determination of net realisable value as at the balance sheet date for inventory valuation involved judgments and estimates, thus, we considered assessment of allowance for inventory valuation loss as a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Obtained an understanding of the Group's operation and the consistency of the related accounting policies. Assessed the reasonableness of accounting policies and procedures on allowance for inventory valuation losses.
2. Obtained an understanding of the Group's warehousing control procedures, reviewed the annual physical inventory stocktaking plan and observed the process of stocktaking, in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
3. Verified the accuracy of inventory aging reports which was used in valuation, recalculated and assessed the reasonableness of allowance for inventory valuation losses, in order to ensure that the information on the report was consistent with its policy.
4. Obtained evaluation data of the inventory costs and net realisable value which was compiled by management, randomly checked separate inventory against sales certificates and records, and checked the calculation accuracy of the report, in order to assess the basis and reasonableness of net realisable value.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of subsidiary, Kung Tay Viet Nam Co., Ltd. which was audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries and the information disclosed in Note 13, is based solely on the reports of the other auditors. Total assets of the subsidiary amounted to NT\$430,603 thousand and NT\$379,761 thousand, constituting 7.37% and 7.23% of the consolidated total assets as at December 31, 2022 and 2021, respectively, and the operating revenue amounted to NT\$342,901 thousand and NT\$276,267 thousand, constituting 4.69% and 4.77% of the consolidated total operating revenue for the years then ended, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Kung Long Batteries Industrial Co., Ltd. as at and for the years ended December 31, 2022 and 2021.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, 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 appropriate audit evidence regarding the financial information of the entities or

business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Hsu, Chien-Yeh

Wu, Sung-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2023

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,719,852	29	\$ 1,329,030	25
1110	Financial assets at fair value through profit or loss - current	6(2)	11,326	-	73,018	1
1136	Current financial assets at amortised cost	6(4)	84,760	1	76,397	2
1150	Notes receivable, net	6(5)	37,516	1	19,657	-
1170	Accounts receivable, net	6(5)	732,079	13	679,717	13
130X	Inventories	6(6)	2,106,382	36	1,858,515	35
1410	Prepayments		48,313	1	31,962	1
1470	Other current assets		38,433	1	56,829	1
11XX	Current Assets		<u>4,778,661</u>	<u>82</u>	<u>4,125,125</u>	<u>78</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	83,300	1	103,655	2
1535	Non-current financial assets at amortised cost	6(4)	50,130	1	50,000	1
1600	Property, plant and equipment	6(7)	742,867	13	751,296	14
1755	Right-of-use assets	6(8)	49,587	1	46,633	1
1760	Investment property - net	6(9)	51,636	1	52,073	1
1780	Intangible assets		2,442	-	613	-
1840	Deferred income tax assets	6(27)	33,028	-	99,271	2
1900	Other non-current assets	6(10)	53,990	1	26,212	1
15XX	Non-current assets		<u>1,066,980</u>	<u>18</u>	<u>1,129,753</u>	<u>22</u>
1XXX	Total assets		<u>\$ 5,845,641</u>	<u>100</u>	<u>\$ 5,254,878</u>	<u>100</u>

(Continued)

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 3,000	-	\$ 40,000	1
2150	Notes payable		9,324	-	4,776	-
2170	Accounts payable		265,337	5	324,646	6
2200	Other payables	6(12)	275,354	5	232,871	5
2230	Current income tax liabilities		459,146	8	383,128	7
2250	Provisions for liabilities - current	6(14)	8,218	-	7,625	-
2300	Other current liabilities	6(20)	63,385	1	64,912	1
21XX	Current Liabilities		<u>1,083,764</u>	<u>19</u>	<u>1,057,958</u>	<u>20</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(27)	394,560	7	380,736	7
2600	Other non-current liabilities	6(13)	22,501	-	29,319	1
25XX	Non-current liabilities		<u>417,061</u>	<u>7</u>	<u>410,055</u>	<u>8</u>
2XXX	Total Liabilities		<u>1,500,825</u>	<u>26</u>	<u>1,468,013</u>	<u>28</u>
Equity attributable to owners of parent						
	Share capital	6(16)				
3110	Share capital - common stock		820,664	14	820,664	16
	Capital surplus	6(17)				
3200	Capital surplus		701,951	11	701,951	13
	Retained earnings	6(18)				
3310	Legal reserve		1,019,359	17	956,785	18
3320	Special reserve		195,134	3	184,799	4
3350	Unappropriated retained earnings		1,558,563	27	1,317,801	25
	Other equity interest	6(19)				
3400	Other equity interest		49,145	2	(195,135)	(4)
31XX	Equity attributable to owners of the parent		<u>4,344,816</u>	<u>74</u>	<u>3,786,865</u>	<u>72</u>
3XXX	Total equity		<u>4,344,816</u>	<u>74</u>	<u>3,786,865</u>	<u>72</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 5,845,641</u>	<u>100</u>	<u>\$ 5,254,878</u>	<u>100</u>

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

KUNG LONG BATTERIES INDUSTRIAL CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except for earning per share amounts)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(20)	\$ 7,318,728	100	\$ 5,797,748	100
5000 Operating costs	6(6)	(5,793,008)	(79)	(4,577,166)	(79)
5900 Net operating margin		<u>1,525,720</u>	<u>21</u>	<u>1,220,582</u>	<u>21</u>
Operating expenses	6(25)(26)				
6100 Selling expenses		(323,548)	(4)	(205,810)	(3)
6200 General and administrative expenses		(216,305)	(3)	(185,088)	(3)
6300 Research and development expenses		(44,348)	(1)	(35,067)	(1)
6000 Total operating expenses		<u>(584,201)</u>	<u>(8)</u>	<u>(425,965)</u>	<u>(7)</u>
6900 Operating profit		<u>941,519</u>	<u>13</u>	<u>794,617</u>	<u>14</u>
Non-operating income and expenses					
7100 Interest income	6(21)	12,546	-	8,841	-
7010 Other income	6(22)	12,115	-	13,269	-
7020 Other gains and losses	6(23)	211,384	3	1,548	-
7050 Finance costs	6(24)	(227)	-	(738)	-
7000 Total non-operating income and expenses		<u>235,818</u>	<u>3</u>	<u>22,920</u>	<u>-</u>
7900 Profit before income tax		<u>1,177,337</u>	<u>16</u>	<u>817,537</u>	<u>14</u>
7950 Income tax expense	6(27)	(295,762)	(4)	(197,499)	(4)
8200 Profit for the year		<u>\$ 881,575</u>	<u>12</u>	<u>\$ 620,038</u>	<u>10</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311 Gains on remeasurements of defined benefit plans	6(13)	\$ 6,621	-	\$ 7,124	-
8316 Total expenses, by nature	6(3)(19)	(16,450)	-	(45,184)	1
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(27)	(1,324)	-	(1,425)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		<u>(11,153)</u>	<u>-</u>	<u>50,883</u>	<u>1</u>
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(19)	324,228	4	(80,562)	(1)
8367 Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(3)(19)	(7,344)	-	(34)	-
8399 Income tax relating to the components of other comprehensive income	6(19)(27)	(64,845)	(1)	16,112	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		<u>252,039</u>	<u>3</u>	<u>(64,484)</u>	<u>(1)</u>
8300 Other comprehensive income (loss) for the year		<u>\$ 240,886</u>	<u>3</u>	<u>(\$ 13,601)</u>	<u>-</u>
8500 Total comprehensive income for the year		<u>\$ 1,122,461</u>	<u>15</u>	<u>\$ 606,437</u>	<u>10</u>
Profit, attributable to:					
8610 Owners of the parent		<u>\$ 881,575</u>	<u>12</u>	<u>\$ 620,038</u>	<u>10</u>
Comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 1,122,461</u>	<u>15</u>	<u>\$ 606,437</u>	<u>10</u>
Basic earnings per share	6(28)				
9750 Total basic earnings per share		<u>\$ 10.77</u>		<u>\$ 7.58</u>	
9850 Total diluted earnings per share		<u>\$ 10.72</u>		<u>\$ 7.53</u>	

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

KUNG LONG BATTERIES INDUSTRIAL CO., LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

	Notes	Equity attributable to owners of the parent							Total equity
		Share capital - common stock	Total capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations		
2021									
Balance at January 1		\$ 820,684	\$ 702,215	\$ 868,963	\$ 14,770	\$ 1,768,271	(\$ 184,799)	\$ 3,990,104	
Profit for the year		-	-	-	-	620,038	-	620,038	
Other comprehensive income (loss)	6(3)(13)(19)	-	-	-	-	5,699	(19,300)	(13,601)	
Total comprehensive income (loss)		-	-	-	-	625,737	(19,300)	606,437	
Appropriation and distribution of 2020 earnings	6(18)	-	-	-	-	-	-	-	
Legal reserve		-	-	87,822	-	(87,822)	-	-	
Special reserve		-	-	-	170,029	(170,029)	-	-	
Cash dividends		-	-	-	-	(818,356)	-	(818,356)	
Share-based payments	6(15)(19)	(20)	(264)	-	-	-	8,964	8,680	
Balance at December 31		\$ 820,664	\$ 701,951	\$ 956,785	\$ 184,799	\$ 1,317,801	(\$ 195,135)	\$ 3,786,865	
2022									
Balance at January 1		\$ 820,664	\$ 701,951	\$ 956,785	\$ 184,799	\$ 1,317,801	(\$ 195,135)	\$ 3,786,865	
Profit for the year		-	-	-	-	881,575	-	881,575	
Other comprehensive income	6(3)(13)(19)	-	-	-	-	5,297	235,589	240,886	
Total comprehensive income		-	-	-	-	886,872	235,589	1,122,461	
Appropriation and distribution of 2021 earnings	6(18)	-	-	-	-	-	-	-	
Legal reserve		-	-	62,574	-	(62,574)	-	-	
Special reserve		-	-	-	10,335	(10,335)	-	-	
Cash dividends		-	-	-	-	(573,201)	-	(573,201)	
Share-based payments	6(15)(19)	-	-	-	-	-	8,691	8,691	
Balance at December 31		\$ 820,664	\$ 701,951	\$ 1,019,359	\$ 195,134	\$ 1,558,563	\$ 49,145	\$ 4,344,816	

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

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,177,337	\$ 817,537
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(7)(8)(25)	144,306	147,471
Amortisation charge	6(25)	2,014	2,365
Gain on financial assets at fair value through profit or loss,	6(2)(23)	(10,717)	(9,787)
Gains on disposals of investments	6(23)	-	(1,760)
Gains on disposals of property, plant and equipment	6(23)	(122)	(369)
Compensation cost of employee restricted shares	6(15)(19)	8,691	8,702
Interest income	6(21)	(12,546)	(8,841)
Dividend income	6(22)	(5,373)	(2,038)
Finance costs	6(24)	227	738
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss		72,409	(23,297)
Notes receivable, net		(17,859)	18,075
Accounts receivable, net		(52,376)	253,800
Inventories		(247,867)	(434,343)
Prepayments		(16,351)	6,422
Other current assets		18,396	(13,248)
Changes in operating liabilities			
Notes payable		4,548	(3,501)
Accounts payable		(59,309)	(1,959)
Other payables		41,076	(51,475)
Provisions		(241)	(122)
Other current liabilities		(1,527)	(10,489)
Other non-current liabilities		(210)	(7,368)
Cash inflow generated from operations		1,044,506	686,513
Interest received		12,546	8,841
Interest paid		(232)	(746)
Income taxes paid		(207,794)	(106,643)
Dividends received		5,373	2,038
Net cash flows from operating activities		<u>854,399</u>	<u>590,003</u>

(Continued)

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost	6(4)	\$ -	(\$ 8,045)
Purchase of property, plant and equipment	6(29)	(88,415)	(28,218)
Proceeds from sales of property and equipment		183	369
Acquisition of financial assets at fair value through other comprehensive income	6(3)	-	(31,417)
Increase in guarantee deposits paid		-	121
Increase in other non-current assets		(8,002)	(196)
Net cash flows used in investing activities		(96,234)	(67,386)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Changes in short-term borrowings	6(30)	(37,000)	6,389
(Decrease) increase in guarantee deposits received	6(30)	12	(1,047)
Cash dividends paid	6(18)(30)	(573,201)	(818,356)
Retirement of employees' restricted stock	6(15)	-	(20)
Net cash flows used in financing activities		(610,189)	(813,034)
Effect of exchange rate changes		242,846	(32,890)
Net increase (decrease) in cash and cash equivalents		390,822	(323,307)
Cash and cash equivalents at beginning of year		1,329,030	1,652,337
Cash and cash equivalents at end of year		\$ 1,719,852	\$ 1,329,030

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

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. History and Organisation

- A. The Company was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on January 25, 1990. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in manufacture and sales of lead-acid batteries.
- B. On January 22, 2002, the Company’s common stock was officially listed on the Taiwan Stock Exchange Corporation.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated statements were authorised for issuance by the Board of Directors on March 24, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts - cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 - comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2024
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
 - (b) Financial assets at fair value through other comprehensive income.
 - (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- B. Subsidiaries included in the consolidated financial statements

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Main business activities</u>	<u>Ownership (%)</u>		<u>Description</u>
			<u>Year ended</u>		
			<u>2022</u>	<u>2021</u>	
The Company	Le Long Viet Nam Co., Ltd.	Manufacture and sales of home and industrial storage batteries	100	100	
The Company	Kung Long International Ltd.	General investment	100	100	
Kung Long International Ltd.	Kung Tay Plastic Co., Ltd.	General investment	100	100	
Kung Tay Plastic Co., Ltd.	Kung Tay Viet Nam Co., Ltd.	Manufacture and sales of plastics products	100	100	

C. Subsidiaries not included in the consolidated financial statements:

None.

D. Adjustments for subsidiaries with different balance sheet dates:

Not applicable.

E. Significant restrictions:

None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollar, which is the Company's functional currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that mature within three months and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
 - C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
 - D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- (8) Financial assets at fair value through other comprehensive income
- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
 - B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
 - C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
- (9) Financial assets at amortised cost
- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
 - B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
 - C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective

interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(10) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(15) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5 ~ 50 years
Machinery and equipment	3 ~ 25 years
Other equipment	3 ~ 10 years

(16) Leasing arrangements (lessee) — right-of-use assets

- A. Leases are recognised as a right-of-use asset at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- Any lease payments made at or before the commencement date;
 - Any initial direct costs incurred by the lessee; and
 - An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.

(17) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 30 ~ 50 years.

(18) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 3 years.

(19) Impairment of non-financial assets

The consolidated assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons

for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(20) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(21) Notes and accounts payable

Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(23) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date.

(24) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of

defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

Employee restricted shares:

- A. Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- B. For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- C. For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, shares not yet vested in that year shall be purchased and cancelled by the Group at the original issue price in accordance with the law. Employees are not required to return the dividends received. The Group recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – employee restricted stock'.

(26) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group and its subsidiaries operate

and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(28) Revenue recognition

A. Sales of goods:

- (a) The Group manufactures and sells lead-acid batteries. Sales are recognised when control of the products has transferred, being when there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) The Group's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.

B. Financing component

As the Group entered into contracts with customers, the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, thus, the Group does not adjust the transaction price to reflect the time value of money.

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

5. Critical Accounting Judgements, Assumptions and Key Sources of Estimate Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. The Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount was \$2,106,382 thousand.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 1,343	\$ 1,479
Checking accounts and demand deposits	1,361,102	1,149,388
Time deposit	357,407	178,163
	<u>\$ 1,719,852</u>	<u>\$ 1,329,030</u>

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 7,668	\$ 29,234
Funds	-	27,975
Valuation adjustment	3,658	15,809
	<u>\$ 11,326</u>	<u>\$ 73,018</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or

loss are listed below:

	Year ended December 31	
	2022	2021
Financial assets mandatorily measured at fair value through profit or loss		
Loss on disposal of financial assets	\$ 22,867	\$ -
Equity instruments	10,717	9,787
	<u>\$ 33,584</u>	<u>\$ 9,787</u>

B. The Group has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to price risk and fair value of financial assets at fair value through profit or loss is provided in Note 12(2) and (3).

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Debt instrument		
Corporate bond	\$ 34,856	\$ 31,417
Valuation adjustment	(7,378)	(34)
	<u>\$ 27,478</u>	<u>\$ 31,383</u>
Equity instrument		
Listed stocks	\$ 20,000	\$ 20,000
Valuation adjustment	35,822	52,272
	<u>\$ 55,822</u>	<u>\$ 72,272</u>
	<u>\$ 83,300</u>	<u>\$ 103,655</u>

A. The Group has elected to classify Corporate bond investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. Fair value of such investments are as follows:

	December 31, 2022	December 31, 2021
Financial assets at fair value through other comprehensive income		
Fair value	<u>\$ 27,478</u>	<u>\$ 31,383</u>

B. The Group has elected to classify list stocks investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. Details of fair value of such investments are as follows:

	December 31, 2022	December 31, 2021
Financial assets at fair value through other comprehensive income		
Fair value	<u>\$ 55,822</u>	<u>\$ 72,272</u>

C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial

assets at fair value through other comprehensive income are listed below:

	Year ended December 31	
	2022	2021
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	(\$ 16,450)	\$ 45,184
Dividend income recognised in profit or loss	\$ 3,509	\$ -
Debt instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	(\$ 7,344)	(\$ 34)
Interest income	\$ 1,043	\$ 611

D. The Group has no financial assets at fair value through other comprehensive income pledged to others.

E. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Notes 12(2) and (3).

(4) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits mature in excess of three months	\$ 84,760	\$ 76,397
Non-current items:		
Corporate bond	\$ 50,000	\$ 50,000
Restricted time deposits	130	-
	\$ 50,130	\$ 50,000

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Year ended December 31	
	2022	2021
Interest income	\$ 1,350	\$ 1,350

B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

(5) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 37,516	\$ 19,657
Accounts receivable	733,745	681,373
Less: Allowance for uncollectible accounts	(1,666)	(1,656)
	<u>\$ 769,595</u>	<u>\$ 699,374</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 667,059	\$ 682,786
1 to 90 days	103,039	18,075
91 to 180 days	847	-
Over 180 days	316	169
	<u>\$ 771,261</u>	<u>\$ 701,030</u>

The above ageing analysis was based on past due date.

B. The Group has no notes and accounts receivable and pledged to others.

C. The Group insures accounts receivable for the year ended December 31, 2022, and the insurance company reviews and grants the amount on a case-by-case basis. The amount of accounts receivable that are not past due is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Insurance amount on accounts receivable that are not past due	<u>\$ 360,952</u>	<u>\$ 444,341</u>

When assessing such insured accounts receivable, the Group provides a loss allowance by taking into consideration the recoverable amount of the accounts receivable and the recoverable amount of its insurance.

D. As of December 31, 2022 and 2021, accounts receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$976,934 thousand.

E. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable was the carrying amount of accounts receivable.

F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,229,957	(\$ 53,625)	\$ 1,176,332
Work in progress	453,762	(7,888)	445,874
Finished goods	488,068	(3,892)	484,176
	<u>\$ 2,171,787</u>	<u>(\$ 65,405)</u>	<u>\$ 2,106,382</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 1,183,935	(\$ 48,361)	\$ 1,135,574
Work in progress	474,358	(7,111)	467,247
Finished goods	258,701	(3,007)	255,694
	<u>\$ 1,916,994</u>	<u>(\$ 58,479)</u>	<u>\$ 1,858,515</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2022	2021
Cost of goods sold	\$ 5,802,194	\$ 4,561,081
Loss on (gain on reversal of) decline in market value	617	(137)
Unallocated manufacturing overhead	-	23,660
Revenue from sale of scraps	(9,803)	(7,438)
	<u>\$ 5,793,008</u>	<u>\$ 4,577,166</u>

For the year ended December 31, 2021, the Group reversed from a previous inventory write-down because of sale of partially slow-moving inventories for the year ended December 31, 2021.

(7) Property, plant and equipment

Cost	2022				
	At January 1	Additions	Decrease	Net exchange differences	At December 31
Land	\$ 87,272	\$ -	\$ -	\$ -	\$ 87,272
Buildings and structures	604,433	190	-	54,636	659,259
Machinery and equipment	1,712,062	45,188	(6,471)	191,158	1,941,937
Other equipment	91,118	4,432	-	10,788	106,338
Construction in progress and equipment to be inspected	-	16,409	-	499	16,908
	<u>\$ 2,494,885</u>	<u>\$ 66,219</u>	<u>(\$ 6,471)</u>	<u>\$ 257,081</u>	<u>\$ 2,811,714</u>
<u>Accumulated depreciation</u>					
Buildings and structures	(\$ 327,396)	(\$ 22,293)	\$ -	(\$ 28,467)	(\$ 378,156)
Machinery and equipment	(1,339,014)	(115,036)	6,410	(151,874)	(1,599,514)
Other equipment	(77,179)	(4,453)	-	(9,545)	(91,177)
	<u>(\$ 1,743,589)</u>	<u>(\$ 141,782)</u>	<u>\$ 6,410</u>	<u>(\$ 189,886)</u>	<u>(\$ 2,068,847)</u>
Book value	<u>\$ 751,296</u>				<u>\$ 742,867</u>

Cost	2021					
	At January 1	Additions	Decrease	Transfers	Net exchange differences	At December 31
Land	\$ 87,272	\$ -	\$ -	\$ -	\$ -	\$ 87,272
Buildings and structures	618,709	147	-	-	(14,423)	604,433
Machinery and equipment	1,715,107	30,283	(5,792)	18,407	(45,943)	1,712,062
Other equipment	91,739	998	(1,078)	-	(541)	91,118
Construction in progress and equipment to be inspected	15,520	3,144	-	(18,407)	(257)	-
	<u>\$ 2,528,347</u>	<u>\$ 34,572</u>	<u>(\$ 6,870)</u>	<u>\$ -</u>	<u>(\$ 61,164)</u>	<u>\$ 2,494,885</u>
<u>Accumulated depreciation</u>						
Buildings and structures	(\$ 313,150)	(\$ 21,339)	\$ -	\$ -	\$ 7,093	(\$ 327,396)
Machinery and equipment	(1,259,044)	(117,775)	5,792	-	32,013	(1,339,014)
Other equipment	(74,235)	(5,958)	1,078	-	1,936	(77,179)
	<u>(\$ 1,646,429)</u>	<u>(\$ 145,072)</u>	<u>\$ 6,870</u>	<u>\$ -</u>	<u>\$ 41,042</u>	<u>(\$ 1,743,589)</u>
Book value	<u>\$ 881,918</u>					<u>\$ 751,296</u>

A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows: None.

B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(8) Leasing arrangements – lessee

A. The Group leases various assets including land. On February 15, 2006, the Group's subsidiary, Le Long Viet Nam Co., Ltd., engaged a land use right contract with Phu My Trading Construction

Joint Stock Company. Rental contracts are typically made for periods of 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants for limitation of use, but leased assets may not be used as pledge for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 49,587	\$ 46,633

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 2,087	\$ 1,962

(9) Investment property

	<u>2022</u>		
<u>Cost</u>	<u>At January 1</u>	<u>Additions</u>	<u>At December 31</u>
Land	\$ 47,990	\$ -	\$ 47,990
Buildings and structures	16,443	-	16,443
	<u>\$ 64,433</u>	<u>\$ -</u>	<u>\$ 64,433</u>
<u>Accumulated depreciation</u>			
Buildings and structures	(\$ 12,360)	(\$ 437)	(\$ 12,797)
Book value	<u>\$ 52,073</u>		<u>\$ 51,636</u>

	<u>2021</u>		
<u>Cost</u>	<u>At January 1</u>	<u>Additions</u>	<u>At December 31</u>
Land	\$ 47,990	\$ -	\$ 47,990
Buildings and structures	16,443	-	16,443
Total	<u>\$ 64,433</u>	<u>\$ -</u>	<u>\$ 64,433</u>
<u>Accumulated depreciation</u>			
Buildings and structures	(\$ 11,923)	(\$ 437)	(\$ 12,360)
Book value	<u>\$ 52,510</u>		<u>\$ 52,073</u>

A. Rental income from investment property:

	Year ended December 31	
	2022	2021
Rental income from investment property	\$ 3,610	\$ 2,561
Direct operating expenses arising from the investment property that generated rental income during the year	(\$ 437)	(\$ 437)

B. The fair value of investment property held by the Group which was based on recent market quoted prices of similar objectives in the neighboring area. Valuations are categorised within Level 2 in the fair value hierarchy. The fair value of investment property is as follows:

	Year ended December 31	
	2022	2021
The fair value of investment property	\$ 243,776	\$ 241,274

C. As of December 31, 2022 and 2021, there are no impairment on the investment property.

D. Information about the investment property that was pledged to others as collaterals is provided in Note 8.

(10) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayment for equipment	\$ 31,575	\$ 7,967
Guarantee deposits paid	2,073	2,062
Others	20,342	16,183
	\$ 53,990	\$ 26,212

(11) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 3,000	1.61%	Property, plant and equipment (including investment property)

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	\$ 40,000	0.52%	None

(12) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Salary and bonus payable	\$ 116,313	\$ 86,231
Payable on employees' compensation and directors' and supervisors' remuneration.	88,676	84,391
Payable on commission expense	36,584	28,583
Payable on equipment	6,474	5,062
Other accrued expenses	27,307	28,604
	<u>\$ 275,354</u>	<u>\$ 232,871</u>

(13) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 75,702	\$ 78,093
Fair value of plan assets	(69,809)	(65,192)
Net defined benefit liability	<u>\$ 5,893</u>	<u>\$ 12,901</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2022			
At January 1	\$ 78,093	(\$ 65,192)	\$ 12,901
Current service cost	330	-	330
Interest expense (income)	493	(412)	81
	<u>78,916</u>	<u>(65,604)</u>	<u>13,312</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(5,194)	(5,194)
Change in demographic assumptions	-	-	-
Change in financial assumptions	(2,915)	-	(2,915)
Experience adjustments	1,488	-	1,488
	<u>(1,427)</u>	<u>(5,194)</u>	<u>(6,621)</u>
Pension fund contribution	-	(798)	(798)
Paid pension	(1,787)	1,787	-
At December 31	<u>\$ 75,702</u>	<u>(\$ 69,809)</u>	<u>\$ 5,893</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
At January 1	\$ 87,025	(\$ 66,490)	\$ 20,535
Current service cost	431	-	431
Interest expense (income)	255	(194)	61
	<u>87,711</u>	<u>(66,684)</u>	<u>21,027</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(977)	(977)
Change in demographic assumptions	111	-	111
Change in financial assumptions	(4,219)	-	(4,219)
Experience adjustments	2,039	-	2,039
	<u>(6,147)</u>	<u>(977)</u>	<u>(7,124)</u>
Pension fund contribution	-	(1,002)	(1,002)
Paid pension	(3,471)	3,471	-
At December 31	<u>\$ 78,093</u>	<u>(\$ 65,192)</u>	<u>\$ 12,901</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2022	2021
Discount rate	1.20%	0.65%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	<u>(\$ 1,266)</u>	<u>\$ 1,302</u>	<u>\$ 1,289</u>	<u>(\$ 1,259)</u>
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2021				
Effect on present value of defined benefit obligation	<u>(\$ 1,443)</u>	<u>\$ 1,467</u>	<u>\$ 1,443</u>	<u>(\$ 1,408)</u>

The sensitivity analysis above is based on one assumption which changed while the other

conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$813 thousand.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	6,761
1 to 2 years		6,288
2 to 5 years		20,076
Over 5 years		48,936
	\$	<u>82,061</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company is as follows:.

	Year ended December 31	
	2022	2021
The pension costs	\$ <u>3,338</u>	\$ <u>3,335</u>

(c) The Group’s subsidiaries, Le Long Viet Nam Co., Ltd. and Kung Tay Viet Nam Co., Ltd., are bound under local relevant regulations. Monthly contributions to a regulatory authority in accordance with the pension regulations in the local government are based on a certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. For the aforementioned pension plan, the Group recognised pension costs are as follows:

	Year ended December 31	
	2022	2021
The pension costs	\$ <u>54,934</u>	\$ <u>39,602</u>

C. Pensions of the appointed manager of the Company starting from 2016, two units are accrued for each year of service and one unit for each additional year thereafter. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for service in excess of 15 years thereafter, subject to a maximum of 45 units. The amount is

calculated on a half year basis if less than half year, and on a year basis if more than half year. As of December 31, 2011, the provision for the appointed manager amounted to \$15,877 thousand.

(14) Provisions

	Year ended December 31	
	2022	2021
At January 1	\$ 7,625	\$ 7,971
Additional provisions	25,820	25,782
Used during the year	(26,061)	(25,904)
Exchange differences	834	(224)
At December 31	<u>\$ 8,218</u>	<u>\$ 7,625</u>

The Group gives warranties of after-sale service on lead-acid batteries products sold. Provision for warranty is estimated based on historical warranty data of lead-acid batteries products.

(15) Share-based payment

A. For the years ended December 31, 2022 and 2021, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousand shares)	Contract period	Vesting conditions
Restricted stocks to employees	2020.12.15	283 units	December 2020 to February 2025	Note 1

Note 1: Employees who are still working for the Group as of February 20 of the following year after the date of issuance of the employee restricted shares, who have not violated their labor contracts, and who are not in the bottom 50% of all employees in the most recent annual assessment will receive new shares in accordance with the following schedule and in proportion to the number of shares allocated to the employees:

Vesting period	Vesting ratio
Still working for the Group as of February 20 of the following year after the date of issuance of the employee restricted shares	20%
Still working for the Group as of February 20 of the second year after the date of issuance of the employee restricted shares	20%
Still working for the Group as of February 20 of the third year after the date of issuance of the employee restricted shares	20%
Still working for the Group as of February 20 of the fourth year after the date of issuance of the employee restricted shares	20%
Still working for the Group as of February 20 of the fifth year after the date of issuance of the employee restricted shares	20%

Except for inheritance, the restricted stocks issued by the Group cannot be transferred during the vesting period. Additionally, before meeting the vesting condition, except for not participating in the stocks and dividends distributed, other rights are the same as the Group's issued ordinary shares. If employees resign or retire during the vesting period, shares not yet vested in that year shall be purchased and cancelled by the Group at the original issue price in accordance with the law.

B. The fair value granted on grant date is measured using the quoted market prices. Relevant information is as follows:

(a) The 1st restricted stocks to employees for 2020:

	Year ended December 31			
	2022		2021	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	\$ 231	\$ 10	\$ 283	\$ 10
Employee restricted shares vested	(50)	10	(50)	10
Retirement of employee restricted shares	-	-	(2)	10
Options outstanding at December 31	<u>181</u>	10	<u>231</u>	10

C. The fair value granted on grant date is measured using the quoted market prices. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Restricted stocks to employees	2020.12.15	141.5	10	-	-	-	-	131.5

D. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31	
	2022	2021
Equity-settled	\$ 8,691	\$ 8,702

(16) Share capital

A. As of December 31, 2022 and 2021, the Company's authorised capital was \$1,000,000 thousand, consisting of 100,000 thousand shares of ordinary stock (including 8,200 thousand shares reserved for employee stock options), and the paid-in capital was \$820,664 thousand with a par value of \$10 (in dollars) per share, and ordinary shares outstanding as at December 31, 2022 amounted to 82,066 thousand shares. All proceeds from shares issued have been collected.

	Year ended December 31	
	2022	2021
At January 1	82,066	82,068
Retirement of employee stocks	-	(2)
At December 31	82,066	82,066

B. On March 22, 2021, the Board of Directors resolved to retire restricted stocks to employees amounting to 2,000 shares and the record date for capital reduction was set on March 22, 2021. The registration for abovementioned capital reduction was completed.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

2022						
	Share premium	Treasury share transactions	Employee restricted shares	Difference between carrying amount of subsidiaries acquired or disposed	Consolidation surplus arising from share conversion	Total
At January 1	\$ 620,879	\$ 4,485	\$ 30,350	\$ 24,091	\$ 22,146	\$ 701,951
Share-based payment transactions	6,601	-	(6,601)	-	-	-
At December 31	<u>\$ 627,480</u>	<u>\$ 4,485</u>	<u>\$ 23,749</u>	<u>\$ 24,091</u>	<u>\$ 22,146</u>	<u>\$ 701,951</u>

2021						
	Share premium	Treasury share transactions	Employee restricted shares	Difference between carrying amount of subsidiaries acquired or disposed	Consolidation surplus arising from share conversion	Total
At January 1	\$ 614,278	\$ 4,485	\$ 37,215	\$ 24,091	\$ 22,146	\$ 702,215
Share-based payment transactions	6,601	-	(6,865)	-	-	(264)
At December 31	<u>\$ 620,879</u>	<u>\$ 4,485</u>	<u>\$ 30,350</u>	<u>\$ 24,091</u>	<u>\$ 22,146</u>	<u>\$ 701,951</u>

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. After the provision or reversal of special reserve, the appropriation of the remaining earnings along with the unappropriated earnings of prior years shall be proposed by the Board of Directors and approved by the shareholders.
- B. The Company's dividend policy is summarised below:
As the Company is in the growth stage, and taking into consideration of shareholders' interest, financial structure and Company's long-term development, the total amount of bonus distributed to shareholders shall be 20% to 80% of the accumulated distributable earnings. Cash dividends shall not be less than 10% of the bonus distributed to shareholders.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

- E. The appropriation of retained earnings has met the statutory voting threshold on June 13, 2021 via the electronic voting platform on shareholders' meeting, additionally, the shareholders' meeting on July 30, 2021, resolved to distribute cash dividends amounting to NT\$818,356 thousand with a par value of \$10 (in dollars).
- F. On June 17, 2022, the Company's shareholders resolved to distribute cash dividends amounting to \$573,201 thousand at a price of \$7 (in dollars) per share.
- G. On March 24, 2023, the Company's Board of Directors proposed the appropriation of earnings for 2022 to distribute cash dividends at a price of \$10 (in dollars) per share, however, the appropriation shall be reported to shareholders for resolution.
- H. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(26).

(19) Other equity items

	2022				
	Unrealised gains (losses) on valuation of investments in equity instruments at fair value through other comprehensive income	Unrealised gains (losses) on valuation of investments in equity instruments at fair value through other comprehensive income – investments accounted for using the equity method	Foreign currency translation	Unearned employee compensation	Total
At January 1	\$ 52,272	(\$ 34)	(\$ 219,853)	(\$ 27,520)	(\$ 195,135)
Employee restricted shares	-	-	-	8,691	8,691
Valuation adjustment	(16,450)	(7,344)	-	-	(23,794)
Currency translation differences:					
–Group	-	-	324,228	-	324,228
–Tax on Group	-	-	(64,845)	-	(64,845)
At December 31	<u>\$ 35,822</u>	<u>(\$ 7,378)</u>	<u>\$ 39,530</u>	<u>(\$ 18,829)</u>	<u>\$ 49,145</u>

	2021				
	Unrealised gains (losses) on valuation of investments in equity instruments at fair value through other comprehensive income	Unrealised gains (losses) on valuation of investments in equity instruments at fair value through other comprehensive income – investments accounted for using the equity method	Foreign currency translation	Unearned employee compensation	Total
At January 1	\$ 7,088	\$ -	(\$ 155,403)	(\$ 36,484)	(\$ 184,799)
Employee restricted shares	-	-	-	8,964	8,964
Valuation adjustment	45,184	(34)	-	-	45,150
Currency translation differences:					
–Group	-	-	(80,562)	-	(80,562)
–Tax on Group	-	-	16,112	-	16,112
At December 31	<u>\$ 52,272</u>	<u>(\$ 34)</u>	<u>(\$ 219,853)</u>	<u>(\$ 27,520)</u>	<u>(\$ 195,135)</u>

(20) Operating revenue

	Year ended December 31	
	2022	2021
Revenue from contracts with customers	<u>\$ 7,318,728</u>	<u>\$ 5,797,748</u>

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time and revenue can be classified by geographic, and the disclosure information is provided in the Note 14(3).

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities which was prepayment (shown as other current liabilities) as follows:

(a) Contract liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities	\$ 38,941	\$ 43,092	\$ 44,637

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Revenue recognised that was included in the contract liability balance	\$ 35,951	\$ 37,733

(21) Interest income

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 10,153	\$ 6,880
Interest income from corporate bond	2,393	1,961
	<u>\$ 12,546</u>	<u>\$ 8,841</u>

(22) Other income

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Rent income	\$ 3,703	\$ 2,685
Dividend income	5,373	2,038
Other income, others	3,039	8,546
	<u>\$ 12,115</u>	<u>\$ 13,269</u>

(23) Other gains and losses

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Gains on financial assets at fair value through profit or loss	\$ 122	\$ 369
Gains on disposal of investments	-	1,760
Foreign exchange losses	203,251	(8,374)
Gains on financial assets at fair value through profit or loss	10,717	9,787
Other losses	(2,706)	(1,994)
	<u>\$ 211,384</u>	<u>\$ 1,548</u>

(24) Finance costs

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest expense	\$ 227	\$ 738

(25) Expenses by nature

	Year ended December 31	
	2022	2021
Employee benefit expense	\$ 873,720	\$ 664,189
Depreciation charge	144,036	147,471
Amortisation charge	2,014	2,365
	<u>\$ 1,019,770</u>	<u>\$ 814,025</u>

(26) Employee benefit expense

	Year ended December 31	
	2022	2021
Wages and salaries	\$ 737,499	\$ 560,965
Labour and health insurance fees	18,232	16,199
Pension costs	58,860	43,591
Directors' remuneration	20,890	13,919
Other personnel expenses	38,239	29,515
	<u>\$ 873,720</u>	<u>\$ 664,189</u>

- A. According to the Company's Articles of Incorporation, the profit (pre-tax profit before deduction of employees' compensation and directors' remuneration) of the current year shall be distributed as employees' compensation shall not less than 2% and directors' remuneration shall no higher than 5%.
- B. The estimated and accrued employees' compensation and directors' and remuneration were as follows:

	Year ended December 31	
	2022	2021
Employees' compensation	\$ 39,724	\$ 28,227
Directors' remuneration	20,725	16,364
	<u>\$ 60,449</u>	<u>\$ 44,591</u>

The abovementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration resolved by the Board of Directors will be distributed in the form of cash.

For the years ended December 31, 2022 and 2021, the employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current year as of the end of reporting period. The estimated and accrued percentages are as follows:

	Year ended December 31	
	2022	2021
Percentages of employees' compensation	3.43%	3.44%
Percentages of directors' remuneration	1.79%	1.99%

C. Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2021 financial statements.

D. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 279,729	\$ 197,245
Prior year income tax underestimation	2,135	1,728
Total current tax	<u>281,864</u>	<u>198,973</u>
Deferred tax:		
Origination and reversal of temporary differences	13,898	(1,474)
Total deferred tax	<u>13,898</u>	<u>(1,474)</u>
Income tax expense	<u>\$ 295,762</u>	<u>\$ 197,499</u>

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2022	2021
Currency translation differences	(\$ 64,845)	\$ 16,112
Remeasurement of defined benefit plan	(1,324)	(1,425)
	<u>(\$ 66,169)</u>	<u>\$ 14,687</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 299,596	\$ 196,530
Tax exempt income by tax regulation	(5,969)	(759)
Prior year income tax underestimation	2,135	1,728
Effect from unrealised deferred tax	-	-
Tax on undistributed earnings	-	-
Income tax expense	<u>\$ 295,762</u>	<u>\$ 197,499</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
–Temporary differences:				
Unrealised gross profit	\$ 6,859	(\$ 1,172)	\$ -	\$ 5,687
Allowance for inventory valuation losses and loss for obsolete and slow- moving inventories	203	-	-	203
Unrealised gain on sales of fixed assets	1,533	(302)	-	1,231
Unallocated amount of pension expense	8,533	(77)	-	8,456
Accumulated unused compensated absences	767	114	-	881
Others	5	39	-	44
Cumulative translation adjustment of long-term equity investments	<u>81,371</u>	<u>-</u>	<u>(64,845)</u>	<u>16,526</u>
	<u>\$ 99,271</u>	<u>(\$ 1,398)</u>	<u>(\$ 64,845)</u>	<u>\$ 33,028</u>
Deferred tax liabilities:				
Gain on foreign long-term investments	(\$ 377,269)	(\$ 14,844)	\$ -	(\$ 392,113)
Remeasurement of defined benefit plan	(148)	-	(1,324)	(1,472)
Unrealised exchange gain	<u>(3,319)</u>	<u>2,344</u>	<u>-</u>	<u>(975)</u>
Others	<u>(\$ 380,736)</u>	<u>(\$ 12,500)</u>	<u>(\$ 1,324)</u>	<u>(\$ 394,560)</u>
		<u>(\$ 13,898)</u>	<u>(\$ 66,169)</u>	

	Year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
-Temporary differences:				
Unrealised gross profit	\$ 4,989	\$ 1,870	\$ -	\$ 6,859
Allowance for inventory valuation losses and loss for obsolete and slow- moving inventories	203	-	-	203
Unrealised gain on sales of fixed assets	2,006	(473)	-	1,533
Unallocated amount of pension expense	8,635	(102)	-	8,533
Remeasurement of defined benefit plan	1,277	-	(1,277)	-
Accumulated unused compensated absences	875	(108)	-	767
Others	2	3	-	5
Cumulative translation adjustment of long-term equity investments	65,259	-	16,112	81,371
Unrealised exchange loss	(2,414)	2,414	-	-
	<u>\$ 80,832</u>	<u>\$ 3,604</u>	<u>\$ 14,835</u>	<u>\$ 99,271</u>
Deferred tax liabilities:				
Gain on foreign long-term investments	(378,458)	1,189	-	(377,269)
Remeasurement of defined benefit plan	-	-	(148)	(148)
Unrealised exchange gain	-	(3,319)	-	(3,319)
Others	<u>(\$ 378,458)</u>	<u>(\$ 2,130)</u>	<u>(\$ 148)</u>	<u>(\$ 380,736)</u>
		<u>\$ 1,474</u>	<u>\$ 14,687</u>	

D. In the first quarter of 2018, the subsidiary, Kung Tay Viet Nam Co., Ltd., resolved not to distribute the undistributed earnings as of December 31, 2017, and therefore the Company did not recognise the taxable temporary differences arising from undistributed earnings of the subsidiary, Kung Tay Viet Nam Co., Ltd., as deferred income tax liabilities. As of December 31, 2022, the temporary differences of unrecognised deferred tax liabilities amounted to \$38,453 thousand.

E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

F. Applicable tax rate are as follows:

Name of subsidiaries and second-tier subsidiaries	Applicable tax rate	Applicable income tax act
Le Long Viet Nam Co., Ltd.	The permanent applicable tax rate for Ben Luc Factory is 10%.	Law on investment regulated by Vietnam government
	The applicable tax rate for Duc Hoa Factory is 20% since 2016.	
Kung Tay Viet Nam Co., Ltd.	The applicable tax rate for plastic products is 20% since 2016.	Law on investment regulated by Vietnam government
	The applicable tax rate for mold products is 20% since 2021.	

(28) Earnings per share

	Year ended December 31, 2022		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 881,575	81,879	\$ 10.77
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	881,575	81,879	
Assumed conversion of all dilutive potential ordinary shares	-	318	
Employees' compensation	-	32	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 881,575	82,229	\$ 10.72

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 620,038	81,829	\$ 7.58
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	620,038	81,829	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	264	
Employee restricted shares	-	237	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 620,038	\$ 82,330	\$ 7.53

A. The weighted-average number of shares outstanding for years ended December 31, 2022 and 2021 were calculated by taking into account the weighted-average number of restricted employee stocks.

B. When calculating earnings per share, it is assumed that employee compensation, which was fully paid in the form of shares for the period, and the ordinary shares are included in the weighted average number of shares outstanding when it is diluted.

(29) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31	
	2022	2021
Purchase of property, plant and equipment	\$ 66,219	\$ 34,572
Add: Opening balance of payable on equipment	5,062	1,034
Less: Ending balance of payable on equipment	(6,474)	(5,062)
Less: Opening balance of prepayments for equipment	(7,967)	(10,293)
Add: Ending balance of prepayments for equipment	31,575	7,967
Cash paid during the year	\$ 88,415	\$ 28,218

(30) Changes in liabilities from financing activities

	Short-term borrowings	Dividends payable, non-cash assets distributions	Guarantee deposits received	Liabilities from financing activities-gross
January 1, 2022	\$ 40,000	\$ -	\$ 718	\$ 40,718
Changes in other non-cash items	-	573,201	-	\$ 573,201
Changes in cash flow from financing activities	(37,000)	(573,201)	12	(\$ 610,189)
Impact of changes in foreign exchange rate	-	-	-	-
December 31, 2022	<u>\$ 3,000</u>	<u>\$ -</u>	<u>\$ 730</u>	<u>\$ 3,730</u>
	Short-term borrowings	Dividends payable, non-cash assets distributions	Guarantee deposits received	Liabilities from financing activities-gross
January 1, 2021	\$ 34,176	\$ -	\$ 1,765	\$ 35,941
Changes in other non-cash items	-	818,356	-	\$ 818,356
Changes in cash flow from financing activities	6,389	(818,356)	(1,047)	(\$ 813,014)
Impact of changes in foreign exchange rate	(565)	-	-	(565)
December 31, 2021	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 718</u>	<u>\$ 40,718</u>

7. Related Party Transactions

Key management compensation

	Year ended December 31	
	2022	2021
Short-term employee benefits	\$ 34,636	\$ 24,804
Post-employment benefits	101	87
Share-based payments	572	495
	<u>\$ 35,309</u>	<u>\$ 25,386</u>

8. Pledged Assets

Pledged Assets	Book value		Purpose
	December 31, 2022	December 31, 2021	
Property, plant and equipment	\$ 115,902	\$ 120,362	Short-term borrowings
Investment property	51,636	52,073	Short-term borrowings
Time deposits (shown as other non-current assets)	130	2,681	Warranty guarantee
	<u>\$ 167,668</u>	<u>\$ 175,116</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Plant and equipment	<u>\$ 41,377</u>	<u>\$ 10,376</u>

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The appropriation of earnings for the year ended December 31, 2022 is provided in Note 6(18)G.

12. Others

(1) Capital management

The Group's objectives when managing capital are based on the industrial scale, considering industrial future growth and product development, and setting appropriate market share, as well as plan on corresponding capital expenditure, calculation of operating capital needed for financial operations, and considering operating profit and cash inflows arise from product competitiveness, to determine appropriate capital structure.

The Group monitors its capital by periodically reviewing the debt ratio. As of December 31, 2022 and 2021, the Group's debt ratio was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total liabilities	\$ 1,500,825	\$ 1,468,013
Total assets	5,845,641	5,254,878
Debt to asset ratio	25.67%	27.94%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 11,326	\$ 73,018
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	55,822	72,272
Qualifying equity instrument	27,478	31,383
Financial assets at amortised cost		
Cash and cash equivalents	1,719,852	1,329,030
Financial assets at amortised cost	134,890	126,397
Notes receivable	37,516	19,657
Accounts receivable	732,079	679,717
Guarantee deposits paid	2,073	2,062
	<u>\$ 2,721,036</u>	<u>\$ 2,333,536</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 3,000	\$ 40,000
Notes payable	9,324	4,776
Accounts payable	265,337	324,646
Other accounts payable	275,354	232,871
Guarantee deposits received	730	718
Other current financial liabilities	233	2,551
	<u>\$ 553,978</u>	<u>\$ 605,562</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.
- (b) Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Group and its subsidiaries used in various functional currency, primarily with respect to the USD. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.

- ii. Management has set up a policy to require company companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and VND). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2022		
	Foreign currency		
	amount (In thousands)	Exchange rate	Carrying amount (New Taiwan dollar)
<u>Financial assets</u>			
<u>Cash and cash equivalents</u>			
USD: NTD	\$ 25,055	30.71	\$ 769,439
VND: USD	103,097,437	0.00004	126,648
<u>Accounts receivable</u>			
USD: NTD	\$ 18,094	30.71	\$ 555,667
VND: USD	138,520,408	0.00004	170,164
<u>Financial liabilities</u>			
<u>Accounts payable</u>			
USD: NTD	\$ 1,705	30.71	\$ 52,361
VND: USD	229,289,951	0.00004	281,672
(Foreign currency: functional currency)	December 31, 2021		
	Foreign currency		
	amount (In thousands)	Exchange rate	Carrying amount (New Taiwan dollar)
<u>Financial assets</u>			
<u>Cash and cash equivalents</u>			
USD: NTD	\$ 24,711	27.68	\$ 648,000
VND: USD	192,873,118	0.00004	213,551
<u>Accounts receivable</u>			
USD: NTD	\$ 18,112	27.68	\$ 501,340
VND: USD	120,739,780	0.00004	133,694
<u>Financial liabilities</u>			
<u>Accounts payable</u>			
USD: NTD	\$ 1,966	27.68	\$ 54,419
VND: USD	274,638,145	0.00004	304,092

- iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2022					
Sensitivity analysis					
(Foreign currency: functional currency)	Degree of variation	Effect from profit or loss	Effect on other comprehensive income		
<u>Financial assets</u>					
<u>Cash and cash equivalents</u>					
USD: NTD	3%	\$ 23,083	\$		-
VND: USD	3%	3,799			-
<u>Accounts receivable</u>					
USD: NTD	3%	\$ 16,670	\$		-
VND: USD	3%	5,105			-
<u>Financial liabilities</u>					
<u>Accounts payable</u>					
USD: NTD	3%	\$ 1,571	\$		-
VND: USD	3%	8,450			-

Year ended December 31, 2021					
Sensitivity analysis					
(Foreign currency: functional currency)	Degree of variation	Effect from profit or loss	Effect on other comprehensive income		
<u>Financial assets</u>					
<u>Cash and cash equivalents</u>					
USD: NTD	3%	\$ 20,520	\$		-
VND: USD	3%	6,407			-
<u>Accounts receivable</u>					
USD: NTD	3%	\$ 15,040	\$		-
VND: USD	3%	4,011			-
<u>Financial liabilities</u>					
<u>Accounts payable</u>					
USD: NTD	3%	\$ 1,633	\$		-
VND: USD	3%	9,123			-

- v. The total exchange loss and gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$203,251 thousand exchange gain and \$8,374 thousand exchange loss, respectively.

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity

securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

- ii. The Group's investments in equity securities comprise domestic listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 3% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$340 thousand and \$2,191 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$2,499 thousand and \$3,110 thousand, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 10 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$2 thousand and \$32 thousand, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. The credits of deposits are evaluated by external credit rating agencies (if there is no rating, financial information such as loan-to-deposit ratio, non-performing loan ratios, capital adequacy ratio, etc.), and the bank is assessed to have a good credit rating before it is accepted as a counterparty. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. In line with credit risk management procedure, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition and the default occurs when the contract payments are

past due over 90 days.

- iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganisation due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- v. The Group classifies customers' notes receivable, and accounts receivable in accordance with credit rating of customer, collateral. The Group applies the modified approach using a provision matrix to estimate the expected credit loss.
- vi. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights. On December 31, 2022 and 2021, the Group had no written-off financial assets that are still under recourse procedure.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of notes receivable and accounts receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

	Not past due	Up to 30 days past due	Up to 60 days past due	Up to 90 days past due	Up to 120 days past due	Total
<u>December 31, 2022</u>						
Expected loss rate	0.010%	0.11%	0.72%	5.80%	100%	
Total book value	\$ 667,059	\$ 74,834	\$ 24,427	\$ 3,778	\$ 1,163	\$ 771,261
Loss allowance	\$ 46	\$ 63	\$ 175	\$ 219	\$ 1,163	\$ 1,666

	Not past due	Up to 30 days past due	Up to 60 days past due	Up to 90 days past due	Up to 120 days past due	Total
<u>December 31, 2021</u>						
Expected loss rate	0.001%	0.20%	0.15%	0.64%	100%	
Total book value	\$ 682,786	\$ 18,075	\$ -	\$ -	\$ 169	\$ 701,030
Loss allowance	\$ 1,484	\$ 3	\$ -	\$ -	\$ 169	\$ 1,656

- viii. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable and notes receivable are as follows:

	<u>Year ended December 31, 2022</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>
At January 1	\$ -	\$ 1,656
Provision for impairment	-	-
Reversal of impairment	-	-
Effect of exchange rate changes	-	10
At December 31	<u>\$ -</u>	<u>\$ 1,666</u>

	<u>Year ended December 31, 2021</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>
At January 1	\$ -	\$ 1,658
Provision for impairment	-	1
Reversal of impairment	-	(1)
Effect of exchange rate changes	-	(2)
At December 31	<u>\$ -</u>	<u>\$ 1,656</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits, and funds, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. The cash and cash equivalents and financial assets at fair value through profit or loss held by the Group are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	<u>\$ 1,719,852</u>	<u>\$ 1,329,030</u>
Financial assets at fair value through profit or loss	<u>\$ 11,326</u>	<u>\$ 73,018</u>

It is expected to readily generate cash inflows for managing liquidity risk.

- iii. As of December 31, 2022 and 2021, the Group's undrawn borrowing facilities amounted to 3,255,460 thousand and 3,069,680 thousand, respectively.
- iv. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

December 31, 2022

	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 3,001	\$ -	\$ -	\$ -	\$ -
Notes payable	8,739	585	-	-	-
Accounts payable	265,337	-	-	-	-
Other payables	214,905	60,449	-	-	-
Other current financial liabilities	233	-	-	-	-

December 31, 2021

	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 40,034	\$ -	\$ -	\$ -	\$ -
Notes payable	4,191	585	-	-	-
Accounts payable	324,646	-	-	-	-
Other payables	188,280	44,591	-	-	-
Other current financial liabilities	3,269	-	-	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in corporate bonds, investment property and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

(a) The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ 11,326	\$ -	\$ -	\$ 11,326
-Funds	-	-	-	-
Financial assets at fair value through other comprehensive income				
-Corporate bond	27,478	-	-	27,478
-Equity securities	<u>55,822</u>	<u>-</u>	<u>-</u>	<u>55,822</u>
	<u>\$ 94,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,626</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ 43,923	\$ -	\$ -	\$ 43,923
-Funds	29,095	-	-	29,095
Financial assets at fair value through other comprehensive income				
-Corporate bond	31,383	-	-	31,383
-Equity securities	<u>72,272</u>	<u>-</u>	<u>-</u>	<u>72,272</u>
	<u>\$ 176,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,673</u>

(b) The methods and assumptions the Group used to measure fair value are as follows:

The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods (only disclosed the information on transactions reaching NT\$20 million): Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: None.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Operating Segment Information

(1) General information

The Company and its subsidiaries are primarily engaged in manufacture and sales of lead-acid batteries. The chief operating decision-maker allocates resources and assesses performance based on geographic type. Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

(2) Measurement of segment information

The Company and its subsidiaries evaluate the performance of operating segments based on profit (loss) before tax.

(3) Information about segment profit or loss

- A. The segment information for the year ended December 31, 2022 provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31, 2022			
	Taiwan	Vietnam	Others	Total
Revenue				
Revenue from external customers	\$ 5,154,424	\$ 2,164,304	\$ -	\$ 7,318,728
Inter-segment revenue	420,089	4,855,713	-	5,275,802
Total revenue	<u>\$ 5,574,513</u>	<u>\$ 7,020,017</u>	<u>\$ -</u>	<u>\$ 12,594,530</u>
Segment profit (loss) before tax	<u>\$ 1,096,301</u>	<u>\$ 453,947</u>	<u>(\$ 4,348)</u>	<u>\$ 1,545,900</u>

Note: The chief operating decision-maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

- B. The segment information for the year ended December 31, 2021 provided to the chief operating decision-maker for the reportable segments is as follows:

	Year ended December 31, 2021			
	Taiwan	Vietnam	Others	Total
Revenue				
Revenue from external customers	\$ 4,289,480	\$ 1,508,268	\$ -	\$ 5,797,748
Inter-segment revenue	139,451	3,676,155	-	3,815,606
Total revenue	<u>\$ 4,428,931</u>	<u>\$ 5,184,423</u>	<u>\$ -</u>	<u>\$ 9,613,354</u>
Segment profit (loss) before tax	<u>\$ 776,257</u>	<u>\$ 235,059</u>	<u>(\$ 4,596)</u>	<u>\$ 1,006,720</u>

Note: The chief operating decision-maker does not use the measured amount of the assets as a measurement indicator; therefore, the measured amount of the Group's assets shall be disclosed as zero.

(4) Reconciliation for segment income (loss)

- A. A reconciliation of reportable segment income to the income before tax from continuing operations for the years ended December 31, 2022 and 2021 is provided as follows:

	Year ended December 31	
	2022	2021
Revenue of reportable segments before adjustments	\$ 12,594,530	\$ 9,613,354
Inter-segment revenue	(5,275,802)	(3,815,606)
Reportable segment revenue	<u>\$ 7,318,728</u>	<u>\$ 5,797,748</u>

- B. A reconciliation of reportable segment income or loss to the income/(loss) before tax from continuing operations for the years ended December 31, 2022 and 2021 is provided as follows:

	Year ended December 31	
	2022	2021
Profit before tax of reportable segments before adjustments	\$ 1,545,900	\$ 1,006,720
Inter-segment profit eliminated	(368,563)	(189,183)
Profit before tax of reportable segments	<u>\$ 1,177,337</u>	<u>\$ 817,537</u>

(5) Geographical information

	Year ended December 31			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
Asia	\$ 3,749,641	\$ 900,523	\$ 2,936,804	\$ 876,827
America	1,330,585	-	1,181,714	-
Europe	1,934,866	-	1,479,983	-
Others	303,636	-	199,247	-
	<u>\$ 7,318,728</u>	<u>\$ 900,523</u>	<u>\$ 5,797,748</u>	<u>\$ 876,827</u>

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31			
	2022		2021	
	Revenue	Segment	Revenue	Segment
A	\$ 514,891	Taiwan	\$ 298,562	Taiwan
B	374,863	Vietnam	273,114	Vietnam

KUNG LONG BATTERIES INDUSTRIAL CO., LTD. AND SUBSIDIARIES
HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2022

Table 1

Securities held by Kung Long Batteries Industrial Co., Ltd.	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022			Fair value	Footnote	
				Number of shares	Book value	Ownership (%)			
Kung Long Batteries Industrial Co., Ltd.	Stocks-CAREER TECHNOLOGY MFG. CO.,	-	Financial assets at fair value through profit or loss - current	6,732	\$	289	\$	159	Note 1
	Stocks-SINON CORPORATION	-	Financial assets at fair value through profit or loss - current	51,000		879		1,859	Note 1
	Stocks-ABILITY OPTO-ELECTRONICS TECHNOLOGY CO.,LTD.	-	Financial assets at fair value through profit or loss - current	5,300		323		370	Note 1
	Stocks-TAIWAN HON CHUAN ENTERPRISE CO., LTD.	-	Financial assets at fair value through profit or loss - current	78,000		4,077		6,786	Note 1
	Stocks-SUNSPRING METAL CORPORATION	-	Financial assets at fair value through profit or loss - current	54,000		1,198		1,220	Note 1
Kung Long Batteries Industrial Co., Ltd.	Stocks- KINGCAN HOLDINGS LIMITED	-	Financial assets at fair value through profit or loss - current	69,000		902		932	Note 1
			Add: valuation adjustment			3,658			
Kung Long Batteries Industrial Co., Ltd.	Stocks-A KER TECHNOLOGY CO., LTD	-	Financial assets at fair value through other comprehensive income - non-current	2,193,396	\$	20,000	4.39%	\$ 55,822	Note 1
	Corporate bond -MICROSOFT CORP		Non-current financial assets at fair value through other comprehensive income			34,856		27,478	Note 1
Kung Long Batteries Industrial Co., Ltd.	Corporate - the bonds China Life Insurance Co., Ltd. 1st cumulative perpetual subordinated debts for the year ended December 31, 2020	-	Add: valuation adjustment			28,444			
			Financial assets at amortized cost - non-current		\$	83,300		\$ 83,300	

Note: The fair value was based on the quoted market prices of stocks, funds and corporate bonds on the balance sheet date.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD. AND SUBSIDIARIES
PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
YEAR ENDED DECEMBER 31, 2022

Table 2
 Expressed in thousands of NTD
 (Except as otherwise indicated)

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Compared to third party transactions			Notes/accounts receivable		
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance at December 31, 2022	Percentage of total notes/accounts receivable (payable)	Footnote
Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	Subsidiaries	Purchases	\$ 4,811,593	66.97%	Paid within 120 days after the delivery.	Note 1	Payment term for general customers is 60-90 days after monthly billings	(\$ 245,125)	(90.95%)	Note 2
Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	Subsidiaries	Transaction of purchases on behalf of others	2,414,383	46.90%	Collected within 120 days after the delivery.	Note 1	Collection term for general customers is 60-90 days after monthly billings	-	-	Note 2
Le Long Viet Nam Co., Ltd.	Kung Tay Viet Nam Co., Ltd.	Same as the ultimate parent company	Purchases	262,861	5.11%	Paid within 120 days after the delivery.	Note 1	Payment term for general customers is 60-90 days after monthly billings	(193,015)	(16.83%)	Note 2

Note 1: The calculation was based on the price agreed by both parties. It is difficult to compare with non-related parties.

Note 2: The transaction had been eliminated in the consolidated financial statements.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD. AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES REACHING NT\$ 100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
DECEMBER 31, 2022

Table 3

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance	Allowance for Creditor Counterparty doubtful	Footnote
					Amount	Action taken			
Le Long Viet Nam Co., Ltd.	Kung Long Batteries Industrial Co., Ltd.	The Company's subsidiary Same as the ultimate parent company	\$ 245,125	6.74	\$ -	\$	245,125	\$ -	Note 2
Kung Tay Viet Nam Co., Ltd.	Le Long Viet Nam Co., Ltd.		193,015	1.54	-		76,688	-	Note 2

Note 1: It pertained to the amount collected as of March 16, 2023.
 Note 2: The transaction had been eliminated in the consolidated financial statements.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD. AND SUBSIDIARIES
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS (ONLY DISCLOSED THE INFORMATION ON TRANSACTIONS REACHING NT\$20 MILLION)

YEAR ENDED DECEMBER 31, 2022

Table 4

Expressed in thousands of NTD
(Except as otherwise indicated)

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Note 3)	Transaction		Percentage of consolidated total operating revenues or total assets
						Transaction terms		
0	Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	1	Purchases Transaction of purchases on behalf of others	\$ 4,811,593	Paid within 120 days after the delivery.	65.74%	
0	Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	1		2,414,383	Collected within 120 days after the delivery.	32.99%	
0	Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	1	Accounts payable	245,125	Payment term was 120 days after the delivery.	4.19%	
1	Le Long Viet Nam Co., Ltd.	Kung Tay Viet Nam Co., Ltd.	3	Purchases	262,861	Paid within 120 days after the delivery.	3.59%	
1	Le Long Viet Nam Co., Ltd.	Kung Tay Viet Nam Co., Ltd.	3	Accounts payable	193,015	-	3.30%	

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

Note 3: The transaction had been eliminated in the consolidated financial statements.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEEES
YEAR ENDED DECEMBER 31, 2022

Table 5

Expressed in thousands ofNTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022		Net income of investee as of December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote	
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)				Book value
Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	Vietnam	Manufacture and sales of domestic and industrial storage batteries	\$ 1,029,090	\$ 1,029,090	32,000,000	100	\$ 2,511,566	\$ 310,697	\$ 271,305	Note 1 Note 3
Kung Long Batteries Industrial Co., Ltd.	Kung Long International Ltd.	British Virgin Islands	General investment	70,464	70,464	2,170,000	100	667,946	53,556	53,556	Note 1 Note 3
Kung Long International Ltd.	Kung Tay Plastic Co., Ltd.	Samoa	General investment	136,590	136,590	3,600,000	100	544,607	52,611	-	Note 2 Note 3
Kung Tay Plastic Co., Ltd.	Kung Tay Viet Nam Co., Ltd.	Vietnam	Manufacture and sales of plastics products	207,883	207,883	6,600,000	100	409,119	53,556	-	Note 2 Note 3

Note 1: Investment income (loss) recognised for the year ended December 31, 2022 included the investee company's eliminating and realised amount of gains and losses which are arising from upstream and sidestream intercompany transaction.

Note 2: It pertained to the investment income (loss) not presented by the second-tier subsidiary.

Note 3: The transaction had been eliminated in the consolidated financial statements.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD. AND SUBSIDIARIES
MAJOR SHAREHOLDERS INFORMATION
DECEMBER 31, 2022

Table 6

Name of major shareholders	Shares	Ownership (%)
Fubon Life Insurance Co., Ltd.	6,500,000	7.92%
LEE JUI CHUN	5,810,802	7.08%

Note: If the information in this form was applied by the Company from TDCC, it should state the following events in this table:

- (1) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialized form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the different calculation basis.
- (2) If the aforementioned data contains shares which were held in trust by the shareholders, the data was disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on reported share equity of insider, please refer to Market Observation Post System.

Appendix 2: A parent company only financial report for the most recent fiscal year

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of
Kung Long Batteries Industrial Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Kung Long Batteries Industrial Co., Ltd. (the “Company”) as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the *Other matter* section), the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the parent company only 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. Based on our audits and the reports of other independent auditors, 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 Company's 2022 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming

our opinion thereon, we do not provide a separate opinion on these matters.

Revenue recognition timing

Description

Refer to Note 4(25) for accounting policies on revenue. For the year ended December 31, 2022, the Company's operating revenue was NT\$ 5,574,513 thousand.

The Company is primarily engaged in the manufacture and sales of lead-acid batteries. The sales channels of products are located globally and sales to customers involve different kinds of transaction terms, which are based on the transaction terms agreed upon by individual customers. Depending on the different transaction terms, control of the goods is transferred only when the goods have been shipped or delivered, and the shipment date or delivery date is used as revenue recognition timing in accordance with the transaction terms. Certain processes of revenue recognition often involves a high degree of manual judgment and operations, which may result in revenue recognition not being properly recorded in the correct period. As the aforementioned issues also applied to the subsidiaries held by the Company, which are accounted for under equity method, thus, we consider revenue recognition timing of the Company and subsidiaries as a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Obtained an understanding and assessing on the process and internal controls of sales transactions and tested the effectiveness of the controls.
2. Verified the Company's sales transactions around the balance sheet date to check whether revenues are recorded in the correct period. We also tested whether changes in inventory were recorded in the proper period in order to assess the appropriateness of revenue recognition timing.
3. Performed confirmation procedures and substantive test on the ending balance of accounts receivable, and checked whether accounts receivable and sales revenue have been recorded in the proper period in order to assess the reasonableness of the sales revenue recognition timing.

Assessment of allowance for inventory valuation losses

Description

Refer to Note 4(13) for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions related to inventory valuation, and Note 6(6) for description of allowance for inventory valuation losses. As of December 31, 2022, the balances of inventory and allowance for inventory valuation losses were NT\$ 388,449 thousand and NT\$ 1,013 thousand, respectively.

The Company is primarily engaged in the manufacture and sales of lead-acid batteries. Inventories aged over a certain period of time and individually identified as obsolete inventories are measured at the lower of cost and net realisable value and provided allowance for inventory valuation losses based on individually identified reasonable net realizable value and usable condition of obsolete or slow-moving inventories. As the aforementioned issues also applied to the subsidiaries held by the Company which are accounted for under equity method. Considering the inventory and allowance for inventory valuation losses were material to the consolidated financial statements and the determination of net realisable value as at the balance sheet date for inventory valuation involved judgments and estimates, thus, we considered assessment of allowance for inventory valuation loss of the Company and subsidiaries as a key audit matter.

How our audit addressed the matter

We performed the following key audit procedures in respect of the above key audit matter:

1. Obtained an understanding of the Company's operation and the consistency of the related accounting policies. Assessed the reasonableness of accounting policies and procedures on allowance for inventory valuation losses.
2. Obtained an understanding of the Company's warehousing control procedures, reviewed the annual physical inventory stocktaking plan and observed the process of stocktaking, in order to assess the classification of obsolete inventory and effectiveness of obsolete inventory internal control.
3. Verified the accuracy of inventory aging reports which was used in valuation, recalculated and assessed the reasonableness of allowance for inventory valuation losses, in order to ensure that the information on the report was consistent with its policy.
4. Obtained evaluation data of the inventory costs and net realisable value which was compiled by

management, randomly checked separate inventory against vouchers of purchases and sales and its records, and checked the calculation accuracy of the report, in order to assess the basis and reasonableness of net realisable value.

Other matter – Reference to the audits of other auditors

We did not audit the financial statements of the investee company, Kung Tay Viet Nam Co., Ltd. which are accounted for under the equity method. The balance of these investments accounted for under the equity method amounted to NT\$409,119 thousand and NT\$354,590 thousand, constituting 7.16% and 7.33% of total assets as of December 31, 2022 and 2021, respectively, and comprehensive income was NT\$57,905 thousand and NT\$38,256 thousand, constituting 5.16% and 6.32% of total comprehensive income for the years then ended, respectively. The financial statements of these investees were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts and the information disclosed in Note 13 included in the financial statements relative to the investee company is based solely on the audit reports of the other auditors.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only 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 parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only 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 parent company only 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 parent company only 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 parent company only financial statements, including the disclosures, and whether the parent company only financial statements

represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hsu, Chien-Yeh

Wu, Sung-Yuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,245,002	22	\$ 846,732	18
1110	Financial assets at fair value through profit or loss - current	6(2)	11,326	-	73,018	2
1150	Notes receivable, net	6(5)	37,516	-	19,657	1
1170	Accounts receivable, net	6(5)	560,135	10	545,189	11
1180	Accounts receivable - related parties	7(2)	-	-	19,948	-
1200	Other receivables		1,655	-	7,413	-
130X	Inventories	6(6)	387,436	7	162,193	3
1470	Other current assets		1,716	-	1,645	-
11XX	Current Assets		<u>2,244,786</u>	<u>39</u>	<u>1,675,795</u>	<u>35</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	55,822	1	72,272	1
1535	Non-current financial assets at amortised cost	6(4)	50,000	1	50,000	1
1550	Investments accounted for under equity method	6(7)	3,155,671	55	2,766,942	57
1600	Property, plant and equipment	6(8)	120,486	2	124,943	3
1760	Investment property - net	6(9)	51,636	1	52,073	1
1840	Deferred income tax assets	6(25)	32,984	1	99,266	2
1900	Other non-current assets		4,323	-	2,487	-
15XX	Non-current assets		<u>3,470,922</u>	<u>61</u>	<u>3,167,983</u>	<u>65</u>
1XXX	Total assets		<u>\$ 5,715,708</u>	<u>100</u>	<u>\$ 4,843,778</u>	<u>100</u>

(Continued)

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2022		December 31, 2021		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 3,000	-	\$ 40,000	1
2150	Notes payable		9,324	-	4,776	-
2170	Accounts payable		27,008	1	28,974	1
2180	Accounts payable - related parties	7(2)	245,125	4	-	-
2200	Other payables	6(11)	173,728	3	144,390	3
2230	Current income tax liabilities		433,219	8	365,022	7
2300	Other current liabilities	6(18)	62,558	1	63,814	1
21XX	Current Liabilities		<u>953,962</u>	<u>17</u>	<u>646,976</u>	<u>13</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(25)	394,560	7	380,736	8
2600	Other non-current liabilities	6(12)	22,370	-	29,201	1
25XX	Non-current liabilities		<u>416,930</u>	<u>7</u>	<u>409,937</u>	<u>9</u>
2XXX	Total Liabilities		<u>1,370,892</u>	<u>24</u>	<u>1,056,913</u>	<u>22</u>
Equity						
Share capital						
3110	Share capital - common stock	6(14)	820,664	14	820,664	17
Capital surplus						
3200	Capital surplus	6(15)	701,951	12	701,951	15
Retained earnings						
3310	Legal reserve	6(16)	1,019,359	18	956,785	20
3320	Special reserve		195,134	3	184,799	4
3350	Unappropriated retained earnings		1,558,563	27	1,317,801	27
Other equity interest						
3400	Other equity interest	6(17)	49,145	2	(195,135)	(5)
3XXX	Total equity		<u>4,344,816</u>	<u>76</u>	<u>3,786,865</u>	<u>78</u>
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 5,715,708</u>	<u>100</u>	<u>\$ 4,843,778</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Sales revenue	6(18)	\$ 5,574,513	100	\$ 4,428,931	100
5000	Operating costs	6(6)	(4,657,197)	(83)	(3,644,056)	(82)
5900	Net operating margin		917,316	17	784,875	18
5910	Unrealized profit from sales	7(2)	(2,376)	-	(3,805)	-
5950	Net operating margin		914,940	17	781,070	18
	Operating expenses	6(23)(24)				
6100	Selling expenses		(237,718)	(4)	(141,982)	(3)
6200	General and administrative expenses		(84,120)	(2)	(71,110)	(2)
6300	Research and development expenses		(11,620)	-	(10,541)	-
6000	Total operating expenses		(333,458)	(6)	(223,633)	(5)
6900	Operating profit		581,482	11	557,437	13
	Non-operating income and expenses					
7100	Interest income	6(19)	4,730	-	2,267	-
7010	Other income	6(20)	10,410	-	11,163	-
7020	Other gains and losses	6(21)	175,017	3	10,105)	-
7050	Finance costs	6(22)	(199)	-	(481)	-
7070	Share of profit of associates and joint ventures accounted for using equity method, net	6(7)				
			324,861	6	215,976	5
7000	Total non-operating income and expenses		514,819	9	218,820	5
7900	Profit before income tax		1,096,301	20	776,257	18
7950	Income tax expense	6(25)	(214,726)	(4)	(156,219)	(4)
8200	Profit for the year		\$ 881,575	16	\$ 620,038	14
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	6(12)	\$ 6,621	-	\$ 7,124	-
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)(17)	(16,450)	-	45,184	1
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(1,324)	-	(1,425)	-
8310	Components of other comprehensive income that will not be reclassified to profit or loss		(11,153)	-	50,883	1
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Other comprehensive income, before tax, exchange differences on translation	6(17)	324,228	5	(80,562)	(2)
8367	Unrealised gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	6(17)	(7,344)	-	(34)	-
8399	Income tax relating to the components of other comprehensive income	6(17)(25)	(64,845)	(1)	16,112	1
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss		252,039	4	(64,484)	(1)
8300	Other comprehensive income (loss) for the year		\$ 240,886	4	(\$ 13,601)	-
8500	Total comprehensive income for the year		\$ 1,122,461	20	\$ 606,437	14
	Basic earnings per share	6(26)				
9750	Basic earnings per share		\$ 10.77		\$ 7.58	
9850	Diluted earnings per share		\$ 10.72		\$ 7.53	

The accompanying notes are an integral part of these parent company only financial statements.

KUNG LONG BATTERIES INDUSTRIAL CO.,LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained Earnings				Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total equity
		Share capital - common stock	Capital surplus, additional paid-in capital	Legal reserve	Special reserve			
<u>2021</u>								
Balance at January 1		\$ 820,684	\$ 702,215	\$ 868,963	\$ 14,770	\$ 1,768,271	(\$ 184,799)	\$ 3,990,104
Profit for the year		-	-	-	-	620,038	-	620,038
Other comprehensive income (loss)	6(3)(12)(17)	-	-	-	-	5,699	(19,300)	(13,601)
Total comprehensive income (loss)		-	-	-	-	625,737	(19,300)	606,437
Appropriation and distribution of 2020 earnings: 6(16)		-	-	-	-	-	-	-
Legal reserve		-	-	87,822	-	(87,822)	-	-
Special reserve		-	-	-	170,029	(170,029)	-	-
Cash dividends		-	-	-	-	(818,356)	-	(818,356)
Share-based payments	6(13)(15)	(20)	(264)	-	-	-	8,964	8,680
Balance at December 31		\$ 820,664	\$ 701,951	\$ 956,785	\$ 184,799	\$ 1,317,801	(\$ 195,135)	\$ 3,786,865
<u>2022</u>								
Balance at January 1		\$ 820,664	\$ 701,951	\$ 956,785	\$ 184,799	\$ 1,317,801	(\$ 195,135)	\$ 3,786,865
Profit for the year		-	-	-	-	881,575	-	881,575
Other comprehensive income	6(3)(12)(17)	-	-	-	-	5,297	235,589	240,886
Total comprehensive income		-	-	-	-	886,872	235,589	1,122,461
Appropriation and distribution of 2021 earnings: 6(16)		-	-	-	-	-	-	-
Legal reserve		-	-	62,574	-	(62,574)	-	-
Special reserve		-	-	-	10,335	(10,335)	-	-
Cash dividends		-	-	-	-	(573,201)	-	(573,201)
Share-based payments	6(13)(15)	-	-	-	-	-	8,691	8,691
Balance at December 31		\$ 820,664	\$ 701,951	\$ 1,019,359	\$ 195,134	\$ 1,558,563	\$ 49,145	\$ 4,344,816

The accompanying notes are an integral part of these parent company only financial statements.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,096,301	\$ 776,257
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	6(8)(9)(23)	7,057	7,172
Amortisation charge	6(23)	900	765
Gain on financial assets at fair value through profit or loss, mandatorily measured at fair value	6(2)(21)	(10,717)	(9,787)
Gains on disposals of investments	6(21)	-	(1,760)
Compensation cost of employee restricted shares	6(13)(19)	8,691	8,702
Interest income	6(19)	(4,730)	(2,267)
Dividend income	6(20)	(5,373)	(2,038)
Finance costs	6(22)	199	481
Share of profit (loss) of subsidiaries accounted for under equity method	6(7)	(324,861)	(215,976)
Unrealised (gain) loss on inter-affiliate accounts	7(2)	2,376	3,805
Changes in operating assets and liabilities			
Changes in operating assets			
Current financial assets at fair value through profit or loss, mandatorily measured at fair value		72,409	(23,297)
Notes receivable, net		(17,859)	18,075
Accounts receivable, net		(14,946)	192,793
Accounts receivable - related parties		19,948	(19,948)
Inventories		(225,243)	63,406
Other receivables		5,758	(5,010)
Other current assets		(71)	3,018
Changes in operating liabilities			
Notes payable		4,548	(3,501)
Accounts payable		(1,966)	(19,804)
Accounts payable to related parties		245,125	(637,965)
Other payables		29,344	(39,566)
Other current liabilities		(1,256)	(8,708)
Other non-current liabilities		(210)	(348)
Cash inflow generated from operations		885,424	84,499
Interest received		4,730	2,267
Interest paid		(205)	(475)
Income taxes paid		(132,592)	(75,108)
Dividends received		5,373	2,038
Net cash flows from operating activities		<u>762,730</u>	<u>13,221</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Purchase of property, plant and equipment	6(8)	(2,163)	(650)
Increase in other non-current assets		(2,736)	(1,008)
Acquisition of cash dividends from investments accounted for using equity method		250,640	221,920
Net cash flows from investing activities		<u>245,741</u>	<u>220,262</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Changes in short-term borrowings	6(27)	(37,000)	40,000
(Decrease) increase in guarantee deposits received		-	100
Cash dividends paid	6(16)(27)	(573,201)	(818,356)
Retirement of employees' restricted stock	6(14)	-	(20)
Net cash flows used in financing activities		(610,201)	(778,276)
Net increase (decrease) in cash and cash equivalents		398,270	(544,793)
Cash and cash equivalents at beginning of year		846,732	1,391,525
Cash and cash equivalents at end of year		<u>\$ 1,245,002</u>	<u>\$ 846,732</u>

The accompanying notes are an integral part of these parent company only financial statements.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. History and Organisation

- A. The Company was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on January 25, 1990. On September 17, 1999, the Company merged with LE LONG VIET NAM CO., LTD. After the issuance of 20,000 thousand shares and the successive capital increases, as of December 31, 2022, the paid-in capital was \$820,664 thousand. The Company is primarily engaged in the manufacture and sales of lead-acid batteries.
- B. On January 22, 2002, the Company's common stock was officially listed on the Taiwan Stock Exchange Corporation.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These parent company only financial statements were authorised for issuance by the Board of Directors on March 24, 2023.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 - comparative information’	January 1, 2023
Amendments to IAS 1, ‘Non-current liabilities with covenants’	January 1, 2024
Amendments to IAS 2, ‘Classification of liabilities as current or non-current’	January 1, 2024

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. Summary of Significant Accounting Policies

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through

profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The parent company only financial statements are presented in New Taiwan dollar, which is the Company’s functional currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange

rate at the date of that balance sheet;

- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognised in other comprehensive income.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(6) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(9) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost including accounts receivable that have a significant financing component, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Leasing arrangements (lessor) – operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(13) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

(14) Investments accounted for using equity method /subsidiaries

A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities

Issuers,” profit (loss) and other comprehensive income of the current period in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(15) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors’, from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	20 ~ 50 years
Machinery and equipment	5 ~ 8 years
Other equipment	3 ~ 10 years

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 30 ~ 50 years.

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than

what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(22) Employee share-based payment

Employee restricted shares:

- A. Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
- B. For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Company recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- C. For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, shares not yet vested in that year shall be purchased and cancelled by the Company at the original issue price in accordance with the law. Employees are not required to return the dividends received. The Company recognises the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognises the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – employee restricted stock'.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred tax is not accounted for if it arises from

initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities.

(25) Revenue recognition

A. Sales of goods:

(a) The Company manufactures and sells lead-acid batteries. Sales are recognised when control of the products has transferred, being when there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) The Company's obligation to provide a repair for faulty products under the standard warranty terms is recognised as a provision.

B. Financing component

As the Company entered into contracts with customers, the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, thus, the Company does not adjust the transaction price to reflect the time value of money.

5. Critical Accounting Judgements, Assumptions and Key Sources of Estimate Uncertainty

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine

the net realisable value of inventories on balance sheet date using judgements and estimates. The Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2022, the carrying amount of inventories was \$387,436 thousand.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand and revolving funds	\$ 329	\$ 322
Checking accounts and demand deposits	1,152,543	846,410
Time deposit	92,130	-
	<u>\$ 1,245,002</u>	<u>\$ 846,732</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Listed stocks	\$ 7,668	\$ 29,234
Funds	-	27,975
Valuation adjustment	3,658	15,809
	<u>\$ 11,326</u>	<u>\$ 73,018</u>

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Loss on disposal of financial assets	\$ 22,867	\$ -
Equity instruments	10,717	9,787
	<u>\$ 33,584</u>	<u>\$ 9,787</u>

B. The Company has no financial assets at fair value through profit or loss pledged to others.

C. Information relating to price risk and fair value of financial assets at fair value through profit or loss is provided in Notes 12(2) and (3).

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

Items	December 31, 2022	December 31, 2021
Non-current items:		
Equity instruments		
Listed stocks	\$ 20,000	\$ 20,000
Valuation adjustment	35,822	52,272
	\$ 55,822	\$ 72,272

A. The Company has elected to classify listed stocks investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. Details of such investments are as follows:

	December 31, 2022	December 31, 2021
<u>Financial assets at fair value through other comprehensive income</u>		
Fair value	\$ 55,822	\$ 72,272

B. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	Year ended December 31	
	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive income	(\$ 16,450)	\$ 45,184
Dividend income recognised in profit or loss	\$ 3,509	\$ -

C. The Company has no financial assets at fair value through other comprehensive income pledged to others.

D. Information relating to price risk and fair value of financial assets at fair value through other comprehensive income is provided in Notes 12(2) and (3).

(4) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Non-current items:		
Corporate bond	\$ 50,000	\$ 50,000

A. Amounts recognised in profit or loss in relation to financial assets at amortised cost are listed below:

	Year ended December 31	
	2022	2021
Interest income	\$ 1,350	\$ 1,350

B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 37,516	\$ 19,657
Accounts receivable	561,694	546,748
Less: Allowance for uncollectible accounts	(1,559)	(1,559)
	<u>\$ 597,651</u>	<u>\$ 564,846</u>

A. The ageing analysis of accounts receivable and notes receivable that were past due but not impaired is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Not past due	\$ 511,403	\$ 549,006
1 to 90 days	86,960	17,399
91 to 180 days	847	-
	<u>\$ 599,210</u>	<u>\$ 566,405</u>

The above ageing analysis was based on past due date.

B. The Company has no notes and accounts receivable and pledged to others.

C. The Company insures accounts receivable for the period starting from January 1, 2022 to December 31, 2022, and the insurance company reviews and grants the amount on a case-by-case basis. The amount of accounts receivable that are not past due is as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Insurance amount on accounts receivable that are not past due	\$ 360,952	\$ 444,341

When assessing such insured accounts receivable, the Company provides a loss allowance by taking into consideration the recoverable amount of the accounts receivable and its insurance.

D. As of December 31, 2022 and 2021, accounts receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$775,714 thousand.

E. As at December 31, 2022 and 2021, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable was the carrying amount of accounts receivable.

F. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2).

(6) Inventories

	December 31, 2022		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 2,025	(\$ 273)	\$ 1,752
Work in progress	23,304	(213)	23,091
Finished goods	363,120	(527)	362,593
	<u>\$ 388,449</u>	<u>(\$ 1,013)</u>	<u>\$ 387,436</u>

	December 31, 2021		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 898	(\$ 273)	\$ 625
Work in progress	17,397	(213)	17,184
Finished goods	144,911	(527)	144,384
	<u>\$ 163,206</u>	<u>(\$ 1,013)</u>	<u>\$ 162,193</u>

The cost of inventories recognised as expense for the year:

	Year ended December 31	
	2022	2021
Cost of goods sold	\$ 4,657,713	\$ 3,645,337
Revenue from sale of scraps	(516)	(1,281)
	<u>\$ 4,657,197</u>	<u>\$ 3,644,056</u>

(7) Investments accounted for using equity method

	December 31, 2022	December 31, 2021
Le Long Viet Nam Co., Ltd.	\$ 2,511,566	\$ 2,231,488
Kung Long International Ltd.	\$ 667,946	\$ 556,919
	\$ 3,179,512	\$ 2,788,407
Less: Unrealised gain on investee company	(23,841)	(21,465)
	<u>\$ 3,155,671</u>	<u>\$ 2,766,942</u>

A. Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2022.

B. Details of share of profit (loss) of subsidiaries accounted for using the equity method are as follows:

	Year ended December 31	
	2022	2021
Le Long Viet Nam Co., Ltd.	\$ 271,305	\$ 182,316
Kung Long International Ltd.	53,556	33,660
	<u>\$ 324,861</u>	<u>\$ 215,976</u>

The share of profit (loss) of subsidiaries recognised for the abovementioned investments accounted for using the equity method was based on investee's financial statements of the same

reporting period which were audited by the independent auditors.

(8) Property, plant and equipment

2022					
Cost	At January 1	Additions	Decrease	Transfers	At December 31
Land	\$ 87,272	\$ -	\$ -	\$ -	\$ 87,272
Buildings and structures	105,324	190	-	-	105,514
Machinery and equipment	6,921	240	-	-	7,161
Other equipment	9,899	1,733	-	-	11,632
	<u>\$ 209,416</u>	<u>\$ 2,163</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,579</u>
Accumulated depreciation	At January 1	Additions	Decrease	Transfers	At December 31
Buildings and structures	(\$ 72,235)	(\$ 4,650)	\$ -	\$ -	(\$ 76,885)
Machinery and equipment	(4,803)	(663)	-	-	(5,466)
Other equipment	(7,435)	(1,307)	-	-	(8,742)
	<u>(\$ 84,473)</u>	<u>(\$ 6,620)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 91,093)</u>
Book value	<u>\$ 124,943</u>				<u>\$ 120,486</u>
2021					
Cost	At January 1	Additions	Decrease	Transfers	At December 31
Land	\$ 87,272	\$ -	\$ -	\$ -	\$ 87,272
Buildings and structures	105,324	-	-	-	105,324
Machinery and equipment	8,610	400	(2,089)	-	6,921
Other equipment	10,683	250	(1,034)	-	9,899
	<u>\$ 211,889</u>	<u>\$ 650</u>	<u>(\$ 3,123)</u>	<u>\$ -</u>	<u>\$ 209,416</u>
Accumulated depreciation	At January 1	Additions	Decrease	Transfers	At December 31
Buildings and structures	(\$ 67,562)	(\$ 4,673)	\$ -	\$ -	(\$ 72,235)
Machinery and equipment	(5,983)	(909)	2,089	-	(4,803)
Other equipment	(7,316)	(1,153)	1,034	-	(7,435)
	<u>(\$ 80,861)</u>	<u>(\$ 6,735)</u>	<u>\$ 3,123</u>	<u>\$ -</u>	<u>(\$ 84,473)</u>
Book value	<u>\$ 131,028</u>				<u>\$ 124,943</u>

- A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows: None.
- B. Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note 8.

(9) Investment property

Cost	2022		
	At January 1	Additions	At December 31
Land	\$ 47,990	\$ -	\$ 47,990
Buildings and structures	16,443	-	16,443
	<u>\$ 64,433</u>	<u>\$ -</u>	<u>\$ 64,433</u>
Accumulated depreciation	At January 1	Additions	At December 31
Buildings and structures	<u>(\$ 12,360)</u>	<u>(\$ 437)</u>	<u>(\$ 12,797)</u>
Book value	<u>\$ 52,073</u>		<u>\$ 51,636</u>

Cost	2021		
	At January 1	Additions	At December 31
Land	\$ 47,990	\$ -	\$ 47,990
Buildings and structures	16,443	-	16,443
Total	<u>\$ 64,433</u>	<u>\$ -</u>	<u>\$ 64,433</u>
Accumulated depreciation	At January 1	Additions	At December 31
Buildings and structures	<u>(\$ 11,923)</u>	<u>(\$ 437)</u>	<u>(\$ 12,360)</u>
Book value	<u>\$ 52,510</u>		<u>\$ 52,073</u>

A. Rental income from investment property:

	Year ended December 31	
	2022	2021
Rental income from investment property	<u>\$ 3,610</u>	<u>\$ 2,561</u>

	Year ended December 31	
	2022	2021
Direct operating expenses arising from the investment property that generated rental income during the year	<u>(\$ 437)</u>	<u>(\$ 437)</u>

B. The fair value of investment property held by the Company which was based on recent market quoted prices of similar objectives in the neighbouring area. Valuations are categorised within Level 2 in the fair value hierarchy. The fair value of investment property is as follows:

	Year ended December 31	
	2022	2021
The fair value of investment property	<u>\$ 243,776</u>	<u>\$ 241,274</u>

C. As of December 31, 2022 and 2021, there are no impairment on the investment property.

D. Information about the investment property that was pledged to others as collaterals is provided in Note 8.

(10) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Secured borrowings	<u>\$ 3,000</u>	1.61%	Property, plant and equipment (Including investment property)

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	<u>\$ 40,000</u>	0.52%	None

(11) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Payable on employees' compensation and directors' and supervisors' remuneration.	\$ 88,676	\$ 84,391
Payable on commission expense	36,584	28,583
Salary and bonus payable	31,497	14,806
Other accrued expenses	16,971	16,610
	<u>\$ 173,728</u>	<u>\$ 144,390</u>

(12) Pensions

A. (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Labor Standards Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 75,702	\$ 78,093
Fair value of plan assets	(69,809)	(65,192)
Net defined benefit liability	<u>\$ 5,893</u>	<u>\$ 12,901</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
2022			
At January 1	\$ 78,093	(\$ 65,192)	\$ 12,901
Current service cost	330	-	330
Interest expense (income)	493	(412)	81
	<u>78,916</u>	<u>(65,604)</u>	<u>13,312</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(5,194)	(5,194)
Change in demographic assumptions	-	-	-
Change in financial assumptions	(2,915)	-	(2,915)
Experience adjustments	1,488	-	1,488
	<u>(1,427)</u>	<u>(5,194)</u>	<u>(6,621)</u>
Pension fund contribution	-	(798)	(798)
Paid pension	(1,787)	1,787	-
At December 31	<u>\$ 75,702</u>	<u>(\$ 69,809)</u>	<u>\$ 5,893</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
2021			
At January 1	\$ 87,025	(\$ 66,490)	\$ 20,535
Current service cost	431	-	431
Interest expense (income)	255	(194)	61
	<u>87,711</u>	<u>(66,684)</u>	<u>21,027</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(977)	(977)
Change in demographic assumptions	111	-	111
Change in financial assumptions	(4,219)	-	(4,219)
Experience adjustments	(2,039)	-	(2,039)
	<u>(6,147)</u>	<u>(977)</u>	<u>(7,124)</u>
Pension fund contribution	-	(1,002)	(1,002)
Paid pension	(3,471)	3,471	-
At December 31	<u>\$ 78,093</u>	<u>(\$ 65,192)</u>	<u>\$ 12,901</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitisation products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Year ended December 31	
	2022	2021
Discount rate	1.20%	0.65%
Future salary increases	2.00%	2.00%

Future mortality rate was estimated based on the 6th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
December 31, 2022				
Effect on present value of defined benefit obligation	<u>(\$ 1,266)</u>	<u>\$ 1,302</u>	<u>\$ 1,289</u>	<u>(\$ 1,259)</u>
December 31, 2021				
Effect on present value of defined benefit obligation	<u>(\$ 1,443)</u>	<u>\$ 1,467</u>	<u>\$ 1,443</u>	<u>(\$ 1,408)</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- (f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$813 thousand.
- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	6,761
1 to 2 years		6,288
2 to 5 years		20,076
Over 5 years		48,936
	<u>\$</u>	<u>82,061</u>

- B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Company is as follows:.

	Year ended December 31	
	2022	2021
The pension costs	\$ 3,338	\$ 3,335

C. For the appointed manager of the Company starting from 2016, two units are accrued for each year of service and one unit for each additional year thereafter. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for service in excess of 15 years until the year of retirement, subject to a maximum of 45 units. The amount is calculated on a half year basis if less than half year, and on a year basis if more than half year. As of December 31, 2011, the reserve was provided for the appointed manager amounting to \$15,877 thousand.

(13) Share-based payment

A. For the years ended December 31, 2022 and 2021, the Company's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (in thousand shares)	Contract period	Vesting conditions
Restricted stocks to employees	2020.12.15	283 units	December 2020 to February 2025	Note 1

Note 1: Employees who are still working for the Company as of February 20 of the following year after the date of issuance of the employee restricted shares, who have not violated their labor contracts, work rules, or other major misconduct and who have received a grade of B+ or higher in the most recent annual assessment will receive new shares in accordance with the following schedule and in proportion to the number of shares allocated to the employees:

Vesting period	Vesting ratio
Still working for the Company as of February 20 of the following year after the date of issuance of the employee restricted shares	20%
Still working for the Company as of February 20 of the second year after the date of issuance of the employee restricted shares	20%
Still working for the Company as of February 20 of the third year after the date of issuance of the employee restricted shares	20%
Still working for the Company as of February 20 of the fourth year after the date of issuance of the employee restricted shares	20%
Still working for the Company as of February 20 of the fifth year after the date of issuance of the employee restricted shares	20%

Except for inheritance, the restricted stocks issued by the Company cannot be transferred during the vesting period. Additionally, before meeting the vesting condition, except for not participating in the stocks and dividends distributed, other rights are the same as the Company's issued ordinary shares. If employees resign or retire during the vesting period, shares not yet vested in that year shall be purchased and cancelled by the Company at the original issue price in accordance with the law.

B. The fair value granted on grant date is measured using the quoted market prices. Relevant information is as follows:

(a) The 1st restricted stocks to employees for 2020:

	Year ended December 31			
	2022		2021	
	No. of options	Weighted-average exercise price (in dollars)	No. of options	Weighted-average exercise price (in dollars)
Options outstanding at January 1	231	\$ 10	283	\$ 10
Employee restricted shares vested	(50)	10	(50)	10
Retirement of employee restricted shares	-	-	(2)	10
Options outstanding at December 31	<u>181</u>	10	<u>231</u>	10

C. The fair value granted on grant date is measured using the quoted market prices. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit (in dollars)
Restricted stocks to employees	2020.12.15	141.5	10	-	-	-	-	131.5

D. Expenses incurred on share-based payment transactions are shown below:

	Year ended December 31	
	2022	2021
Equity-settled	<u>\$ 8,691</u>	<u>\$ 8,702</u>

(14) Share capital

A. As of December 31, 2022 and 2021, the Company's authorised capital was \$1,000,000 thousand, consisting of 100,000 thousand shares of ordinary stock (including 8,200 thousand shares reserved for employee stock options), and the paid-in capital was \$820,664 thousand with a par value of \$10 (in dollars) per share, and ordinary shares outstanding as at December 31, 2022 amounted to 82,066 thousand shares. All proceeds from shares issued have been collected.

	Year ended December 31	
	2022	2021
At January 1	82,066	82,068
Stocks to employees (retired)	-	(2)
At December 31	<u>82,066</u>	<u>82,066</u>

B. On March 22, 2021, the Board of Directors resolved to retire restricted stocks to employees in the total amount of 2,000 shares and the record date for the capital reduction was set on March 22, 2021. The registration for abovementioned capital reduction was completed.

(15) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Year ended December 31, 2022					
	Share premium	Treasury share transactions	Employee restricted shares	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Consolidation surplus arising from share conversion	Total
At January 1	\$ 620,879	\$ 4,485	\$ 30,350	\$ 24,091	\$ 22,146	\$ 701,951
Share-based payment transactions	6,601	-	(6,601)	-	-	-
At December 31	<u>\$ 627,480</u>	<u>\$ 4,485</u>	<u>\$ 23,749</u>	<u>\$ 24,091</u>	<u>\$ 22,146</u>	<u>\$ 701,951</u>

	Year ended December 31, 2021					
	Share premium	Treasury share transactions	Employee restricted shares	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Consolidation surplus arising from share conversion	Total
At January 1	\$ 614,278	\$ 4,485	\$ 37,215	\$ 24,091	\$ 22,146	\$ 702,215
Share-based payment transactions	6,601	-	(6,865)	-	-	(264)
At December 31	<u>\$ 620,879</u>	<u>\$ 4,485</u>	<u>\$ 30,350</u>	<u>\$ 24,091</u>	<u>\$ 22,146</u>	<u>\$ 701,951</u>

(16) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. After the provision or reversal of special reserve, the appropriation of the remaining earnings along with the unappropriated earnings of prior years

shall be proposed by the Board of Directors and approved by the shareholders.

B. The Company's dividend policy is summarised below:

As the Company is in the growth stage, taking into consideration of shareholders' interest, financial structure and Company's long-term development, the total amount of bonus distributed to shareholders shall be 20% to 80% of the accumulated distributable earnings. Cash dividends shall not be less than 10% of the bonus distributed to shareholders.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The appropriation of retained earnings has met the statutory voting threshold on June 13, 2021 via the electronic voting platform on shareholders' meeting, additionally, the shareholders' meeting on July 30, 2021, resolved to distribute cash dividends amounting to NT\$818,356 thousand with a par value of \$10 (in dollars).

F. On June 17, 2022, the Company's shareholders resolved to distribute cash dividends total amounting to \$537,201 thousand at a price of \$7 (in dollars) per share.

G. On March 24, 2023, the Company's Board of Directors proposed the appropriation of earning for 2022 to distribute cash dividends at a price of \$10 (in dollars) per share, however, the appropriation shall be reported to shareholders for obtaining approval.

H. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(24).

(17) Other equity items

2022

	Unrealised gains (losses) on valuation					Total
	Unrealised gains (losses) on valuation of investments in equity instruments at fair value through other comprehensive income	Unrealised gains (losses) on valuation of investments in equity instruments at fair value through other comprehensive income – investments accounted for using the equity method	Foreign currency translation	Unearned employee compensation		
At January 1	\$ 52,272	(\$ 34)	(\$ 219,853)	(\$ 27,520)	(\$ 195,135)	
Employee restricted shares	-	-	-	8,691	8,691	
Valuation adjustment	(16,450)	(7,344)	-	-	(23,794)	
Currency translation differences:						
–Group	-	-	324,228	-	324,228	
–Tax on Group	-	-	(64,845)	-	(64,845)	
At December 31	\$ 35,822	(\$ 7,378)	\$ 39,530	(\$ 18,829)	\$ 49,145	

	Unrealised gains (losses) on valuation of investments in equity instruments at fair value through other comprehensive income	Unrealised gains (losses) on valuation of investments in equity instruments at fair value through other comprehensive income – investments accounted for using the equity method	Foreign currency translation	Unearned employee compensation	Total
At January 1	\$ 7,088	\$ -	(\$ 155,403)	(\$ 36,484)	(\$ 184,799)
Employee restricted shares	-	-	-	8,964	8,964
Valuation adjustment	45,184	(\$ 34)	-	-	45,150
Currency translation differences:					
–Group	-	-	(80,562)	-	(80,562)
–Tax on Group	-	-	16,112	-	16,112
At December 31	<u>\$ 52,272</u>	<u>(\$ 34)</u>	<u>(\$ 219,853)</u>	<u>(\$ 27,520)</u>	<u>(\$ 195,135)</u>

(18) Operating revenue

	Year ended December 31	
	2022	2021
Revenue from contracts with customers	<u>\$ 5,574,513</u>	<u>\$ 4,428,931</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time and revenue can be classified by product type as follows:

	Year ended December 31	
	2022	2021
Revenue from external customer contracts	\$ 5,154,424	\$ 4,286,677
Inter-segment revenue	420,089	142,254
Segment revenue	<u>\$ 5,574,513</u>	<u>\$ 4,428,931</u>
Timing of revenue recognition		
At a point in time	<u>\$ 5,574,513</u>	<u>\$ 4,428,931</u>

B. Contract liabilities

The Company has recognised the following revenue-related contract liabilities which was prepayment (shown as other current liabilities) as follows:

(a) Contract liabilities

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities	<u>\$ 38,113</u>	<u>\$ 42,115</u>	<u>\$ 41,675</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year

	Year ended December 31	
	2022	2021
Revenue recognised that was included in the contract liability balance	<u>\$ 34,936</u>	<u>\$ 36,729</u>

(19) Interest income

	Year ended December 31	
	2022	2021
Interest income from bank deposits	\$ 3,380	\$ 917
Interest income from corporate bond	1,350	1,350
	<u>\$ 4,730</u>	<u>\$ 2,267</u>

(20) Other income

	Year ended December 31	
	2022	2021
Rent income	\$ 3,703	\$ 2,685
Dividend income	5,373	2,038
Other income, others	1,334	6,440
	<u>\$ 10,410</u>	<u>\$ 11,163</u>

(21) Other gains and losses

	Year ended December 31	
	2022	2021
Gains on financial assets at fair value through profit or loss	\$ 10,717	\$ 9,787
Gains on disposal of investments	-	1,760
Foreign exchange gains (losses)	164,737	(21,215)
Other losses	(437)	(437)
	<u>\$ 175,017</u>	<u>(\$ 10,105)</u>

(22) Finance costs

	Year ended December 31	
	2022	2021
Interest expense	\$ 199	\$ 481

(23) Expenses by nature

	Year ended December 31	
	2022	2021
Employee benefit expense	\$ 173,417	\$ 135,718
Depreciation charge	7,057	7,172
Amortisation charge	900	765
	<u>\$ 181,374</u>	<u>\$ 143,655</u>

(24) Employee benefit expense

	Year ended December 31	
	2022	2021
Wages and salaries	\$ 133,371	\$ 102,956
Labour and health insurance fees	8,743	9,164
Pension costs	3,926	3,990
Directors' remuneration	20,890	13,919
Other personnel expenses	6,487	5,689
	<u>\$ 173,417</u>	<u>\$ 135,718</u>

A. According to the Company's Articles of Incorporation, the profit (pre-tax profit before deduction of employees' compensation and directors' remuneration) of the current year ,if any, shall be distributed as employees' compensation shall not less than 2% and directors' remuneration shall no higher than 5%.

B. The estimated and accrued employees' compensation and directors' remuneration were as follows:

	Year ended December 31	
	2022	2021
Employees' compensation	\$ 39,724	\$ 28,227
Directors' remuneration	20,725	16,364
	<u>\$ 60,449</u>	<u>\$ 44,591</u>

The abovementioned amounts were recognised in salary expenses. The employees' compensation and directors' remuneration resolved by the Board of Directors will be distributed in the form of cash.

For the years ended December 31, 2022 and 2021, the employees' compensation and directors' remuneration were estimated and accrued based on distributable profit of current year as of the end of reporting period. The estimated and accrued percentages are as follows:

	Year ended December 31	
	2022	2021
Percentages of employees' compensation	<u>3.43%</u>	<u>3.44%</u>
Percentages of directors' remuneration	<u>1.79%</u>	<u>1.99%</u>

C. Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2021 financial statements.

D. Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 199,353	\$ 155,964
Tax on undistributed earnings	-	-
Prior year income tax underestimation	1,435	1,727
Total current tax	200,788	157,691
Deferred tax:		
Origination and reversal of temporary differences	13,938	(1,472)
Total deferred tax	13,938	(1,472)
Income tax expense	\$ 214,726	\$ 156,219

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Year ended December 31	
	2022	2021
Currency translation differences	(\$ 64,845)	\$ 16,112
Remeasurement of defined benefit plan	(1,324)	(1,425)
	(\$ 66,169)	\$ 14,687

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 219,260	\$ 155,251
Tax exempt income by tax regulation	(5,969)	(759)
Prior year income tax underestimation	1,435	1,727
Effect from unrealised deferred tax	-	-
Tax on undistributed earnings	-	-
Income tax expense	\$ 214,726	\$ 156,219

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	Year ended December 31, 2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Unrealised gross profit	\$ 6,859	(\$ 1,172)	\$ -	\$ 5,687
Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	203	-	-	203
Unrealised gain on sales of fixed assets	1,533	(302)	-	1,231
Unallocated amount of pension expense	8,533	(77)	-	8,456
Accumulated unused compensated absences	767	114	-	881
Cumulative translation adjustment of long-term equity investments	81,371	-	(64,845)	16,526
	<u>\$ 99,266</u>	<u>(1,437)</u>	<u>(64,845)</u>	<u>\$ 32,984</u>
– Deferred tax liabilities:				
Gain on investment accounted for using the equity method	(377,269)	(14,844)	-	(392,113)
Remeasurement of defined benefit plan	(148)	-	(1,324)	(1,472)
Unrealised exchange gain	(3,319)	2,344	-	(975)
	<u>(\$ 380,736)</u>	<u>(12,500)</u>	<u>(1,324)</u>	<u>(\$ 394,560)</u>
		<u>(\$ 13,937)</u>	<u>(\$ 66,169)</u>	

	Year ended December 31, 2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
– Deferred tax assets:				
Unrealised gross profit	\$ 4,989	\$ 1,870	\$ -	\$ 6,859
Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	203	-	-	203
Unrealised gain on sales of fixed assets	2,006	(473)	-	1,533
Unallocated amount of pension expense	8,635	(102)	-	8,533
Remeasurement of defined benefit plan	1,277	-	(1,277)	-
Accumulated unused compensated absences	875	(108)	-	767
Cumulative translation adjustment of long-term equity investments	65,259	-	16,112	81,371
Unrealised exchange loss	(2,414)	2,414	-	-
	<u>\$ 80,830</u>	<u>3,601</u>	<u>14,835</u>	<u>\$ 99,266</u>
– Deferred tax liabilities:				
Gain on investment accounted for using the equity method	(378,458)	1,189	-	(377,269)
Remeasurement of defined benefit plan	-	-	(148)	(148)
Unrealised exchange gain	-	(3,319)	-	(3,319)
	<u>(\$ 378,458)</u>	<u>(2,130)</u>	<u>(148)</u>	<u>(\$ 380,736)</u>
		<u>\$ 1,471</u>	<u>\$ 14,687</u>	

D. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.

(26) Earnings per share

	Year ended December 31, 2022		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 881,575</u>	<u>81,879</u>	<u>\$ 10.77</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	881,575	81,879	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	318	
Employee restricted shares	-	32	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 881,575</u>	<u>82,229</u>	<u>\$ 10.72</u>

	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 620,038	81,829	\$ 7.58
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	620,038	81,829	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	264	
Employee restricted shares	-	237	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 620,038	\$ 82,330	\$ 7.53

- A. The weighted-average number of shares outstanding for years ended December 31, 2022 and 2021 were calculated by taking into account the weighted-average number of restricted employee stocks.
- B. The earnings per share computation shall assume that distribution will be in the form of stocks in the calculation of the weighted-average number of common shares outstanding for the year ended December 31, 2022, taking into account the dilutive effects of employee compensations on common share.

(27) Changes in liabilities from financing activities

	Short-term borrowings	Dividends payable	Liabilities from financing activities-gross
January 1, 2022	\$ 40,000	\$ -	\$ 40,000
Changes in other non-cash items	-	573,201	573,200
Changes in cash flow from financing activities	(37,000)	(573,201)	(610,200)
December 31, 2022	\$ 3,000	\$ -	\$ 3,000

	Short-term borrowings	Dividends payable	Liabilities from financing activities-gross
January 1, 2021	\$ -	\$ -	\$ -
Changes in other non-cash items	-	818,356	818,356
Changes in cash flow from financing activities	<u>40,000</u>	<u>(818,356)</u>	<u>(778,356)</u>
December 31, 2021	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
Le Long Viet Nam Co., Ltd.	The Company's subsidiary
Kung Tay Viet Nam Co., Ltd.	The Company's second-tier subsidiary

(2) Significant related party transactions

A. Administrative service revenue

	Year ended December 31	
	2022	2021
Subsidiaries	<u>\$ 47,612</u>	<u>\$ 36,469</u>

The Company's administrative service revenues arising from consulting services for production, marketing and management which are calculated based on a certain percentage of the subsidiary's domestic sales revenue and are received on an annual basis and are presented on a net basis after offsetting accounts payable by mutual agreement.

B. Purchases

	Year ended December 31	
	2022	2021
	Purchase	Purchase
Subsidiaries	<u>\$ 4,811,593</u>	<u>\$ 3,465,463</u>

The Company's purchase transactions with its subsidiaries are based on mutually agreed prices by category of goods and it is not comparable with non-related parties. Payment term is due within 120 days after the date of shipment and are presented on a net basis after offsetting accounts payable by mutual agreement. Payment term is due within 90 days for third parties.

C. Purchase transactions on behalf of others

	Year ended December 31, 2022			
	Purchased price on behalf of others	Purchased cost on behalf of others	Gain on purchase on behalf of others	Other receivables at end of year
Subsidiaries	\$ 2,414,383	\$ 2,340,773	\$ 73,610	\$ -
Unrealised profit from sales			(2,376)	-
			<u>\$ 71,234</u>	<u>\$ -</u>

	Year ended December 31, 2021			
	Purchased price on behalf of others	Purchased cost on behalf of others	Gain on purchase on behalf of others	Other receivables at end of year
Subsidiaries	\$ 2,367,461	\$ 2,316,049	\$ 51,412	\$ -
Unrealised profit from sales			(3,805)	-
			<u>\$ 47,607</u>	<u>\$ -</u>

(a) The abovementioned amounts arise mainly from purchases of equipment and raw materials on behalf of the others and are presented on a net basis after offsetting accounts payable by mutual agreement. Collection period for the purchased goods on behalf of others is due within 120 days after the date of shipment.

(b) Since the transaction is a downstream transaction between investee companies accounted for using the equity method, therefore, gain on purchase is recognised as deferred and listed as a deduction under the "investments accounted for using the equity method". Upon the equipment of investee companies in the future benefit period being amortised and the raw material processing being sold, other operating revenue is recognised to each period.

D. Accounts receivable

	December 31, 2022	December 31, 2021
Subsidiaries	\$ -	\$ 19,948

The above accounts receivable is presented by net of accounts payable and other payables under mutual agreement.

E. Accounts payable

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 245,125	\$ -

The above accounts payable is presented by net of accounts receivable and other receivables under mutual agreement.

(3) Key management compensation

	Year ended December 31	
	2022	2021
Short-term employee benefits	\$ 33,206	\$ 23,374
Post-employment benefits	101	87
Share-based payments	572	495
	<u>\$ 33,879</u>	<u>\$ 23,956</u>

8. Pledged Assets

Pledged Assets	Book value		Purpose
	December 31, 2022	December 31, 2021	
Property, plant and equipment	\$ 115,902	\$ 120,362	Short-term borrowings
Investment property	51,636	52,073	Short-term borrowings
	<u>\$ 167,538</u>	<u>\$ 172,435</u>	

9. Significant Contingent Liabilities and Unrecognised Contract Commitments

None.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

The appropriation of earnings for the year ended December 31, 2022 is provided in Note 6(16)G.

12. Others

(1) Capital management

The Company's objectives when managing capital are based on the industrial scale, considering industrial future growth and product development, and setting appropriate market share, as well as plan on corresponding capital expenditure, calculation of operating capital needed for financial operations, and considering operating profit and cash inflows arise from product competitiveness, to determine appropriate capital structure.

The Company monitors its capital by periodically reviewing the debt ratio. As of December 31, 2022 and 2021, the Company's debt ratio was as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 1,370,892	\$ 1,056,913
Total assets	5,715,708	4,843,778
Debt to asset ratio	23.99%	21.82%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 11,326	\$ 73,018
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	55,822	72,272
Financial assets at amortised cost		
Cash and cash equivalents	1,245,002	846,732
Financial assets at amortised cost	50,000	50,000
Notes receivable	37,516	19,657
Accounts receivable	560,135	545,189
Accounts receivable due from related parties	-	19,948
Guarantee deposits paid	1,900	1,900
	<u>\$ 1,961,701</u>	<u>\$ 1,628,716</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 3,000	\$ 40,000
Notes payable	9,324	4,776
Accounts payable	27,008	28,974
Accounts payable to related parties	245,125	-
Other accounts payable	173,728	144,390
Other current financial liabilities	233	298
	<u>\$ 458,418</u>	<u>\$ 218,438</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.
- (b) Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Exchange rate risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company used in various functional currency, primarily with respect to the USD. Foreign exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require company companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their

entire foreign exchange risk exposure with the Company treasury.

iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	December 31, 2022		
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (New Taiwan dollar)
<u>Financial assets</u>			
<u>Cash and cash equivalents</u>			
USD: NTD	\$ 25,055	30.71	\$ 769,439
EUR: NTD	699	32.72	22,871
GBP: NTD	867	37.09	32,157
RMB: NTD	22,731	4.408	100,198
<u>Accounts receivable</u>			
USD: NTD	\$ 18,094	30.71	\$ 555,667
EUR: NTD	68	37.09	2,522
<u>Financial liabilities</u>			
<u>Accounts payable</u>			
USD: NTD	\$ 1,705	30.71	\$ 52,361

(Foreign currency: functional currency)	December 31, 2021		
	Foreign currency amount (In thousands)	Exchange rate	Carrying amount (New Taiwan dollar)
<u>Financial assets</u>			
<u>Cash and cash equivalents</u>			
USD: NTD	\$ 24,711	27.68	\$ 684,000
EUR: NTD	452	31.32	14,157
GBP: NTD	538	37.30	20,067
RMB: NTD	11,263	4.344	48,926
<u>Accounts receivable</u>			
USD: NTD	\$ 18,112	27.68	\$ 501,340
<u>Financial liabilities</u>			
<u>Accounts payable</u>			
USD: NTD	\$ 1,966	27.68	\$ 54,419

iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2022				
Sensitivity analysis				
(Foreign currency: functional currency)	Degree of variation	Effect from profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Cash and cash equivalents</u>				
USD: NTD	3%	\$ 23,083	\$	-
EUR: NTD	3%	686		-
GBP: NTD	3%	965		-
RMB: NTD	3%	3,006		
<u>Accounts receivable</u>				
USD: NTD	3%	\$ 16,670	\$	-
EUR: NTD	68	76		-
<u>Financial liabilities</u>				
<u>Accounts payable</u>				
USD: NTD	3%	\$ 1,571	\$	-

Year ended December 31, 2021				
Sensitivity analysis				
(Foreign currency: functional currency)	Degree of variation	Effect from profit or loss	Effect on other comprehensive income	
<u>Financial assets</u>				
<u>Cash and cash equivalents</u>				
USD: NTD	3%	\$ 20,520	\$	-
EUR: NTD	3%	425		-
GBP: NTD	3%	602		-
RMB: NTD	3%	1,468		
<u>Accounts receivable</u>				
USD: NTD	3%	\$ 15,475	\$	-
<u>Financial liabilities</u>				
<u>Accounts payable</u>				
USD: NTD	3%	\$ 1,633	\$	-

v. The total exchange loss and gain, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2022 and 2021, amounted to \$164,737 thousand and \$21,215 thousand, respectively.

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other

comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

- ii. The Company's investments in equity securities comprise domestic listed stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 3% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$340 thousand and \$2,191 thousand, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,675 thousand and \$2,168 thousand, respectively, as a result of other comprehensive income classified as equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

- i. The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 10 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$2 thousand and \$32 thousand, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. The Company manages their credit risk taking into consideration the entire group's concern. The credits of deposits are evaluated by external credit rating agencies (if there is no rating, financial information such as loan-to-deposit ratio, non-performing loan ratios, capital adequacy ratio, etc.), and the bank is assessed to have a good credit rating before it is accepted as a counterparty. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. In line with credit risk management procedure, if the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that

instrument since initial recognition and the default occurs when the contract payments are past due over 90 days.

- iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
- (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) The disappearance of an active market for that financial asset because of financial difficulties;
 - (iii) Default or delinquency in interest or principal repayments;
 - (iv) Adverse changes in national or regional economic conditions that are expected to cause a default.
- v. The Company classifies customers' notes receivable, and accounts receivable in accordance with credit rating of customer, collateral. The Company applies the modified approach using a provision matrix to estimate the expected credit loss.
- vi. The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights. On December 31, 2022 and 2021, the Company had no written-off financial assets that are still under recourse procedure.
- vii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of notes receivable and accounts receivable. On December 31, 2022 and 2021, the provision matrix is as follows:

	Not past due	Up to 30 days past due	Up to 60 days past due	Up to 90 days past due	Up to 120 days past due	Total
<u>December 31, 2022</u>						
Expected loss rate	0.008%	0.09%	0.72%	5.80%	100%	
Total book value	\$ 511,403	\$ 59,876	\$ 23,306	\$ 3,778	\$ 847	\$ 599,210
Loss allowance	\$ 274	\$ 51	\$ 168	\$ 219	\$ 847	\$ 1,559

	Not past due	Up to 30 days past due	Up to 60 days past due	Up to 90 days past due	Up to 120 days past due	Total
<u>December 31, 2021</u>						
Expected loss rate	0.001%	0.20%	0.15%	0.64%	100%	
Total book value	\$ 549,006	\$ 17,399	\$ -	\$ -	\$ -	\$ 566,405
Loss allowance	\$ 1,556	\$ 3	\$ -	\$ -	\$ -	\$ 1,559

- viii. Movements in relation to the Company applying the modified approach to provide loss allowance for accounts receivable and notes receivable are as follows:

	<u>Year ended December 31, 2022</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>
At January 1	\$ -	\$ 1,559
Provision for (reversal of) impairment	-	-
At December 31	<u>\$ -</u>	<u>\$ 1,559</u>

	<u>Year ended December 31, 2021</u>	
	<u>Notes receivable</u>	<u>Accounts receivable</u>
At January 1	\$ -	\$ 1,559
Provision for (reversal of) impairment	-	-
At December 31	<u>\$ -</u>	<u>\$ 1,559</u>

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii. Company treasury invests surplus cash in interest bearing current accounts, time deposits, and funds, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. The cash and cash equivalents and financial assets at fair value through profit or loss held by the Company are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash and cash equivalents	<u>\$ 1,245,002</u>	<u>\$ 846,732</u>
Financial assets at fair value through profit or loss	<u>\$ 11,326</u>	<u>\$ 73,018</u>

It is expected to readily generate cash inflows for managing liquidity risk.

- iii. As of December 31, 2022 and 2021, the Company's undrawn borrowing facilities amounted to 2,457,000 thousand and 2,500,000 thousand, respectively.
- iv. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities

<u>December 31, 2022</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 3,001	\$ -	\$ -	\$ -	\$ -
Notes payable	8,739	585	-	-	-
Accounts payable	27,008	-	-	-	-
Accounts payable to related parties	245,125	-	-	-	-
Other payables	113,279	60,449	-	-	-
Other current financial liabilities	233	-	-	-	-

<u>December 31, 2021</u>	<u>Less than 3 months</u>	<u>Between 3 months and 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 40,034	\$ -	\$ -	\$ -	\$ -
Notes payable	4,191	585	-	-	-
Accounts payable	28,974	-	-	-	-
Accounts payable to related parties	-	-	-	-	-
Other payables	99,799	44,591	-	-	-
Other current financial liabilities	298	-	-	-	-

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company's investment in listed stocks and derivative instruments with quoted market prices is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in corporate bonds, investment property and most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

(a) The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable,

other receivables, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2022 and 2021 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ 11,326	\$ -	\$ -	\$ 11,326
-Funds	-	-	-	-
Financial assets at fair value through other comprehensive income				
-Equity securities	<u>55,822</u>	<u>-</u>	<u>-</u>	<u>55,822</u>
	<u>\$ 67,148</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,148</u>
<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
-Equity securities	\$ 43,923	\$ -	\$ -	\$ 43,923
-Funds	29,095	-	-	29,095
Financial assets at fair value through other comprehensive income				
-Equity securities	<u>72,272</u>	<u>-</u>	<u>-</u>	<u>72,272</u>
	<u>\$ 145,290</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,290</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

E. For the years ended December 31, 2022 and 2021, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.

13. Supplementary Disclosures

(1) Significant transactions information

A. Loans to others: None.

- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 2.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods (only disclosed the information on transactions reaching NT\$20 million): Please refer to table 4.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 5.

(3) Information on investments in Mainland China

- A. Basic information: None.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 6.

14. Operating Segment Information

Not applicable

KUNG LONG BATTERIES INDUSTRIAL CO., LTD.
HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (NOT INCLUDING SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)
DECEMBER 31, 2022

Table 1
Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by Kung Long Batteries Industrial Co., Ltd.	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022			Footnote
				Number of shares	Book value	Ownership (%)	
	Stocks-CAREER TECHNOLOGY MFG. CO., LTD.	-	Financial assets at fair value through profit or loss - current	6,732	\$ 289	\$	Note 1
	Stocks-SINON CORPORATION	-	Financial assets at fair value through profit or loss - current	51,000	879	1,859	Note 1
	Stocks-ABILITY OPTO-ELECTRONICS TECHNOLOGY CO., LTD.	-	Financial assets at fair value through profit or loss - current	5,300	323	370	Note 1
	Stocks-TAIWAN HON CHUAN ENTERPRISE CO., LTD.	-	Financial assets at fair value through profit or loss - current	78,000	4,077	6,786	Note 1
	Stocks-SUNSPRING METAL CORPORATION	-	Financial assets at fair value through profit or loss - current	54,000	1,198	1,220	Note 1
	Stocks-KINGCAN HOLDINGS LIMITED	-	Financial assets at fair value through profit or loss - current	69,000	902	932	Note 1
			Add: valuation adjustment		3,658	-	
					<u>11,326</u>	<u>11,326</u>	
Kung Long Batteries Industrial Co., Ltd.	Stocks-AKER TECHNOLOGY CO., LTD	-	Financial assets at fair value through other comprehensive income - non-current	2,193,396	\$ 20,000	\$ 55,822	Note 1
			Add: valuation adjustment		35,822	-	
					<u>55,822</u>	<u>55,822</u>	
Kung Long Batteries Industrial Co., Ltd.	Corporate - the bonds China Life Insurance Co., Ltd. 1st cumulative perpetual subordinated debis for the year ended December 31, 2020	-	Financial assets at amortized cost - non-current			\$ 50,000	

Note 1: The fair value was based on the quoted market prices of stocks, funds and corporate bonds at the balance sheet date.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD.
PURCHASES OR SALES OF GOODS FROM OR TO RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
YEAR ENDED DECEMBER 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 2

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Transaction			Compared to third party transactions		Notes/accounts receivable (payable)	
					Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Unit price	Balance at December 31, 2022	Percentage of total notes/accounts receivable (payable)
Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	Subsidiaries	Purchases of purchases on behalf of	\$ 4,811,593	66.97%	Paid within 120 days after the delivery.	Note	Payment term for general customers is 60-90 days after monthly billings	(\$ 245,125)	(90.95%)	
Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	Subsidiaries Same as the ultimate parent company	others	2,414,383	46.90%	Collected within 120 days after the delivery.	Note	Collection term for general customers is 60-90 days after monthly billings	-	-	
Le Long Viet Nam Co., Ltd.	Kung Tay Viet Nam Co., Ltd.		Purchases	262,861	5.11%	Paid within 120 days after the delivery.	Note	Payment term for general customers is 60-90 days after monthly billings	(193,015)	(15.83%)	

Note: The calculation was based on the price agreed by both parties. It is difficult to compare with non-related parties.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD.
RECEIVABLES FROM RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
DECEMBER 31, 2022

Table 3

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note)	Allowance for Creditor Counterparty doubtful accounts
					Amount	Action taken		
Le Long Viet Nam Co., Ltd.	Kung Long Batteries Industrial Co., Ltd.	The Company's subsidiary Same as the ultimate parent company	\$ 245,125	6.74	\$ -		\$ 245,125	\$ -
Kung Tay Viet Nam Co., Ltd.	Le Long Viet Nam Co., Ltd.		193,015	1.54	-		76,688	-

Note: It pertained to the amount collected as of March 16, 2023.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD.
SIGNIFICANT INTER-COMPANY TRANSACTIONS DURING THE REPORTING PERIODS (ONLY DISCLOSED THE INFORMATION ON TRANSACTIONS REACHING NT\$20 MILLION)
YEAR ENDED DECEMBER 31, 2022

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 4

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction		Percentage of consolidated total operating revenues or total assets
						Transaction terms	Transaction terms	
0	Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	1	Purchases	\$ 4,811,593	Paid within 120 days after the delivery.	65.74%	
0	Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	1	Transaction of purchases on behalf of others	2,414,383	Collected within 120 days after the delivery.	32.99%	
0	Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	1	Accounts payable	245,125	-	4.19%	
1	Le Long Viet Nam Co., Ltd.	Kung Tay Viet Nam Co., Ltd.	3	Purchases	262,861	Paid within 120 days after the delivery.	3.59%	
1	Le Long Viet Nam Co., Ltd.	Kung Tay Viet Nam Co., Ltd.	3	Accounts payable	193,015	-	3.30%	

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to:

1. Parent company to subsidiary.
2. Subsidiary to parent company.
3. Subsidiary to subsidiary.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD.

INFORMATION ON INVESTEES
YEAR ENDED DECEMBER 31, 2022

Table 5 Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022		Book value	Net income of investee as of December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)				
Kung Long Batteries Industrial Co., Ltd.	Le Long Viet Nam Co., Ltd.	Vietnam	Manufacture and sales of domestic and industrial storage batteries	\$ 1,029,090	\$ 1,029,090	32,000,000	100	\$ 2,511,566	\$ 310,697	\$ 271,305	Note 1
Kung Long Batteries Industrial Co., Ltd.	Kung Long International Ltd.	British Virgin Islands	General investment	70,464	70,464	2,170,000	100	667,946	53,556	53,556	Note 1
Kung Long International Ltd.	Kung Tay Plastic Co., Ltd.	Samoa	General investment	136,590	136,590	3,600,000	100	544,607	52,611	-	Note 2
Kung Tay Plastic Co., Ltd.	Kung Tay Viet Nam Co., Ltd.	Vietnam	Manufacture and sales of plastics products	207,883	207,883	6,600,000	100	409,119	53,556	-	Note 2

Note 1: Investment income (loss) recognised for the year ended December 31, 2022 included the investee company's eliminating and realised amount of gains and losses which are arising from upstream and sidestream intercompany transaction.
Note 2: It pertained to the investment income (loss) not presented by the second-tier subsidiary.

KUNG LONG BATTERIES INDUSTRIAL CO., LTD.

MAJOR SHAREHOLDERS INFORMATION

DECEMBER 31, 2022

Table 6

Name of major shareholders	Name of shares held	Shares	Ownership (%)
Fubon Life Insurance Co., Ltd.		6,500,000	7.92%
LEE JUI CHUN		5,810,802	7.08%

Note: If the information in this form was applied by the Company from TDCC, it should state the following events in this table:

- (1) The major shareholders information was derived from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialized form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded in the financial statements is different from the actual number of shares issued in dematerialised form because of the different calculation basis.
- (2) If the aforementioned data contains shares which were held in trust by the shareholders, the data was disclosed as a separate account of client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio is greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio includes the self-owned shares and shares held in trust, at the same time, the shareholder has the power to decide how to allocate the trust assets. For the information on reported share equity of insider, please refer to Market Observation Post System.

Kung Long Batteries Industrial
Co., Ltd.

Chairman: Lee Yao-Min



 **廣隆光電科技股份有限公司**
KUNG LONG BATTERIES INDUSTRIAL CO., LTD.

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