

**Stock Code 2314**

# **Microelectronics Technology Inc. 2022 Annual Report (Translation)**

## **Notice to readers**

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese version, the Chinese version shall prevail.

Publication Date : May 20, 2023

**Annual Reports are accessible from the following website :**

**<http://mops.twse.com.tw/>**

I. MTI Spokesperson and Deputy Spokesperson

Spokesperson: Hualin Chi

Title: Vice President & CFO

Deputy Spokesperson: Julie Chen

Title: Stock Affairs Supervisor

Telephone: +886-3-5773335

E-mail: [ir.contact@mtigroup.com](mailto:ir.contact@mtigroup.com)

II. Address and telephone of corporate headquarters and factory

Address: No. 1, Innovation Road II, Hsinchu Science Park,  
Hsinchu 300092, Taiwan, R.O.C.

Telephone : +886-3-5773335~9

III. Common Share Transfer Agent and Registrar (Share Transfer Agent of the Company)

Name: Stock Affairs Department, Taishin Securities Co., Ltd.

Address: B1, No. 96, Sec. 1, Jianguo North Rd., Taipei City

Telephone: +886-2-25048125

Website: <https://www.tssco.com.tw/>

IV. Independent Auditors in the most recent year

Company: PwC Taiwan

Auditors: Tian-Yi Lee, Chien-Yu Liu

Address: 5F, No. 2, Gongye East 3rd Rd., Hsinchu Science Park, Hsinchu

Tel: +886-3-5780205

Website: [www.pwc.tw](http://www.pwc.tw)

V. Inquiry of overseas stock price

Not applicable

VI. Official website of the Company: [www.mtigroup.com](http://www.mtigroup.com)

## Table of content

	<u>Page</u>
I. Letter to Shareholders .....	6
II. Company Profile .....	9
(I). Date of Establishment .....	9
(II). Company History .....	10
III. Corporate Governance Report .....	15
(I). Organization System .....	15
(II). Profiles of the Directors, President, Vice Presidents, Assistant Vice Presidents, Function Heads and Branch Heads. ....	17
(III). The Pursuit of Corporate Governance .....	36
(IV). Information on Payment for the CPAs .....	79
(V). Information on Replacement of CPAs .....	79
(VI). The Chairman, President, and managers charged with accounting or financial functions of the Company have been working with the service CPA firm or its affiliates in the recent year .....	80
(VII). The transfer of equity shares or change in the pledge of shares under lien by the Directors, Managers, and shareholders holding more than 10% of the shares issued by the Company in the most recent year to the date this report was printed .....	81
(VIII). Information on the top 10 shareholders by quantity of shareholding that are related parties, spouses, or kindred within the 2nd tier under the Civil Code to one another ..	82
(IX). The total quantity of shares of particular re-investment company held by the enterprises under the direct or indirect control of the Company, the directors and managers of the Company .....	82
IV. State of offering .....	83
(I). Capital and shares .....	83
(II) The offering of corporate bonds .....	90
(III) The offering of preferred shares .....	91
(IV) The issuance of overseas depository receipts .....	91
(V) The issuance of ESO .....	91
(VI) The issuance of restricted stocks .....	91
(VII) Merger and acquisition, or acceptance of shares from assignment of other issuers .....	91
(VIII) Fund utilization plan .....	91
V. Business Overview .....	94

(I).	Business Contents .....	94
(II).	Market and Sales Overview .....	100
(III).	Number of employees over the last two years as of the published date, average seniority, average age and distribution of education level .....	112
(IV).	Environmental Expenditure Information .....	113
(V).	Labor Relations.....	114
(VI).	Information Security Management. ....	116
(VII).	Important Contracts.....	117
VI.	Financial Position .....	118
(I).	Condensed Balance Sheets and Comprehensive Income Statements covering the period from 2018.01.01 to 2022.12.31 .....	118
(II).	Financial Analysis in the period from 2018.01.01 to 2022.12.31.....	123
(III).	The Review Report of the Audit Committee on the financial statements of the most recent year. ....	127
(IV).	The Audited Consolidated Financial Statements of the most recent year .....	128
(V).	The Audited Parent Company Only Financial Statements of the most recent year.....	128
(VI).	If the Company and its subsidiaries encountered insolvency in the most recent year to the day this report was printed, specify the influence on the financial position of the Company .....	128
VII.	The review and analysis of financial position and performance, and assessment of related risks .....	129
(I).	Financial Position .....	129
(II).	Financial Performance .....	130
(III).	Cash Flows.....	130
(IV).	Major capital expenditure in the most recent year and the influence on the financial position and operation .....	131
(V).	The re-investment policy of the most recent year, the main reason for profit or loss, corrective action plan and the investment plan in the year ahead. ....	132
(VI).	Risks .....	132
(VII).	Additional Information.....	135
VIII.	Special Notes.....	136
(I).	Subsidiaries.....	136
(II).	Offering of securities through private placement .....	140
(III).	The holding or disposal of Company shares by subsidiaries.....	140
(IV).	Other additional information .....	140
(V).	Incidents that significantly affected the shareholders equity or stock price of the Company as prescribed in Subparagraph 2, Paragraph 2 in Article 36 of the	

Securities and Exchange Act in the most recent year to the day this report was  
printed..... 140

Appendix 1

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

Appendix 2

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

## **I. Letter to Shareholders**

Dear Shareholders, Ladies and Gentlemen,

The COVID-19 pandemic gradually unblocked with the popularization of vaccines in 2022. The shortage of key IC materials also gradually eased after the second half of the year, but inflation led to higher interest rate policies in various countries, which increased the operating costs of various companies significantly. Under the severe operating environment, the Company's 2022 consolidated sales revenue was NT\$4.48 billion, growth 14% compared to last year consolidated revenue NT\$3.93 billion, the gross profit ratio was 14%, growth 1% compared 2021 margin 13%, the consolidated net loss was NT\$486 million, and the net loss per share was NT\$2.06.

Thanks to the support of all shareholders, the Company has successfully completed a cash injection of NT\$520 million in the first quarter of 2022. The Company has shipped ORAN RRH to European customer in second half in 2022, got approved SAT and shipped in first quarter 2023. The Company will continue to uphold the spirit of prudence and conscientiousness to welcome the growth momentum and reach profit target that comes with the arrival of the 5G era.

### **Grasp of trends**

The demand for fast and stable infrastructure networks will grow rapidly due to the continuing development of AR/VR devices, cloud computing, encrypted currency, and robot. ORAN and Low-Earth-Orbit satellites will be the emerging products with great potential in the future while facing the changes in current trends and the introduction of 5G services by many countries.

Satellite communication is considered one of the best solutions to the insufficient coverage of mobile communication. Low-Earth-Orbit satellite (LEO Satellite) is a better solution in terms of launch cost, signal transmission energy consumption, and transmission delay; therefore, market leaders have invested in this field successively. The Company has been in the satellite field for years and is actively engaged in the technology and customer development of low-orbit satellite terminal equipment. The company has cooperated with market leaders to grasp this important business opportunity.

### **Pursuing Growth**

The Company has continued to invest in the R&D teams in the United States and Denmark and has a Radio Unit (RU) with low cost and low energy consumption that conforms to the 3GPP and ORAN Alliance specifications developed with the in-house technology. The Company became a member of the Open RAN Alliance in 2019 and participated in the Evenstar project of the Telecom Infra Project (TIP) initiated by Facebook. The Company's 4X40W FDD B3 product is the first

TIP-approved standardized product. Regarding the actual operating results, the Company has already shipped batches for European customers, and as for the Company received purchase orders for Radio Unit equipment from renowned telecommunications operators in the United States will be shipped out this year. At the same time, NEC has signed a strategic alliance with the Company to enter the ORAN 5G market which is full of business opportunities. In terms of products, the Company has over 10 products ready for commercial purposes that are currently under testing by more than 10 customers. In summary, ORAN products already has stable operating contribution and are expected to make a huge contribution to the Company's operating revenue in 2023.

In addition to the development results of the ORAN products as stated in the preceding paragraph, the development of Low-Earth-Orbit satellite terminal equipment products is the key investment project of the Company. The Company has successively signed product development contracts with major LEO customers for joint development of LEO signal transceivers and arrays antennas products, with several products verified by the customers and a small production initiated. The LEO-related product is expected to be another company's growth driver in the future.

## **Create advantage**

The effort in research and development and continuous innovation is the undying philosophy and core competitiveness of the Company. The Group had a total of 77 invention/new patents received and 11 invention patents pending by the end of 2022, including new technologies applied to satellite products and RF transmitters.

## **Sustainable Development**

The Company has established an exclusively dedicated unit - Sustainable Development Committee led by CEO to be in charge of proposing and enforcing the corporate governance, environmental protection and energy saving, innovative technology and social responsibility, etc.. The Company is also performed well in corporate governance and is ranked in the 6% to 20% percentile among the listed companies at the 8th corporate governance evaluation. The Company's continuous efforts in corporate governance is recognized and affirmed by the public.

## **Prospect**

In the prospect of 2023, the Company will take advantage of the benefits of the changing lifestyle of people to develop communication products, and observe the impact of the changing global situation on the Company's operations. The Company will face up to various challenges with a prudent, optimistic, and proactive attitude continuously, focus on the core values of the main business, continue to invest in R&D, and increase production efficiency in order to master the Open Radio Access Network (ORAN) and Low-Earth-Orbit satellites business opportunities with a hope

to create greater value for shareholders. I would like to thank all shareholders for the continuous support and care extended to the Company. Thank you very much!

Wishing you all health and prosperity!

Chi-Chia Hsieh, Chairman

Eugene Wu, President & CEO

## II. Company Profile

### (I). Date of establishment

(i) Date of establishment: March 31, 1983

(ii) Scope of business

The Company is a professional manufacturer of microwave and satellite communication equipment. Headquartered at Hsinchu Science Park in Taiwan, the Company has production facilities in Hsinchu of Taiwan and Wuxi in Mainland China. The Company also has R&D centers in California of USA and Denmark, and service locations all over Europe and other places of the world. Ever since its establishment, the Company uses its core microwave technology to engage in joint ventures with major international communication firms in digital microwave, mobile communication stations module, broadband wireless transmission and satellite communication equipment, and is able to provide engineering pilot run samples in real-time that could quickly proceed to mass production. The Company could provide flexible and reliable product design, manufacturing and sale service to the diversity of needs of the customers.

Scope of business:

- (1) The research, development, design, production, manufacturing and sale of the following products:
  - Personal communication equipment components, sub-systems and systems.
  - Electronic parts and components for wireless microwave communication system and electronic system equipment.
- (2) Production, domestic and export sale
  - Microwave and low-frequency IC and the substrate and capacitors used in IC.
  - High frequency microwave, mm wave, and optoelectronic communication electronic parts and components.
  - Microwave, mm wave and optoelectronic local system and system products.
  - Local systems made from outsourced and self-manufactured microwave and optoelectronic parts and components and related products.
- (3) Production, domestic and export sale of satellite simulcast TV materials and systems.
- (4) Design and customization of the aforementioned products to the order of the customers.
- (5) Provide the aforementioned products and the inspection, maintenance, processing, installation and necessary assistance and services for related business.
- (6) Export and import trade of related products

## (II). Company History

<b>time</b>	<b>Milestone</b>
1983	<ul style="list-style-type: none"><li>➤ Microelectronics Technology Inc. was officially established and located at Hsinchu Science Park. It is the first professional microwave and satellite communication company of Taiwan.</li><li>➤ Dr. Denny Ko was the Chairman and Mr. Patrick Wang was the first President of the Company.</li></ul>
1984	<ul style="list-style-type: none"><li>➤ Allied with Stratex of the USA in joint venture for the development of point-to-point land surface microwave communication product series.</li></ul>
1985	<ul style="list-style-type: none"><li>➤ Hewlett Packard of the USA invested in MTI and became the largest corporate shareholder.</li></ul>
1986	<ul style="list-style-type: none"><li>➤ Mr. Patrick Wang was appointed the Chairman of MTI. Dr. Chi Hsieh was appointed the 2nd term of President of MTI.</li></ul>
1987	<ul style="list-style-type: none"><li>➤ Successful development of satellite radio simulcast products to Ku frequency and entered the market of Europe.</li><li>➤ Participation in international telecommunication liberalization work and the successful launch of ground microwave communication products into the market of Europe.</li></ul>
1988	<ul style="list-style-type: none"><li>➤ Completion of Phase I Plant. The Company relocated to this address since then.</li></ul>
1989	<ul style="list-style-type: none"><li>➤ MTI established its technical support center in North America in response to the business growth in the region.</li></ul>
1990	<ul style="list-style-type: none"><li>➤ Approved by the Securities and Futures Commission for listing Category I Stock for trading at TWSE (Stock Code 2314).</li></ul>
1991	<ul style="list-style-type: none"><li>➤ MTI's Inmarsat gains world recognition during a Gulf War live satellite broadcast by CNN's Peter Arnett</li><li>➤ Joint venture with AT&amp;T for the development of point-to-point microwave system and with HNS for the development of small satellite VSAT.</li></ul>
1992	<ul style="list-style-type: none"><li>➤ The founding of Sasson International Holdings Inc. for speeding up the expansion of the MTI Group.</li></ul>
1993	<ul style="list-style-type: none"><li>➤ Successful transfer of broadband microwave system product technology to build up system engineering capacity.</li></ul>
1994	<ul style="list-style-type: none"><li>➤ Initial offering of GDR</li><li>➤ Accreditation with the ISO-9001 international quality system</li></ul>
1996	<ul style="list-style-type: none"><li>➤ Successful entrance to the 2G mobile communication through the ODM/OEM mode of services and emerged as the major supplier of the major communication equipment firms in North America.</li></ul>
1997	<ul style="list-style-type: none"><li>➤ MTI underwent strategic adjustment and organization reengineering in response to the rapid changes in market.</li></ul>
1998	<ul style="list-style-type: none"><li>➤ Successful sale of 1 million sets of Satellite TV equipment.</li></ul>
1999	<ul style="list-style-type: none"><li>➤ Accreditation with the ISO-14001 international environmental management system.</li></ul>
2000	<ul style="list-style-type: none"><li>➤ Sale value surpassed US\$100 million.</li><li>➤ MTI established the "LEE &amp; MTI Center" for advanced network research at National Chiao Tung University in Hsinchu, Taiwan.</li></ul>

<b>time</b>	<b>Milestone</b>
2001	<ul style="list-style-type: none"> <li>➤ MTI established Jupiter Technology (Wuxi) Co., Ltd. in Wuxi, China, for the manufacturing of related products.</li> <li>➤ Accreditation with the TL-9000 communication electronics quality system standard.</li> <li>➤ Engagement in a joint venture with NEC of Japan in the development of low-noise signal amplifier for stepping into the 3G market.</li> </ul>
2002	<ul style="list-style-type: none"> <li>➤ Entered into a strategic alliance agreement with Stratex that made MPI the sole contractor of its manufacturing business.</li> <li>➤ Founding of Jupiter Technology in Wuxi, China, for the manufacturing of communication related products.</li> </ul>
2003	<ul style="list-style-type: none"> <li>➤ Formation of strategic alliance with UT Starcom for joint development of wireless broadband and 3G products.</li> <li>➤ Successful entrance to the simulcast satellite TV market of North America as a major supplier of provide low noise block downconverter (LNB) to the satellite TV broadcasters.</li> </ul>
2004	<ul style="list-style-type: none"> <li>➤ Entered into a strategic alliance agreement with UT Starcom thereby MPI was outsourced as the manufacturer of the frequency amplifiers noise reducer of the “PHS phone” stations and wireless LAN products.</li> </ul>
2005	<ul style="list-style-type: none"> <li>➤ Mr. Allen Yen is appointed President and COO of MTI</li> <li>➤ Launched into mass production of the Ka-band Transceivers for VSAT ground satellite stations.</li> </ul>
2006	<ul style="list-style-type: none"> <li>➤ Entered into a joint venture agreement with SR Telecom of USA on the development of Wimax broadband microwave products.</li> <li>➤ MTI achieves 100K Ka-band VSAT Transceiver ODU delivery milestone; accounts for over 95% of total market share for all Ka-band VSAT Transceivers</li> </ul>
2007	<ul style="list-style-type: none"> <li>➤ Successful development of the new generation RFID reader with the application of Intel chip.</li> <li>➤ MTI RFID Reader won the 2007 Innovation Product Award of Hsinchu Science Park</li> <li>➤ MTI and Harris Stratex Networks entered into multi-year manufacture and supply agreement for TRuepoint RF Modules</li> </ul>
2008	<ul style="list-style-type: none"> <li>➤ The RFID EPC Gen 2 Reader of MPI won the 2008 Taiwan Excellence Award. This is the first time that an Asian product won the Gen2 label of EPCglobal.</li> <li>➤ MTI receives the “16th Outstanding Enterprise Innovation Award” from Ministry of Economic Affairs due it its outstanding performance in corporate management and innovation in technology.</li> <li>➤ The DODECA LNBF of MTI won the 2008 Innovation Product Award. This is the only LNB of the world that could be shared by 12 users at the same time for the time being.</li> <li>➤ MTI received the 2008 Science Park Carbon Reduction Award from Hsinchu Science Park for its pursuit of energy saving and carbon reduction policy.</li> </ul>

<b>time</b>	<b>Milestone</b>
2009	<ul style="list-style-type: none"> <li>➤ The DODECA LNBF of MPI won the 2009 Taiwan Excellence Award.</li> <li>➤ ODIN's SMART Container Powered by MTI Technology won the prestigious "BEST IN SHOW" Award at RFID Journal Live! 2009</li> <li>➤ The WiMAX MIMO Remote Radio Head (RRH) of MTI won the 2009 Innovation Product Award</li> <li>➤ MTI acquired TeleASIC Communications Inc. at California, USA, to acquire the Remote Radio Head (RRH) product line with all tangible and intangible assets and the R&amp;D team. This team is well seasoned in the R&amp;D of wireless communication products and will be an input to the development of 3G/LTE products and international competitive power.</li> </ul>
2010	<ul style="list-style-type: none"> <li>➤ MTI's 3G/LTE Remote Radio Head and WiMAX Outdoor CPE Won the 18th Taiwan Excellence Award in 2010.</li> <li>➤ The Point to Point Microwave IP Radio of MPI won the 2010 Innovation Product Award.</li> <li>➤ MPI won the "R&amp;D Accomplishment Award" from Hsinchu Science Park for the first time for its achievement of the first Ka satellite radio, the leading microwave Transceiver/DOU of the world, the first UHF RFID Reader accredited with EPC Gen2 in Asia, and the world-class professional design/manufacturing of LNB and RFID.</li> <li>➤ MTI announced the entering into an agreement with RadioComp Aps of Denmark (hereinafter referred to as RadioComp) for the acquisition of its equity shares and intellectual property rights. MTI acquired the Danish company, RadioComp, through an overseas subsidiary as a wholly-owned subsidiary. RadioComp is a leader in the R&amp;D of the software for wireless communication and could help to booster the capacity of MTI in software R&amp;D. This core technology could be applied to the development of the 4G LTE technology for speeding up the development of current product line.</li> </ul>
2011	<ul style="list-style-type: none"> <li>➤ MTI Ku-band VSAT Transceiver won the 2011 Innovation Product Award</li> <li>➤ MTI won the 1st "Taiwan Green Classic Award" of Ministry of Economic Affairs.</li> </ul>
2012	<ul style="list-style-type: none"> <li>➤ MTI announced the signing of a NTD 1,800 million private placement investment agreement and strategic cooperation agreement with Hyield Venture Capital Co., Ltd. and CyberTAN Technology Inc.</li> </ul>
2013	<ul style="list-style-type: none"> <li>➤ MTI UHF RFID MINI ME(TM) Reader won the Prestigious "2013 Taiwan Excellence Award" of the Bureau of International Trade, Ministry of Economic Affairs.</li> <li>➤ MTI All Outdoor IP Radio won the 2013 Innovation Product Award of Hsinchu Science Park</li> <li>➤ MTI announced decapitalization amounting to NT\$1,439,077 thousand for offsetting carryforward loss.</li> <li>➤ Retirement of Chairman Patrick Wang. Dr. Chi Hsieh is appointed Chairman of MTI</li> </ul>

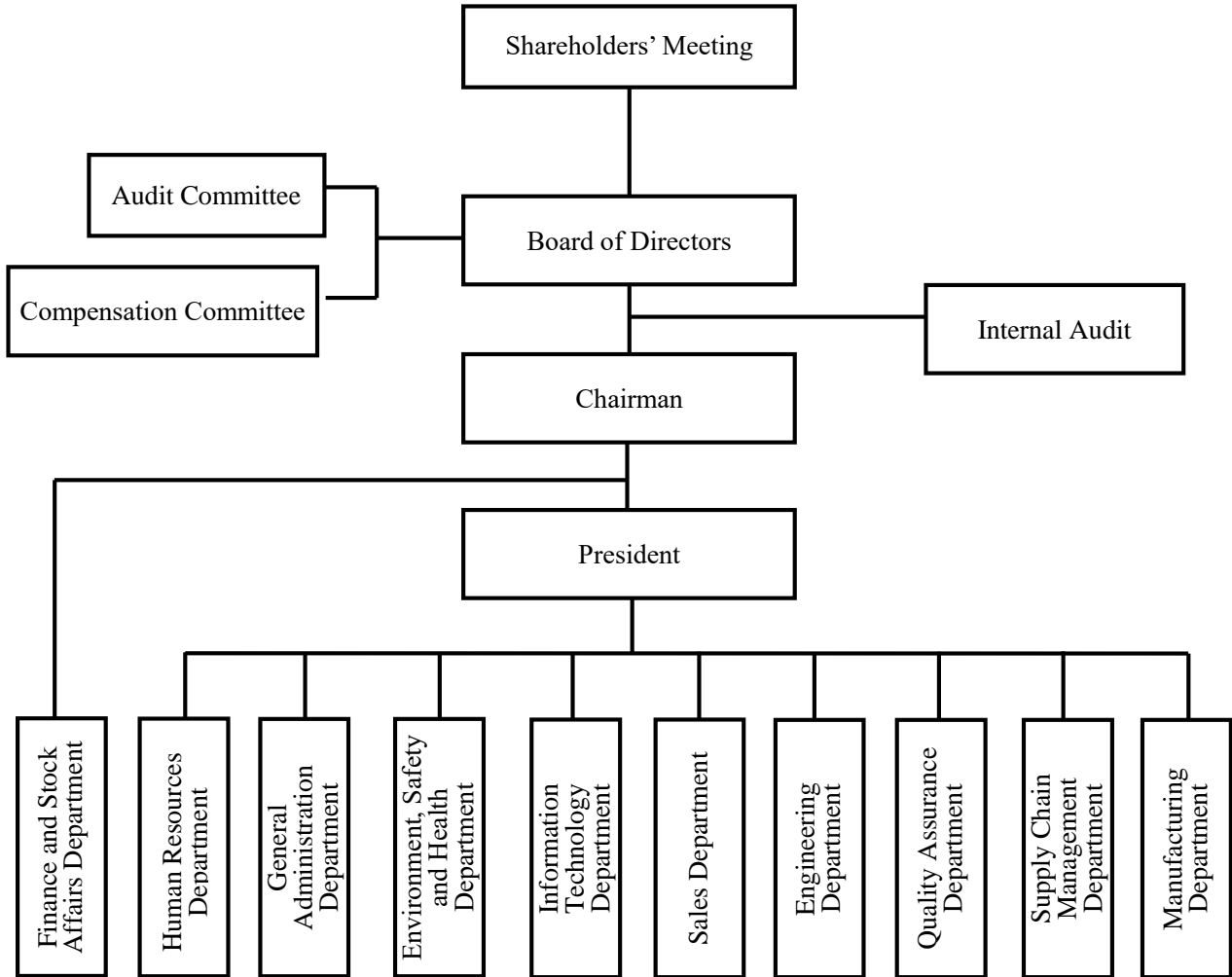
<b>time</b>	<b>Milestone</b>
2014	<ul style="list-style-type: none"> <li>➤ Construction of Jupiter Technology (Wuxi) Co., Ltd. was completed.</li> <li>➤ MTI Indoor Radio Head of LTE Base Station won the 2014 Innovation Product Award of Hsinchu Science Park</li> </ul>
2015	<ul style="list-style-type: none"> <li>➤ MTI Satellite DTH Broadband Digital-SWM LNB won the 2015 Innovation Product Award</li> <li>➤ Disposal of the plant at Hsinchu to CyberTAN Technology Inc. for the efficient use of assets.</li> </ul>
2016	<ul style="list-style-type: none"> <li>➤ MTI announced decapitalization amounting to NT\$2,003,226 thousand for offsetting carryforward loss.</li> <li>➤ MTI raised additional capital by offering 13,000 thousand new shares and offered the 2nd issue of domestic secured convertible bonds of 4,000 lots for the retirement of short-term loans and fostering of financial structure. The amount of NT\$674,200 thousand have been raised.</li> </ul>
2017	<ul style="list-style-type: none"> <li>➤ MTI ranked among the top 6% ~ 20% in the “3<sup>rd</sup> Corporate Governance Evaluation” by Taiwan Stock Exchange Corporation for the first time.</li> <li>➤ The 6-42GHz Next Generation Ultra High Throughput Advanced Microwave Radio won the Innovative Product Award of Hsinchu Science Park.</li> </ul>
2018	<ul style="list-style-type: none"> <li>➤ The satellite Broadband Outdoor Unit for VSAT of MTI won the Innovative Product Award.</li> </ul>
2019	<ul style="list-style-type: none"> <li>➤ Mr. Allen Yen was appointed the Chairman and CEO of MTI. Mr. Eugene Wu was appointed President of MTI.</li> </ul>
2020	<ul style="list-style-type: none"> <li>➤ MTI proceeded to the “LEO Satellite Communication End User RF Front-End Solution Development Project” funded by the Ministry of Economic Affairs under the “Taiwan Industry Innovation Platform Program” .</li> <li>➤ Accreditation with the AS9100 Aerospace Quality Standard management system.</li> <li>➤ MTI’s Open RAN radio units are deployed with DISH’s successful 5G validation.</li> <li>➤ MTI and Mavenir Launch First Evenstar Remote Radio Head to Accelerate OpenRAN Adoption.</li> <li>➤ NEC announced today its establishment of an Open RAN laboratory in India to accelerate commercial-ready 5G ecosystem by collaborating with partners AltioStar, GigaTera, MTI and others.</li> </ul>
2021	<ul style="list-style-type: none"> <li>➤ Accreditation with the IATF 16949 Quality management system.</li> <li>➤ Successfully connected to MTI’s radio, JMA realizes viability of open networks in demonstrations at O-RAN plug fests in Europe and East Asia.</li> <li>➤ MTI ranked 6%~10% among all TSE&amp;OTC listed companies with market cap between NT\$5~10 bn in the “7<sup>th</sup> Corporate Governance Evaluation” by Taiwan Stock Exchange Corporation.</li> <li>➤ By combining JMA’s software baseband with MTI’s radio units, TIM, among the first operators in Europe and the only one in Italy to launch Open RAN solutions on the mobile network.</li> <li>➤ NEC and MTI enter strategic partnership to accelerate Open RAN deployments globally.</li> </ul>

<b>time</b>	<b>Milestone</b>
	➤ TIM launch Open RAN mobile network coverage in Piedmont and Open RAN solutions on mobile network in Matera
2022	➤ Chairman Allen Yen assumes the new role of Chief Strategy Officer; General Manager Eugene Wu assumes Allen's CEO role.
	➤ MTI raised additional capital by offering 10,000 thousand new shares for the retirement of short-term loans and fostering of financial structure. The amount of NT\$520,000 thousand have been raised.
	➤ Mr. Chi-Chia Hsieh was appointed the Chairman due to the passing away of Chairman Allen Yen.
2023	➤ MTI ranked 6%~10% among all TSE&OTC listed companies with market cap between NT\$5~10 bn in the "9th Corporate Governance Evaluation" by Taiwan Stock Exchange Corporation.

### III. Corporate Governance Report

#### (I). Organization System

##### (i) Organizational Chart



(ii) Job functions of the Departments

<b>Department</b>	<b>Job function</b>
Internal Audit	➤ Audit of the internal regulations and internal control system of the Company with recommendations for corrective action.
Manufacturing Department	<ul style="list-style-type: none"> <li>➤ Coordinate with the R&amp;D Engineering to optimize resources for the assurance of product development and launch for mass production as scheduled.</li> <li>➤ Adopt effective production process through the improvement and design of products for reducing cost and assurance of product quality.</li> </ul>
Supply Chain Management Department	➤ Coordinate the transportation of materials and products, integrate the commonality of raw materials and control the sources of materials through proper planning for achieving the production capacity objective.
Quality Assurance Department	➤ Establish the regulations governing quality management operation and upgrade product quality of the Company, create a positive international quality image for the assurance of best quality for the customers.
Engineering Department	➤ Research and development new products, new production processes and technologies in line with the product development strategy of the Company and the needs of the customers in market, develop new products in the best quality, best performance, and most efficient cost, pioneer the specifications in the industry through its leadership position in technology and easy for mass production, selling and for better profit.
Sales Department	➤ Design, development and market the products of the Company with increase of market share and upgrade brand image every year.
Information Technology Department	➤ Integration of the technology and business IT systems to collect, arrange, storage, and transmiss information for generating reliable, effective, and integrated high-quality information for the users or manager as reference or basis for business analysis and management decision-making.
Environment, Safety and Health Department	➤ Establish and enforce management regulations governing the environment, safety and health, fire safety and radioactive safety at workplace, implement the safety and health management system, environmental protection, and green projects.
General Administration Department	➤ Perform administrative duties, plant power supply, air-conditioning, water supply, maintenance service, facility planning and utilization management.
Human Resources Department	➤ Human resources management, organizational development and employee services.
Finance and Stock Affairs Department	<ul style="list-style-type: none"> <li>➤ Plan, establish, and maintain financial and accounting related duties.</li> <li>➤ Responsible for maintaining investor relation, corporate governance related matters, corporate information release and stock affairs.</li> </ul>

**(III).Profiles of the Directors, President, Vice Presidents, Assistant Vice Presidents, function heads and branch heads.**

**(I) Directors**

1. Director Profiles

2023.05.20

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Tenure	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholding in the name of a third party		Selected Education and Professional Qualification Past Positions	Selected Current Positions at Other Companies	Spouse or kindred within the 2 <sup>nd</sup> tier to other executives, directors or supervisors		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Chi-Chia Hsieh	Male 71-80	2022.06.14	3 years	1986.09.12	2,803,279	1.18%	2,764,279	1.16%	1,950	0%	0	0%	PhD, Electrical Engineering, University of Santa Clara, USA · Chairman of MTI · Director, Microwave Circuit Dept, Harris Farinon Corporation, USA	Note 1	—	—	—
Director	R.O.C	Eugene Wu	Male 51-60	2022.06.14	3 years	2022.06.14	105,617	0.04%	105,617	0.04%	68,036	0.03%	0	0%	Master Degree in Electrical Engineering, University of Pittsburgh, USA · Vice President, Sales Development, MTI	Note 2	—	—	—

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Tenure	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholding in the name of a third party		Selected Education and Professional Qualification Past Positions	Selected Current Positions at Other Companies	Spouse or kindred within the 2 <sup>nd</sup> tier to other executives, directors or supervisors		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C	CyberTAN Technology Inc.		2022.06.14	3 years	2013.06.14	54,190,749	22.77%	54,070,749	22.72%	0	0%	0	0%			—	—	—
	R.O.C	Representative :Gwong-Yih Lee	Male 61-70	2022.06.14	3 years	2006.01.20	0	0.00%	0	0.00%	0	0%	0	0%	M.S., Electrical Engineering, The State University of New York at Stony Brook · Chairman and CEO, CyberTAN Technology, Inc. · Founder, Chairman and CEO, TransMedia Communication, Inc. · Founder, Chairman and CEO, Digicom Systems Inc.	Note 3	—	—	—
Director	R.O.C	CyberTAN Technology Inc.		2022.06.14	3 years	2013.06.14	54,190,749	22.77%	54,070,749	22.72%	0	0%	0	0%			—	—	—
	R.O.C	Representative : Hank Hsieh	Male 51-60	2022.06.14	3 years	2006.01.20	0	0.00%	0	0.00%	0	0%	0	0%	B.S., Department of Information Management, National Sun Yat-Sen University · Director and vice president, CyberTAN Technology, Inc. · Director of Business Management for CNSBG, Foxconn Technology Group · Finance Manager, Ambit Microsystems Corporation	Note 4	—	—	—

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Tenure	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholding in the name of a third party		Selected Education and Professional Qualification Past Positions	Selected Current Positions at Other Companies	Spouse or kindred within the 2 <sup>nd</sup> tier to other executives, directors or supervisors		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C	Yun Lin	Female 61-70	2022.06.14	3 years	2016.06.14	0	0.00%	0	0.00%	0	0%	0	0%	<ul style="list-style-type: none"> <li>· Ph.D. in Economics, University of Illinois at Urbana Champaign</li> <li>· Director of Eselite Spectrum Corporation</li> <li>· Independent Director of Uni-President Group</li> <li>· Director of Finance Department and Graduate School of Finance, National Taiwan University</li> <li>· Director, Securities and Futures Investors Protection Center</li> <li>· IPO Committee member, Taipei Exchange</li> </ul>	Note 5	—	—	—
Independent Director	U.S.A	Golub Drakulovic	Male 61-70	2022.06.14	3 years	2020.06.18	0	0.00%	0	0.00%	0	0%	0	0%	<ul style="list-style-type: none"> <li>· M.B.A. - Fairleigh Dickinson University, Rutherford, NJ</li> <li>· M.S. in Mechanical Engineering - NJIT, Newark, NJ</li> <li>· VP China Wireless R&amp;D - Lucent/Alcatel</li> <li>· Director - Lucent CDMA Deployment Wireless Networks (US)</li> </ul>	Note 6	—	—	—

Title	Nationality or Place of Registration	Name	Gender Age	Date Elected	Tenure	Date First Elected	Shares Held When Elected		Shares Currently Held		Shares Currently Held by Spouse & Minors		Shareholding in the name of a third party		Selected Education and Professional Qualification Past Positions	Selected Current Positions at Other Companies	Spouse or kindred within the 2 <sup>nd</sup> tier to other executives, directors or supervisors		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C	Jong Wang	Male 51-60	2022.06.14	3 years	2021.08.26	0	0.00%	0	0.00%	0	0%	0	0%	· Executive Master of Business Administration, National Chiao Tung University · Master of Law, Soochow University · Partner, LEE and LI Attorneys-At-Law · Vice President and Chief Legal Officer, Polytronics Technology Corp.	Note 7	—	—	—

Note 1 : Other positions in the Company and other companies held by Dr. Chi-Chia Hsieh: Chairman and Chief International Marketing Officer of MTI, Director of Sasson International Holdings Inc., Director of Jupiter Technology (Wuxi) Co., Ltd., Chairman of Jupiter Network Corp., Chairman of Welltop Technology Co., Ltd., Director, MTI Laboratory Inc., Director, RadioComp ApS, Independent Director and Convener of Audit Committee and Remuneration Committee of Innolux Corporation, Director of Kopin Corp., Director of Bright Led Electronics Corp., Director of Henan Bright Crystal Company Limited, Director of Taiwan Cement Corporation, Director of Bright Crystal Company Limited, Director of TMC limited, Chairman of Taicom Capital Limited, Director of KoBrite Corp.

Note 2 : Other positions in the Company and other companies held by Dr. Eugene Wu: General Manager & CEO of MTI, Director of Jupiter Technology (Wuxi) Co., Ltd., Director of Jupiter Network Corp., Director of Welltop Technology Co., Ltd., Director, MTI Laboratory Inc., Director, RadioComp ApS.

Note 3 : Other positions in the Company and other companies held by Mr. Gwong-Yih Lee: Chairman and CEO, CyberTAN Technology, Inc., Independent director, Hauman Technologies Corp., Director, Translink Capital, Director, Creative Technology Ltd., Director, UNITX, Lab., Director, ITRI International Inc., Director, FOOTPRINTKU INC.

Note 4 : Other positions in the Company and other companies held by Mr. Hank Hsieh: Director and Vice President of Business Management Center, CyberTAN Technology, Inc., Director of Mega Power Ventures Inc.

Note 5 : Other positions in the Company and other companies held by Dr. Yun Lin: Member of Remuneration Committee of MTI, Adjunct Professor of the Dept of Finance, National Taiwan University, Director of EsLite Spectrum Corporation, Independent Director of Uni-President Group.

Note 6 : Other positions in the Company and other companies held by Mr. Golub Drakulovic: Convener of Remuneration Committee of MTI.

Note 7 : Other positions in the Company and other companies held by Mr. Jong Wang: Vice President and Chief Legal Officer, Polytronics Technology Corp.

2. Dominant shareholders of the institutional shareholders

2023.04.29

Name of Institutional Director	Dominant shareholders of the Institutional Director	Proportion of shareholding
CyberTAN Technology Inc.	LGT Bank AG	4.29%
	HongYuan International Investment Co., Ltd.	3.04%
	Foxconn Technology Co., Ltd.	3.04%
	Hyield Venture Capital Co., Ltd.	3.04%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.40%
	JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	1.34%
	Lin Yi International Investment Co., Ltd.	1.05%
	Shi Teng Investment Co., Ltd.	0.73%
	PGIA Trust Stock Index II Investment Account under custody of JPMorgan Chase	0.67%
Taishin International Bank in custody for Property	0.47%	

3. Dominant shareholders of the above institutional shareholders

2023.04.29

Name of institutional shareholder	Dominant Shareholders of the Institutional Shareholders	Proportion of shareholding
Hongyuan International Investment Co., Ltd. (Note)	Hon Hai Precision Industry Co., Ltd.	100%
Foxconn Technology Co., Ltd.	Hon Hai Precision Industry Co., Ltd.	9.88%
	Bao Shin International Investment Co., Ltd.	8.92%
	Hyield Venture Capital Co., Ltd.	6.01%
	Shin Sheng Investment Co., Ltd.	4.70%
	Hongyuan International Investment Co., Ltd.	2.41%
	Hongqi International Investment Co., Ltd.	2.25%
	Standard Chartered in custody for Furstentum Liechtenstein bank	2.11%
	Citibank (Taiwan) Ltd. in custody for Norges Bank	1.11%
	JPMorgan Chase Hosting Vanguard Developed Market Index Fund	1.09%
	JPMorgan Chase bank Hosting Vanguard STAR developed Market Index Fund	1.04%
Hyield Venture Capital Co., Ltd. (Note)	Hon Hai Precision Industry Co., Ltd.	97.95%
	Bao Shin International Investment Co., Ltd.	2.05%
Lin Yi International Investment Co., Ltd. (Note)	Hon Hai Precision Industry Co., Ltd.	100%
Shi Teng Investment Co., Ltd. (Note)	Samoa Goldway Industries Limited	100%

Note: Information from MOEA

4. Disclosure of Professional Qualifications of Directors and Independence of Independent Directors :

Name	Professional Qualifications and experience	Independence of Independent Directors	Number of independent directors of other public companies
Chi-Chia Hsieh	<p><b>Selected Education and Professional Qualification</b>            Bachelor Degree in Electrical Engineering, National Taiwan University            Ph.D. in Electrical Engineering, Santa Clara University</p> <p><b>Past Positions</b>            Current Positions : Chairman and Chief International Marketing Officer, MTI            Co-funder, MTI            Head of Microwave Design of Farinon Division, Harris Corporation            Vice President, Marketing Department, MTI            General Manager, MTI            Vice Chairman, MTI</p> <p>None has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)</p>	Not applicable	1
Eugene Wu	<p><b>Selected Education and Professional Qualification</b>            Master Degree in Electrical Engineering, University of Pittsburgh, USA</p> <p><b>Past Positions</b>            Current Positions : General Manager &amp; CEO, MTI            Vice President, Sales Development, MTI</p> <p>None has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)</p>	Not applicable	None
CyberTAN Technology, Inc. Representative : Gwong-Yih Lee	<p><b>Selected Education and Professional Qualification</b>            M.S., Electrical Engineering, The State University of New York at Stony Brook</p> <p><b>Past Positions</b>            Current Positions : Chairperson &amp; CEO, CyberTAN Technology, Inc.            Founder, Chairman and CEO, TransMedia Communication, Inc.            Founder, Chairman and CEO, Digicom Systems Inc.            Independent Director, Hauman Technologies Corp.</p> <p>None has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)</p>	Not applicable	1
CyberTAN Technology, Inc. Representative : Hank Hsieh	<p><b>Selected Education and Professional Qualification</b>            B.S., Department of Information Management, National Sun Yat-Sen University(NSYSU)</p> <p><b>Past Positions</b>            Current Positions : Director and Vice President, CyberTAN Technology, Inc.            Director, Business Management, CNSBG, Foxconn Technology Group            Finance Manager, Ambit Microsystems Corporation</p> <p>None has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)</p>	Not applicable	None

Name \ Condition	Professional Qualifications and experience	Independence of Independent Directors	Number of independent directors of other public companies
Yun Lin	<p><b>Selected Education and Professional Qualification</b> Ph.D., Economics, University of Illinois at Urbana-Champaign</p> <p><b>Past Positions</b> Current Positions : Convener of Audit Committee, MTI Director of Finance Department and Graduate School of Finance, National Taiwan University Director, Securities and Futures Investors Protection Center IPO Committee member, Taipei Exchange</p> <p>None has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)</p>	<p>1. Dr. Yun Lin is independent director of another listed company. Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau.</p> <p>2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any MTI shares.</p> <p>3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service".</p>	1
Golub Drakulovic	<p><b>Selected Education and Professional Qualification</b> M.B.A. - Fairleigh Dickenson University, Rutherford, NJ M.S. in Mechanical Engineering - NJIT, Newark, NJ</p> <p><b>Past Positions</b> Current Positions : Convener, Remuneration Committee, MTI. VP China Wireless R&amp;D - Lucent/Alcatel</p> <p>None has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)</p>	<p>1. Satisfy the requirements of Article 14-2 of "Securities and Exchange Act" and "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" (Note 2) issued by Taiwan's Securities and Futures Bureau.</p>	None
Jong Wang	<p><b>Selected Education and Professional Qualification</b> EMBA, National Chiao Tung University Master, Law, Soochow University</p> <p><b>Past Positions</b> Current Positions : Vice President and Chief Legal Officer, Polytronics Technology Corp Partner, LEE and LI Attorneys-At-Law Admitted to Taiwan Bar Association(1990)</p> <p>None has been in or is under any circumstances stated in Article 30 of the Company Law. (Note 1)</p>	<p>2. Independent Director (or nominee arrangement) as well as his/her spouse and minor children do not hold any MTI shares.</p> <p>3. Received no compensation or benefits for providing commercial, legal, financial, accounting services or consultation to the Company or to any its affiliates within the preceding two years, and the service provided is either an "audit service" or a "non-audit service".</p>	None

Note 1: A person shall not act in a management capacity for a company, and if so appointed, must be immediately discharged if they have been:

1. Convicted for a violation of the Statutes for the Prevention of Organizational Crimes and: has not started serving the sentence; has not completed serving the sentence; or five years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
2. Convicted for fraud, breach of trust or misappropriation, with imprisonment for a term of more than one year, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
3. Convicted for violation of the Anti-Corruption Act, and: has not started serving the sentence; has not completed serving the sentence; or two years have not elapsed since completion of serving the sentence, expiration of probation, or pardon;
4. Adjudicated bankrupt or adjudicated to commence a liquidation process by a court, and having not been reinstated to his or her

- rights and privileges;
5. Sanctioned for unlawful use of credit instruments, and the term of such sanction has not expired yet;
  6. if she/he does not have any or limited legal capacity; or
  7. if she/he has been adjudicated to require legal guardianship and such requirement has not been revoked yet.

Note 2:

1. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.
2. Not serving concurrently as an independent director on more than three other public companies in total.
3. During the two years before being elected and during the term of office, meet any of the following situations:
  - (1) Not an employee of the company or any of its affiliates;
  - (2) Not a director or supervisor of the company or any of its affiliates;
  - (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;
  - (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the officer in the preceding (1) subparagraph, or of any of the above persons in the preceding subparagraphs (2) and (3);
  - (5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company, ranks as of its top five shareholders, or has representative director(s) serving on the company's board based on Article 27 of the Company Law;
  - (6) Not a director, supervisor, or employee of a company of which the majority of board seats or voting shares is controlled by a company that also controls the same of the company;
  - (7) Not a director, supervisor, or employee of a company of which the chairman or CEO (or equivalent) themselves or their spouse also serve as the company's chairman or CEO (or equivalent);
  - (8) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company; and
  - (9) Other than serving as a compensation committee member of the company, not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, and the service provided is an "audit service" or a "non-audit service which total compensation within the recent two years exceeds NT\$500,000".

## 5. Diversification and independence of Board :

### (1) Diversification of Board :

MTI's Board is comprised of a diverse group of professionals from different backgrounds in industries, academia, law, etc. These professionals include citizens from Taiwan and the U.S. with global business operating experience, one of whom is female. Independent Directors constitute 43% of the Board. The members of MTI Board of Directors are nominated via rigorous selection processes. It considers background diversity, professional competence and remarkable experience.

In accordance with the Article 20 of MTI Corporate Governance Best Practice Principles, the board members should generally possess the necessary knowledge, skills and literacy to perform their duties. In order to achieve the ideal goal of corporate governance, the overall ability of the board of directors should be as follows:

1. Solid judgement in operations.
2. Accounting and financial management capabilities.
3. Business management capabilities. (Including Subsidiary management)
4. Risk and crisis management.
5. Industrial knowledge.
6. Global market perspective.
7. Leadership skill.
8. Strategic decision-making.

The company pays attention to the professional competence and gender equality of the members of the board of directors. The members of the board of directors all have the necessary knowledge, rich operating management experience, remarkable understanding, international market perspective and leadership decision-making ability. At present, 5 of the directors have industry professional experience, including Dr. Chi-Chia Hsieh, Eugene Wu, Mr. Gwong-Yih Lee, Mr. Hank Hsieh, and Mr. Golub Drakulovic, is more than half of all directors. Dr. Yun Lin is good at accounting and financial analysis. Mr. Jong Wang is a professional lawyer with legal background.

Currently, one of the directors is female (14% of the Board). The goal of female directors is more than two-sevenths of all directors, it will be the main consideration in the future director selection process.

Independent Directors constitute 43% of the Board, and all serve for not more than three consecutive terms. The goal is to set more than four independent directors with a consecutive term of no more than nine years. It is expected that the goal will be achieved in the 18<sup>th</sup> board of directors.

Diversification Name	Nationality	Gender	Concurrent Employee	Years of independent director	Operation Management	Leadership & Decision-making	Finance & Accounting	International Market perspective	Risk Planning	Trend analysis of the industry
Chi Hsieh	R.O.C	M	✓	-	✓	✓	-	✓	✓	✓
Eugene Wu	R.O.C	M	✓	-	✓	✓	-	✓	✓	✓
Gwong-Yih Lee	R.O.C	M	-	-	✓	✓	-	✓	✓	✓
Hank Hsieh	R.O.C	M	-	-	✓	✓	✓	✓	✓	✓
Yun Lin	R.O.C	F	-	6~9 years	✓	✓	✓	✓	✓	-
Golub Drakulovic	U.S.A	M	-	Within 3 years	✓	✓	-	✓	✓	✓
Jong Wang	R.O.C	M	-	Within 3 years	✓	✓	-	✓	✓	-

(2) Independence of Board :

There are 3 independent directors in the Board (43%) satisfy the requirements of “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies”. Two directors (29%) who are also MTI’s employees. Chairperson Dr. Chi-Chia Hsieh acts as Chief International Marketing Officer, and (sub) subsidiary company’s director, including Sasson International Holdings Inc., Welltop Technology Co., Ltd., Jupiter Network Corp., Jupiter Technology (Wuxi) Co., Ltd., MTI Laboratory Inc. and RadioComp ApS. Dr. Chi-Chia Hsieh is the top ten shareholders of the company. Mr. Eugene Wu acts as General Manager & CEO, and (sub) subsidiary company’s director, including Welltop Technology Co., Ltd., Jupiter Network Corp., Jupiter Technology (Wuxi) Co., Ltd., MTI Laboratory Inc. and RadioComp ApS. Mr. Gwong-Yih Lee and Hank Hsieh are the legal representatives of CyberTAN Technology, Inc. CyberTAN is a major shareholder holding more than 10% of the company and the company has financial and business dealings with them. Mr. Gwong-Yih Lee acts as Chairperson & CEO of CyberTAN. Mr. Hank Hsieh acts as vice president and director of CyberTAN.

None of the directors of the company has any relationship within the spouse or second-degree relative.

## (II) Key Managers

### 1 Information on the President, Vice Presidents, Assistant Vice Presidents, and Function and Branch Heads:

2023.04.18

Title	Nationality	Name	Gender	Date of Elected	Shares Held		Shares Held by Spouse & Minors		Shares Held in the Name of Others		Education and Selected Past Positions	Selected Current Positions at Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President & CEO	R.O.C.	Eugene Wu	Male	2019.07.03	105,617	0.04%	68,036	0.03%	0	0.00%	<ul style="list-style-type: none"> <li>Master Degree in Electrical Engineering, University of Pittsburgh, USA</li> <li>Vice President, Sales Development, MTI</li> </ul>	<ul style="list-style-type: none"> <li>Director, Welltop Technology Co., Ltd.</li> <li>Director, Jupiter Network Corp.</li> <li>Director, Jupiter Technology (Wuxi) Co., Ltd.</li> <li>Director, MTI Laboratory Inc.</li> <li>Director, RadioComp ApS</li> </ul>	—	—	—
Vice President & CFO	R.O.C.	Hualin Chi	Female	2010.06.18	7,372	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>MBA, University of Florida, USA</li> <li>BS, Dept of Business Administration, National Cheng Chi University.</li> <li>Asst VP of Finance, MTI.</li> </ul>	<ul style="list-style-type: none"> <li>Director, Welltop Technology Co., Ltd.</li> <li>Director, Jupiter Network Corp.</li> <li>Supervisor, Jupiter Technology (Wuxi) Co., Ltd.</li> <li>Director, MTI Laboratory Inc.</li> <li>Director, RadioComp ApS</li> </ul>	—	—	—
Vice President Operation	R.O.C.	Dunga Wu	Male	2019.07.03	25,000	0.01%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>M.S. Transportation Engineering and Management, National Chiao Tung University</li> <li>VP, Manufacturing and SCM, MTI.</li> </ul>	<ul style="list-style-type: none"> <li>Director, Jupiter Technology (Wuxi) Co., Ltd.</li> </ul>	—	—	—
Vice President Engineering	R.O.C.	Hunter Huang	Male	2007.06.11	51,276	0.02%	217	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>B.S. Electrical Engineering, Feng Chia University</li> <li>Asst VP of Engineering, MTI.</li> </ul>	<ul style="list-style-type: none"> <li>Director, Jupiter Technology (Wuxi) Co., Ltd.</li> </ul>	—	—	—
Asst VP Engineering	R.O.C.	Chia-Yu Chou	Male	2003.09.01	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>B.S. Electrical Engineering, National Taiwan University</li> <li>Engineering Manager, MTI</li> </ul>	None	—	—	—
Asst VP Engineering	R.O.C.	Jui-Yun Chen	Male	2007.06.11	15,000	0.01%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>M.S. in Electrical Engineering, University of South California, USA</li> <li>Engineering Manager, MTI</li> </ul>	None	—	—	—
Asst VP Engineering	R.O.C.	Kuo -Tien Chang	Male	2010.06.18	0	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>B.S., Electrical Engineering, National Central University</li> <li>Engineering Manager, MTI</li> </ul>	None	—	—	—
Asst VP Manufacturing	R.O.C.	Yi-Shan Chang	Male	2007.06.11	27,951	0.01%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>M.S. in Electrical Engineering, National Sun Yat-Sen University</li> <li>Engineering Manager, MTI</li> </ul>	<ul style="list-style-type: none"> <li>General Manager, Jupiter Technology (Wuxi) Co., Ltd.</li> </ul>	—	—	—

Title	Nationality	Name	Gender	Date of Elected	Shares Held		Shares Held by Spouse & Minors		Shares Held in the Name of Others		Education and Selected Past Positions	Selected Current Positions at Other Companies	Managers Who are Spouses or within Second-degree Relative of Consanguinity to Each Other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Asst VP Sales	R.O.C	Wan -Ping Su	Female	2020.03.17	20,609	0.01%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>M.S. in Industrial Engineering, State University of New York at Buffalo, USA</li> <li>Sales Manager, MTI</li> </ul>	None	—	—	—
Asst VP SCM	R.O.C	Yu -Cheng Liu	Male	2020.03.17	25,187	0.01%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>Ph.D. in Industrial Engineering and Management, National Chiao Tung University</li> <li>SCM Manager, MTI</li> </ul>	None	—	—	—
Asst VP Sales	R.O.C	Yan -Liang Chen	Male	2021.05.05	320,174	0.13%	62,000	0.03%	0	0.0%	<ul style="list-style-type: none"> <li>B.S. in Electrical Engineering, University of BRITISH COLUMBIA</li> <li>Sales Manager &amp; Business Development Manager, Mobile business</li> </ul>	None	—	—	—
Asst VP Program Management	R.O.C	Pin -Duan Yang	Male	2023.03.08	16,000	0.01%	0	0.00%	0	0.0%	<ul style="list-style-type: none"> <li>M.S. in Institute of Statistics, National Chung Hsing University</li> <li>Program Management Manager, MTI</li> <li>Mfg. Manager, Jupiter Technology (Wuxi) Co., Ltd.</li> </ul>	None	—	—	—
Asst VP QA	R.O.C	Yi-Pei Li	Female	2023.03.08	16,210	0.01%	0	0.00%	0	0.0%	<ul style="list-style-type: none"> <li>M.S. in Aeronautics and Astronautics, National Cheng Kung University</li> <li>QA Sr. Manager, MTI</li> <li>QA Director, Primax Electronics</li> <li>PUR Director, Primax Electronics-KunShan</li> <li>Factory Director, Primax Electronics-Dongguan</li> </ul>	None	—	—	—
Chief Accounting Officer	R.O.C	Sheng -Xiong Yu	Male	2020.11.03	2,000	0.00%	0	0.00%	0	0.00%	<ul style="list-style-type: none"> <li>B.S. in Finance, National Chengchi University</li> <li>Accounting Manager, MacroWell Technology</li> </ul>	None	—	—	—

(III) Remuneration to the Directors, President and Vice Presidents  
1. Remuneration to the Directors (including Independent Directors)

2022.12.31  
Unit: NT\$ Thousands

Title	Name	Director Fee				Remuneration in the capacity as employees				The sum of A + B + C + D + E + F + G in proportion to net income(%)		Remuneration from investee companies other than the subsidiaries											
		Remuneration (A)		Pension and severance payment (B)		Director fee (C)		Professional subsidy (D)		Salaries, bonus, and special allowance(E)			Pension and severance payment (F) (Note 1)		Remuneration to employees (G)								
		From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements		Cash	Stocks	From MTI	All companies included in the financial statements	Cash	Stocks					
Chairman	Allen Yen (Note 2)	-	-	-	-	-	-	-	-	1,848	-	-	-	-	-	-	1,848	-	1,848	(0.38)%	1,848	(0.38)%	None
Chairman	Chi-Chia Hsieh	-	-	-	-	-	-	-	-	4,922	-	-	-	-	-	-	4,922	-	4,922	(1.01)%	4,922	(1.01)%	None
Director	Eugene Wu	-	-	-	-	-	-	-	-	4,622	-	-	-	-	-	-	4,622	190	4,812	(0.99)%	4,812	(0.99)%	None
Director	Roger Wu (Note 3, 4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	None
Director	Kuoliang Ho (Note 3, 4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	None
Director	Gwong-Yih Lee (Note 3, 5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	None
Director	Hank Hsieh (Note 3, 5)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	0	0	None
Independent Director	Yun Lin	570	570	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	570	(0.12)%	570	(0.12)%	None
Independent Director	Golub Drakulovic	1,202	1,202	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,202	(0.25)%	1,202	(0.25)%	None
Independent Director	Jong Wang	450	450	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	450	(0.09)%	450	(0.09)%	None

1) According to MTI's Articles of Incorporation, the remuneration of Independent Directors may be submitted to the board of directors, which is expressly authorized to resolve on that matter and shall take into account the general pay levels in the industry. In addition, the Company shall base its determination of an individual director's remuneration on the evaluation results of his or her performance. The Board shall determine the appropriation of no more than 1% of the earnings of the Company as remuneration to the Directors depending on the profit status of the year.  
2) Other than disclosure in the above table, Directors remunerations earned by providing services for all of the companies listed in the financial reports (e.g. providing consulting services as a non-employee): None.

Note 1: The pension for retirement covers the old and new systems of retirement.

Note 2: Chairman, Allen Yen passed away and discharged on March 24, 2022.

Note 3: Representative of CyberTAN Technology Inc.

Note 4: Roger Wu discharged on May 3, 2022, and Kuoliang Ho discharged on June 14, 2022.

Note 5: The on-board date of directors was on May 3, 2022.

2. Remuneration to the President and the Vice Presidents.

2022.12.31  
Unit: NT\$ Thousands

Title	Name	Salary (A)		Pension and severance payment (B) (Note 1)		Bonus and special allowance (C)(Note 2)		Amount of remuneration as an employee (D)				The sum of A+B+C+D in proportion to net income(%)		Remuneration from investee companies other than the subsidiaries	
		From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	Cash	Stocks	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements		
President & CEO	Eugene Wu														
Vice President & CFO	Hualin Chi			677		2,036								14,940	None
Vice President Operation	Dunga Wu	12,227	12,227	677	677	2,036	2,036	-	-	-	-	-	-	14,940	None
Vice President Engineering	Hunter Huang														

Note 1: The pension for retirement covers the old and new systems of retirement.

Note 2: The Company did not issue any ESO and restricted stock in 2022.

### 3. Remuneration to the top five management personnel.

2022.12.31  
Unit: NT\$ Thousands

Title	Name	Salary (A)		Pension and severance payment (B) (Note 1)		Bonus and special allowance (C) (Note 2)		Amount of remuneration as an employee (D)				The sum of A+B+C+D in proportion to net income(%)		Remuneration from investee companies other than the subsidiaries
		From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	Cash	Stocks	From MTI	All companies included in the financial statements	From MTI	All companies included in the financial statements	
Chairman & Chief International Marketing Officer	Chi-Chia Hsieh	3,003	3,003	-	-	1,919	1,919	-	-	-	-	4,922 (1.01)%	4,922 (1.01)%	
President & CEO	Eugene Wu	4,092	4,092	190	190	530	530	-	-	-	-	4,812 (0.99)%	4,812 (0.99)%	
Vice President Engineering	Hunter Huang	2,791	2,791	164	164	587	587	-	-	-	-	3,542 (0.73)%	3,542 (0.73)%	None
Vice President & CFO	Hualin Chi	2,672	2,672	161	161	485	485	-	-	-	-	3,318 (0.68)%	3,318 (0.68)%	
Vice President Operation	Dunga Wu	2,672	2,672	161	161	435	435	-	-	-	-	3,268 (0.67)%	3,268 (0.67)%	

Note 1: The pension for retirement covers the old and new systems of retirement.

Note 2: The Company did not issue any ESO and restricted stock in 2022.

#### 4. Bracket of remuneration along the payment scale to the President and Vice Presidents

2022.12.31

Brackets of remuneration along the payment scale to the President and each Vice President	Names of the President and the Vice Presidents	
	The Company	All companies included in the financial statements
Less than NT\$1,000,000	-	-
NT\$1,000,000~NT\$2,000,000	-	-
NT\$2,000,000~NT\$3,500,000	Hualin Chi, Dunga Wu	Hualin Chi, Dunga Wu
NT\$3,500,000~NT\$5,000,000	Hunter Huang, Eugene Wu	Hunter Huang, Eugene Wu
NT\$5,000,000~NT\$10,000,000	-	-
NT\$10,000,000~NT\$15,000,000	-	-
NT\$15,000,000~NT\$30,000,000	-	-
NT\$30,000,000~NT\$50,000,000	-	-
NT\$50,000,000~NT\$100,000,000	-	-
More than NT\$100,000,000	-	-
Total	4 persons	4 persons

#### 5. Names of managers with remuneration as employees and the payment

2022.12.31

Unit: NT\$ Thousands

Title	Name	Amount of stock dividend	Amount of cash dividend	Total	Ratio to net income (%)
Chairman & CIMO	Chi-Chia Hsieh				
President & CEO	Eugene Wu				
Vice President & CFO	Hualin Chi				
Vice President	Dunga Wu				
Vice President	Hunter Huang				
Asst VP	Chia-Yu Chou				
Asst VP	Yi-Shan Chang				
Asst VP	Jui-Yun Chen				
Asst VP	Kuo-Tien Chang				
Asst VP	Wan-Ping Su				
Asst VP	Yu-Cheng Liu				
Asst VP	Zheng-Wei Chen				
Asst VP	Yan-Liang Chen				
Chief Accounting Officer	Sheng-Xiong Yu				

- (IV) Compare the total amount of payment to the directors, president and vice presidents from the Company and all the companies included in the consolidated financial statements as remuneration in the last 2 years and the proportion to net income, and explain the policy of remuneration, standards and combination, procedure for determination of the remuneration, and association with operation performance and the risk in the future

1. Analysis of the total remuneration in proportion to net income

title	Total remuneration in proportion to net income in 2022 (%)		Total remuneration in proportion to net income in 2021 (%)	
	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements
Director	(4.92)%	(4.92)%	(5.59)%	(5.59)%
President and Vice Presidents				

In 2022 and 2021, the Company and all the companies included in the consolidated financial statements effected payment of NT\$23,932 thousand and NT\$25,182 thousand to the aforementioned directors, president and vice presidents as remuneration, respectively. The payment method was the same as was before.

2. Note to the policy of remuneration

➤ The remuneration to the Directors

- (1) The remuneration to the Directors is fixed. According to the Article 16 of Articles of Incorporation of the Company, the remuneration to the Directors may be submitted to the board of directors, which is expressly authorized to resolve on that matter and shall take into account the general pay levels in the industry.
- (2) According to the Article 25 of Articles of Incorporation of the Company, the Board shall determine the appropriation of no more than 1% of the earnings of the Company as remuneration to the Directors depending on the profit status of the year.
- (3) According to the Article 9 of "Procedures for Performance Evaluation of Board of Directors Meeting", the Company shall base its election on the evaluation results of the performance of the board and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance.  
Evaluation methods including: Participation in the operation of the company, Improvement of the quality of the board of directors' decision making, Election and continuing education of the directors etc.

➤ The remuneration to the Managerial officers

- (1) The Salary to Managerial officers is fixed.
- (2) According to the Article 25 of Articles of Incorporation of the Company, the Board shall determine the appropriation of no more than 7% of the earnings as remuneration to the employees depending on the profit status of the year.
- (3) The standard of the remuneration to the Managerial officers in accordance with participation in the operation of the company and personal performance assessment. In addition, according to the Article 4 and 7 of Remuneration Committee Chart, the Committee with its professionally and objectively status take into account the result of various performance evaluation, then submit recommendations to the board of directors for its reference in decision-making.

Evaluation methods including:

Practical theory of business, corporate culture, and considering the goal achievement rate, profitability, operating efficiency, contribution, internal management, and other special contributions of Managerial officers to calculate the reasonable remuneration. Routine review of the status of operation and applicable laws for determining the remuneration to the Directors and the Managerial officers. Even if the company has not achieved the goal of operating performance, the individual with special performance can also get corresponding remuneration.

### (III). The pursuit of corporate governance

#### (I) The function of the Board

##### 1. The convention of the Board

The Board convened for 8 times in 2022 (A) and the attendance of the Directors is shown below:

title	Name	Actual attendances (B)	Attended by proxy	Actual attendance rate (%) (B/A)	Remark
Chairman	CyberTAN Technology Inc. Representative: Allen Yen	1	1	50	Passed away and discharged March 24, 2022
Chairman	Chi-Chia Hsieh	4	0	100	The on-board date on March 29, 2022
Chairman	Chi-Chia Hsieh	4	0	100	Renewal of office (Note)
Director	CyberTAN Technology Inc. Representative: Roger Wu	3	0	100	Term expired (Note)
Director	CyberTAN Technology Inc. Representative: Kuoliang Ho	4	0	100	Term expired (Note)
Director	CyberTAN Technology Inc. Representative: Gwong-Yih Lee	5	0	100	New office assumed (Note)
Director	CyberTAN Technology Inc. Representative: Hank Hsieh	5	0	100	New office assumed (Note)
Director	Eugene Wu	4	0	100	New office assumed (Note)
Independent Director	Yun Lin	8	0	100	Renewal of office (Note)
Independent Director	Golub Drakulovic	8	0	100	Renewal of office (Note)
Independent Director	Jong Wang	8	0	100	Renewal of office (Note)

Note: MTI's 17th Board of Directors was elected at MTI's Annual Shareholders' Meeting on June 14, 2022. Their respective tenures are from June 14, 2022 to June 14, 2025.

The attendance of the Independent Directors in the sessions of the Board in 2022 is shown below:

Name	Mar 16	May 4	Aug 11	Nov 10
Yun Lin	○	○	○	○
Golub Drakulovic	○	○	○	○
Jong Wang	○	○	○	○

○:Attend in person; ☆:Attend by proxy; \*:Absence; -: Not applicable

## 2. The conduct of evaluation of the Board

Frequency of Evaluation	Evaluation Period	Scope of evaluation	Method of evaluation	Content of evaluation
Self-Evaluation conducted once annually	2022/01/01 to 2022/12/31	<ul style="list-style-type: none"> <li>• The Board of Directors as a whole</li> <li>• The individual directors</li> <li>• Functional Committees</li> </ul>	<ul style="list-style-type: none"> <li>• Internal assessment of the Board</li> <li>• Self-assessments by each board member</li> </ul>	<p>The Board of Directors are assessed on the following five aspect:</p> <ul style="list-style-type: none"> <li>• Involvement in the Company's operation</li> <li>• Enhancement of the quality of the board's decision-making</li> <li>• Makeup and structure of the board</li> <li>• Election of board members and continuing knowledge development</li> <li>• Internal controls</li> </ul> <p>The individual directors are assessed on the following six aspects:</p> <ul style="list-style-type: none"> <li>• Understanding of the Company's goals and mission</li> <li>• Awareness of director's duties</li> <li>• Involvement in the Company's operations</li> <li>• Internal relationship and communication</li> <li>• Director's professionalism and continuing knowledge development</li> <li>• Internal controls</li> </ul> <p>The Audit Committee is assessed on the following five aspects:</p> <ul style="list-style-type: none"> <li>• Involvement in the Company's operation</li> <li>• Awareness of the audit committee's duties</li> <li>• Enhancement of the quality of the audit committee's decision-making</li> <li>• Makeup of the audit committee and election of its members</li> <li>• Internal controls</li> </ul>
External Evaluation conducted every 3 years	2021/01/01 to 2021/12/31	The composition of the board of directors, guidance, authorization, supervision, communication, self-discipline, internal control, risk management, and meeting support.	Questionnaires and video interviews	"Taiwan Corporate Governance Association" submitted an appraisal report on December 23, 2021. The comments and suggestions of the institution, please refer to Corporate Governance of MTI official website for further information. The appraisal result and improvement plan has been reported to the Board on January 25, 2022.

Note: The Company completed self-assessments of Board performance in 2022 and reported the results to the Board of Directors at its first quarter meeting in 2023 for review and improvement. The weighted average score for the overall performance of the Board of Directors is 4.96 out of 5, as demonstrated, the overall board's operation has been effective. The weighted average score for the overall

performance of the Audit Committee is 4.93 out of 5, members of the Audit Committee's self-assessment results also satisfied with the evaluation criteria.

### 3. Annotations:

- (1) If any of the following occurs to the operations of the Board, specify the date, the session, the content of the motion, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:
  - A. Matters listed in the Securities and Exchange Act §14-3: The Securities and Exchange Act §14-3 is not be applicable because the Company has established the Audit Committee. For relevant information, please refer to the "Audit Committee Meeting Status" in this Annual Report.
  - B. There were no other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion.
- (2) Recusals of Directors due to conflicts of interests:
  - A. Directors recused themselves from the discussion and voting of their compensation resolution.
  - B. Director Gwong-Yih Lee who is the CEO of CyberTan recused from the discussion and voting of motion related to the acquisition of right-of-use assets of factory & office lease contracts with CyberTan Technology, Inc.

The remainder attending directors unanimously approved all the resolutions. The Board convened for 8 times in 2022, and compliance with "Rules of Procedure for Board of Directors Meetings."

- (3) Measures taken to strengthen the functionality of the Board in the recent and present year (such as the establishment of Auditing Committee, and enhancement of transparency) and assessment of the attainment:
  - A. In 2019, the BoD approved the "Rules for Performance Evaluation of Board of Directors". Conduct evaluation of the Board, and report the result to the Board. In addition, Remuneration Committee would propose directors' remuneration by referring to the results of evaluation of the Board.
  - B. In 2019, the Board appoint Ms. Hualin Chi, current chief finance officer, as a chief corporate governance officer as the most senior officer to be in charge of corporate governance affairs.
  - C. At the end of 2021, "Taiwan Corporate Governance Association" is appointed to conduct MTI's assessments of board performance. The appraisal period is from December 1, 2020 to November 30, 2021. An appraisal report was submitted on December 23, 2021.
  - D. MTI's Directors are composed of diverse backgrounds, including professional backgrounds in different industries, academic and legal, etc.; nationalities in different countries in Taiwan and the U.S.; global business operating experience; and one Director is female. Our Board has three independent directors who constitute 43% of the Board.

### (II) Audit Committee Meeting Status:

1. The convention of the Audit Committee  
The Audit Committee has convened for 8 times in 2022 (A). Main issues for review in the meetings specified as follows:
  - (1) Evaluation of the the internal control system for assurance of effectiveness
  - (2) The status of derivative transactions
  - (3) Hiring or dismissal of an attesting CPA, or the compensation given thereto
  - (4) Independence, suitability, qualification of independent auditor
  - (5) Review of the financial statements and accounting policy

(6) Amendments of the “Procedures for Handling Acquisition and Disposal of Assets”

(7) Law and compliance

The Committee members’s attendance status in 2022 is shown in the following table.

title	Name	Actual attendance( B)	Attended by proxy	Actual attendance rate (%) (B/A)	Remark
Independent Director	Yun Lin	4	0	100	Renewal of offic(Note)
Independent Director	Golub Drakulovic	4	0	100	Renewal of offic(Note)
Independent Director	Jong Wang	4	0	100	Renewal of offic(Note)

Note: Yun Lin, Golub Drakulovic, and Jong Wang were elected as MTI’s independent director and became member of the Audit Committee on June 14, 2022. Their respective tenures are from June 14, 2022 to June 14, 2025.

## 2. Annotations:

(1) If any of the following applies to the operation of the Auditing Committee, specify the date of the meeting and the session of the Board, the content of the motion, the objection, reservation or major suggested content of independent directors, the resolutions of the Auditing Committee, and the response of the Company to the opinions of the Auditing Committee.

### A. The Resolutions related to Securities and Exchange Act §14-5:

Date Session	Major resolutions
2022.03.16 The 12 <sup>th</sup> session of the 2 <sup>nd</sup> Audit Committee	1. 2021 Business Report and Financial Reports of the Company 2. Proposal of the 2021 losses appropriation 3. Assessment of the effectiveness of the internal control system and the statement of 2021 internal control 4. Amendment of the “Procedures for Handling Acquisition and Disposal of Assets” 5. The shuffle of the certified public accountant and the independence and suitability evaluation, and 2022 remuneration of the CPAs
2022.05.04 The 13 <sup>th</sup> session of the 2 <sup>nd</sup> Audit Committee	1. 2022 Q1 MTI financial reports
2022.08.11 The 1 <sup>st</sup> session of the 3 <sup>rd</sup> Audit Committee	1. 2022 Q2 MTI financial reports
2022.11.10 The 2 <sup>nd</sup> session of the 3 <sup>rd</sup> Audit Committee	1. 2021 Q3 MTI financial reports 2. 2021 annual internal audit plan

Independent directors’ objections, reservations or major suggestions: None.

Resolution of the Audit Committee and the Company’s response to the Audit Committee’s Opinion: The members of the Audit Committee unanimously approved all the resolutions, and the Board of Directors approved all such resolutions recommended by the Audit Committee.

B. There were no other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2022.

(2) There were no recusals of independent directors due to conflicts of interests in 2022.

(3) Descriptions of the communications between the independent directors, the internal auditors, and the independent auditors in 2022:

A. The Chief Internal Auditor compiles the audit reports monthly for the review of each independent director, and presented the findings of all audit reports in the quarterly meetings of the Audit Committee. The communication channel between the Audit Committee and the internal auditor functioned well.

B. The Company's independent auditors have presented the findings of their quarterly review or audits on the Company's financial results, and any material matters under applicable laws and regulations. The communication channel between the Audit Committee and the independent auditors functioned well.

The communications between the independent directors, the internal auditors, and the independent auditors are listed in the table below: the independent directors have no objections against the following issues and passed the motions after review or approval with report to the Board.

Date Session	Communications between the Independent Directors and the Internal Auditors	Communications between the Independent Directors and the Independent Auditors
2022.03.16 The 12 <sup>th</sup> session of the 2 <sup>nd</sup> Audit Committee	<ul style="list-style-type: none"> <li>The pursuit of the audit plan from November 2021 to March 2022, and the corrective action taken in response to the audit findings</li> <li>Declaration of Internal Control System in 2021</li> </ul>	<ul style="list-style-type: none"> <li>Audit report on 2021 MTI financial reports</li> <li>Communication of key audit matters</li> <li>Other materiality in accounting and audit</li> </ul>
2022.05.04 The 13 <sup>th</sup> session of the 2 <sup>nd</sup> Audit Committee	<ul style="list-style-type: none"> <li>The pursuit of the audit plan from March to April, 2022, and the corrective action taken in response to the audit findings</li> </ul>	<ul style="list-style-type: none"> <li>Audit report on 2022 Q1 MTI financial reports</li> <li>Communication of key audit matters</li> </ul>
2022.08.11 The 1 <sup>st</sup> session of the 3 <sup>rd</sup> Audit Committee	<ul style="list-style-type: none"> <li>The pursuit of the audit plan from May to July, 2022, and the corrective action taken in response to the audit findings</li> </ul>	<ul style="list-style-type: none"> <li>Audit report on 2022 Q2 MTI financial reports</li> <li>Communication of key audit matters</li> </ul>
2022.11.10 The 2 <sup>nd</sup> session of the 3 <sup>rd</sup> Audit Committee	<ul style="list-style-type: none"> <li>The pursuit of the Audit Plan from August to October, 2022, and the corrective action taken in response to the audit findings</li> <li>2023 Annual Audit Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Audit report on 2022 Q3 MTI financial reports</li> <li>Communication of key audit matters</li> </ul>

(III) The pursuit of corporate governance and the variations with the Corporate Governance Best Practice Principles for TWSE/TPEX-listed Companies, and the reason:

Items for Evaluation	The Pursuit		Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
I. Has the Company instituted its own corporate governance best practice principles in accordance with the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and made disclosure?	✓		None
II. The Equity Structure and Shareholders Equity of the Company (I) Has the Company established its internal operation procedure for responding to the suggestions, queries, disputes, and legal actions of the shareholders in accordance with the procedure?	✓		None

Items for Evaluation	The Pursuit		Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.	
	Yes	No		Summary Description
(II) Has the Company kept the list of the dominant shareholders that exercise de facto control of the Company and the parties that exercise ultimate control of these dominant shareholders under control?	✓		MTI tracks the shareholdings of directors, officers, and more than 5% shareholders with periodically disclosure under law.	None
(III) Has the Company established and exercised risk control and firewall mechanisms with its affiliates?	✓		MTI has set up internal rules in the Company's Internal Control System and Affiliated Corporations Management. The Company and its affiliates have performed in accordance with the rules and regulations of the Company and subsidiaries. Respective subsidiaries have conducted internal audits in accordance with relevant internal control operation.	None
(IV) Has the Company instituted internal rules and regulations prohibiting insiders from using undisclosed information in the market for the trading of securities?	✓		MTI applies to all employees, officers and members of the Board of Directors of the Company and to any other person having a duty of trust or confidence, with respect to transactions in the Company's securities, the Board of Directors of the Company passed the amendment the "Procedure for the Processing of Inside Information in Material Aspects" on November 10 <sup>th</sup> ,2022. The Company also prohibits any insider trading in the regulation,"Procedures for Ethical Management	None

Items for Evaluation	The Pursuit		Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
		and Guidelines for Conduct,” and regularly provides internal training on this issue.	
III. The Organization and Function of the Board (I) Has the Board developed its policies in diversity, specific management goals and has it properly pursued these policies?	✓	Please refer to pages 26-27 of this Annual Report about the diversity, specific management goals and pursued these policies.	None
(II) Has the Company voluntarily established other functional committees further to the establishment of a remuneration committee and auditing committee?	✓	The Company has founded the Audit Committee and Compensation Committee. ESG Committee (founded in 2022) is formed by the Company’s executive team and reports periodically (at least one time a year) to the Board of Directors on the implementation of plans and results. The Company will establish different functional committees as required for the operation in the future.	None
(III) Has the Company established the rules and regulations and the methods for the evaluation of Board performance, and has it conducted performance evaluations at regular intervals each year?	✓	The Board of the Company resolved to establish the “Regulations Governing the Evaluation of Board Performance” on March 29th, 2019. The performance of the Board would be subject to evaluation once annually. An external evaluation would be conducted by an external professional and independent institution or a team of scholars and	None

Items for Evaluation	The Pursuit		Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
		<p>experts once every 3 years. Please refer to pages 37-38 of this Annual Report.</p> <p>MTI implemented Board performance evaluations through self-assessment surveys via questionnaire, performance evaluation will be annually completed by the Board as a whole, by individual directors and by the functional committees.</p> <p>The Company completed self-assessments of Board performance in 2022 and reported the results to the Board of Directors at its first quarter meeting in 2023 for base individual nomination, renewal, review and improvement, and synchronous on the corporate governance part of MTI's official website (<a href="http://www.mtigroup.com">www.mtigroup.com</a>). The weighted average score for the overall performance of the Board of Directors is within the range of 4.93~4.98 out of 5, that the overall board's operation has been effective.</p> <p>MTI received a board performance appraisal result by "Taiwan Corporate Governance Association" in 2022, the appraisal period is from December 1, 2020 to November 30, 2021, and reported the result to the Board of Directors at its first quarter meeting in 2022 for review and improvement.</p>	

Items for Evaluation	The Pursuit		Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
(IV) Has the Company assessed the independence status of the CPAs at regular intervals?	✓	<p>The Audit Committee annually evaluates the independence and suitability of external auditors and reports the same to the Board of Directors.</p> <p>Evaluation standards: There is no financial interests, commercial relations, employment relations between the CPAs and the Company except the service charge from financial and tax auditing and certification. The families of the CPAs shall also duly observe the requirement of independence. No penalty or demerit point has been given by the Financial Supervisory Commission (FSC). The CPAs rotation also complies with related requirements.</p> <p>In compliance with regulatory requirements on PwC rotation, the engagement partner Daniel Li will be replaced by Tina Cheng starting from the first quarter 2023, and the co-signing partner will remain to be Chien-Yu Liu.</p> <p>The evaluation result was approved by BoD on March 8, 2023. As evaluated, Ms. Tina Cheng and Ms. Chien-Yu Liu, CPAs of PwC Taiwan, meet the standards of independence and suitability of the Company and eligible of acting as the external auditors for the Company.</p>	None
IV. Does the Company appoint competent and appropriate corporate governance personnel	✓	MTI's Finance and Stock Affairs Department is in charge of corporate governance related matters under	None

Items for Evaluation	The Pursuit		Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
<p>and corporate governance officer to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors, assisting directors' compliance of law, handling matters related to board meetings and shareholders' meetings according to law, and recording minutes of board meetings and shareholders' meetings)?</p>		<p>No</p> <p>the supervision of the Corporate Governance Office of the Company.</p> <p>The Stock Affairs Department primary functions are in charge of assisting in related affairs, including handling of matters relating to Board, Audit Committee, Compensation Committee and Shareholders' meetings in compliance with law, provision of information required for performance of duties by directors, assistance in continuing education of directors, assistance in directors' compliance of law, and investor relations etc.</p> <p>The Board of Directors appointed Vice President and CFO to be the Corporate Governance Officer on March 19, 2019. Ms. Huanlin Chi has been in a managerial position for more than ten years, and acts as the corporate secretary who is in charge of supervising the corporate governance. The Corporate Governance Officer has completed 18 hours courses within her first year. She has completed 12 hours of continuing education courses in 2022.</p> <p>Continuing Education/Training in 2022: 2022/4/22 Transform to Net Zero Autumn Forum (3 hours)</p> <p>2022/10/7 2022 Release Conference 2022: Reference guide for Independent Director &amp; Audit Committee</p>	

Items for Evaluation	The Pursuit		Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
			(3 hours) 2022/11/10 An In-depth Look at the Global Tax Reform (BEPS 2.0) (3 hours) 2022/11/24 Practical Operation and Case Analysis of Corporate Governance, Board of Directors and Compensation committee (3 hours)
V. Has the Company established channels for the communications with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), and the section for the shareholders on the official website of the Company to respond to all concerns of the stakeholders on corporate social responsibility?	✓		MTI's have publicly disclosed the contact information of our relevant departments that the stakeholders can make inquiry and express their opinions. Also, we have a stakeholder section on our corporate website to address our corporate social responsibilities and any other issues.
VI. Has the Company appointed a professional share registration and investors service agent for handling matters pertaining to the Shareholders' Meeting?	✓		We have appointed a professional stock affairs agent, the "Stock Affairs Department of Taishin Securities Co., Ltd." as registrar for our shareholders' related matters.
VII. Disclosure of Information (I) Has the Company installed a website for the disclosure of information on financial position and operation, as well as corporate governance?	✓		MTI discloses its financials business and corporate governance status in Chinese and English on its website at <a href="http://www.mtigroup.com">http://www.mtigroup.com</a> .

Items for Evaluation	The Pursuit		Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
(II) Has the Company adopted other means for disclosure (such as the installation of a website in the English language, appointment of designated persons for the collection and disclosure of information on the Company, the implementation of a spokesman system, and videotaping institutional investor conferences)?	✓		MTI has designated its website in Chinese and English and timely release the information, that provided the utmost in operational transparency. The Company designate responsible individuals to handle the collection and disclosure of information as required by the relevant laws and regulations of Taiwan and other jurisdictions. MTI has designated spokespersons as required by relevant regulations, investor relations contact, earnings conference call, and institutional investor conferences to safeguard shareholders' equity.
(III) Does the Company announce and report the annual financial statements within two months after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline?	✓	✓	MTI follows relevant laws and regulations to announce and report the annual financial statements within 75 days after the end of the fiscal year, and announce and report the first, second, and third quarter financial statements as well as the operating status of each month before the prescribed deadline. Please refer to Market Observation Post System for the aforementioned disclosure.
VIII. Is there any other essential information that would help us to understand the pursuit of corporate governance (including but not limited to employee rights, employee care,	✓		<p>➤ For employee rights and employee wellness: The hiring principles are without regard to age, gender, nationality, religion, physical impairment. MTI provides competitive compensation program</p> <p>None</p>
			The Company has announced and declared financial reporting and business report in accordance with Article 36 of the Securities and Exchange Act.

Items for Evaluation	The Pursuit		Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
<p>investor relations, supplier relations, stakeholder rights, the continuing education of the directors and supervisors, the pursuit of a risk management policy and standard of risk assessment, the pursuit of a customer policy, and professional liability insurance coverage for the directors and supervisors)?</p>		<p>and structure to attract and retain employees. Also, the Company provides a safe, healthy and inclusive work environment, encouraging employees to nurture a healthy family life, and, in general, live a balance life.</p> <p>➤ Investor relation: MTI values investor relations and has designated spokespersons and contact to handle investor relation matters. In addition, the Company also holds institutional investor conferences and colloquiums from time to time for the timely disclosure and transparency of information to safeguard shareholders' equity.</p> <p>➤ Supplier relation: MTI has publicly disclosed the contact information of our relevant departments on our corporate website to communicate with stakeholders and protect the rights and interests of stakeholders and the Company.</p> <p>➤ Maintaining stakeholder rights: The Company seeks to maintain positive cooperative relation with the stakeholders for the protection of the rights through reliable and</p>	

Items for Evaluation	The Pursuit		Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
		<p>Summary Description</p> <p>effective communications.</p> <ul style="list-style-type: none"> <li>➤ For Directors' training records, please refer to Market Observation Post System (MOPS).</li> <li>➤ For Risk Management Policies and Risk Evaluation:           <p>MTI takes preventive measures to manage risk. In addition to a viable internal control system, the Company examines the effectiveness of the system through internal control regularly. The Company has taken related insurances like property insurance, product transportation and liability insurance, account receivable insurance, and employee loyalty insurance to avoid risks.</p> </li> <li>➤ For Customer Relations Policies:           <p>Under the policy of customer first, the Company provides customization, design and development, and mass production services for the customers.</p> <p>The Company has been accredited with the ISO9001/TL9000, ANSI/ESD S20.20, ISO/IEC 17025, ISO14001, ISO45001, CNS45001, AS9100, IATF 16949 and management systems for assurance of the highest standard in product design, manufacturing, and production process to the full</p> </li> </ul>	

Items for Evaluation	The Pursuit		Variations from the Corporate Governance Best Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
		<p>satisfaction of the customers.</p> <p>➤ MTI maintains Directors and Officers Liability Insurance (D&amp;O Insurance) for its directors and officers, please refer to Market Observation Post System (MOPS).</p>	
<p><b>IX. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange:</b>  In the 9th Corporate Governance Evaluation, MTI ranked in top 21%~35% among all TWSE listed companies, and in top 6%~10% among all TWSE/TPEX listed electronics companies with market cap over NT\$50~100 billion. The improvement status in 2022 is as follows:  MTI disclose a governance structure for sustainability development and a dedicated (or ad-hoc) sustainable development organization with Board of Directors authorization in the Annual Report. The ESG Committee follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company operation, and establish risk management related policy or strategy, and the status reviewed by the Board of Directors.  The priority in 2023 will be to arrange to found a functional committee other than statutory.</p>			

(IV) The function of the Remuneration Committee:

1. Profiles of the members of the Remuneration Committee

Identity	Condition Name	Professional Qualifications and experience	the status of independence	Number of public companies that the Independent Director also holds the position as independent director in.
Independent Director	Golub Drakulovic	Please refer to page 24 for professional qualifications of directors and information disclosure of independent directors' independence	Please refer to page 24 for professional qualifications of directors and information disclosure of independent directors' independence	0
Independent Director	Yun Lin	Please refer to page 24 for professional qualifications of directors and information disclosure of independent directors' independence	Please refer to page 24 for professional qualifications of directors and information disclosure of independent directors' independence	1
Others	Chi-Yuan Chang	<p><b>Selected Education and Professional Qualification</b> Master degree of EMBA from Michigan State University, USA</p> <p><b>Past Positions</b></p> <ul style="list-style-type: none"> <li>• Current Positions : The secretary general of the Taiwan Science Park Association</li> <li>• Director general and the mainland director of the Taiwan Electrical and Electronics Industry Association</li> <li>• Taiwan Industrial Technology Research Institute</li> <li>• General Manager subsidiaries in mainland China, Winbond Electronics Corp.</li> </ul> <p>None has been in or is under any circumstances stated in Article 30 of the Company Law.</p>	Mr. Chang, his spouse, relatives within the second degree have not served as directors, supervisors or employees of the company or its affiliated companies; have not provided the company or its affiliated companies with business, legal, financial, accounting and other services in the past 2 years The amount of remuneration received.	0

2. Information on the function of the Remuneration Committee

The Remuneration Committee of the Company is consisted of 3 members.

Tenure of the members for the 5<sup>th</sup> Compensation Committee from August 11, 2022 to June 13, 2025.

The Remuneration Committee has convened 2 times (A) in 2022 with the attendance of the members specified below:

Title	Name	Actual attendances (B)	Attended by proxy	Actual attendance rate (%) (B/A)	Remark
Convener	Golub Drakulovic	2	0	100	Renewal of office
Member	Yun Lin	2	0	100	Renewal of office
Member	Chi-Yuan Chang	2	0	100	Renewal of office
<p>Additional information:</p> <p>I. If the Board declines to accept or revise the recommendations of the Remuneration Committee, specify the meeting date, the session, the content of the motion, the resolutions of the Board, and the response of the Company to the opinions of the Remuneration Committee: Not applicable.</p> <p>II. If a specific member of the Remuneration Committee has adverse or qualified opinions on the resolutions of the Remuneration Committee on record or in written declaration, specify the meeting date, the session, the content of the motion, the opinions of all members, and the response to the opinions of the members: Not applicable.</p>					

3. Motions for discussion by the Remuneration Committee and resolutions: The following has been reviewed or approved by the members with no objection, and reported to the Board for final approval.

Date Session	Major resolutions
2022.01.25 The 8 <sup>th</sup> Session of the 4 <sup>th</sup> Remuneration Committee	1. The ESO raising to issue the new common shares in 2021 2. Recommendation for the compensations to Directors and managers in 2022.
2022.11.10 The 1 <sup>st</sup> Session of the 5 <sup>th</sup> Remuneration Committee	1. Recommendation for the compensation to the reelected director and new directors in 2022.

(V) Sustainable Development Implementation Status:

Assessment Item	Implementation Status		Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
I. Does the Company have a governance structure for sustainability development and a dedicated (or part-time) sustainable development organization with Board of Directors authorization for senior management, which is reviewed by the Board of Directors?	✓		For sustainability development, the Board of Directors of the Company passed the “Sustainable Development Best Practice Principles” in 2022. The President is leads the team in accordance with corporate governance, environmental protection, energy saving, supply chain, innovative technology and social responsibility, that link to the MTI’s sustainable development goals. ESG Committee facilitates communication and discussions among teams, the members jointly set the Company’s ESG strategies and targets, identify key issues for the year, draft budgets, and carry out annual projects. The committee pursues sustainability in the interest of stakeholders and ensures the strategies are implemented effectively in daily operations. The Board of Directors supervises the Company’s sustainability management, strategies, and goals as well as performance measurement. The ESG Committee Chairperson reports periodically to the Board of Directors on the implementation of plans and results. (Reported on March 8,2023) In 2022, MTI focused primarily on climate change strategy (including carbon footprint, and supply chain carbon emission management), maintaining a diverse and inclusive work environment, and making sustainability disclosures.
II. Does the Company follow materiality principle to conduct risk assessment for environmental, social and corporate governance topics related to company	✓		MTI aligns with stakeholders’ feedback, discloses ESG material issues identified following the Global Reporting Initiative (GRI) standards. Integrating risk management

Assessment Item	Implementation Status		Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
operation, and establish risk management related policy or strategy?		<p>with ESG management, MTI demonstrates how the Company implements risk mitigation measures, addresses international and industry trends, and operates sustainably at MTI Taiwan facilities, Jupiter (WuXi), and other subsidiaries. In addition to GRI, MTI's Sustainability Report also adopts the TCFD recommendations framework, SASB reporting standards, please refer to page 66 to 67 note1.</p>	
<p>III. Environmental Topic</p> <p>(I) Does the Company set an environmental management system relevant with the industry characteristics?</p>	✓	<p>MTI meets legal requirements and align with internationally recognized best practices when develops environmental, safety and health practices. The Company aims to achieve "zero incident" and "environmental sustainability." The Company's strategies are to comply with regulations, promote safety and health, strengthen recycling and pollution prevention, establish a green supply chain, and fulfill its related corporate social responsibilities.</p>	None
<p>(II) Does the Company make efforts to improve resources efficiency, and to use renewable materials to mitigate the impact on the environment?</p>	✓	<p>MTI and the subsidiaries have received the ISO 14001 certification for environmental management systems and ISO 45001 certification for occupational safety and health management systems, these certifications are maintained valid.</p> <p>MTI strives for continuous improvement and actively enhances climate-change management, pollution prevention and control, power and resource conservation, waste reduction and recycling, safety and health management, so as to reduce overall environmental, safety and health risks.</p>	None

Assessment Item	Implementation Status		Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
(III) Does the Company evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics?	✓		<p>Given that climate change could potentially affect operations and pose financial risk, MTI in 2022 adopted recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) released by the Financial Stability Board (FSB) to identify risks and opportunities and further establish metrics and target management based on the results identified. Examine the impact on Company operations and assess the risks and mitigation strategies for scope 1 and 2 through annual inventory of ISO 14064-1 and disclosure of greenhouse gas emissions, and review achievement progress and actual performance. Please refer to page 68 note2.</p>
(IV) Does the Company collect data for greenhouse gas emissions, water usage and waste quantity in the past two years, and set energy conservation, greenhouse gas emissions reduction, water usage reduction and other waste management policies?	✓		<p>Facing the threats presented by extreme weather, MTI sets strategies and targets, ensure execution and control and build a sustainable culture.</p> <p>MTI plans to complete the GHG (Greenhouse Gas) inventory program and taken a complete inventory of its GHG emissions to gain ISO 14064 certification in 2025. The primary GHG emission is manufacturing process and electricity consumption. The analysis of the inventory data is to serve as a baseline reference for the Company's strategy to reduce GHG emissions.</p> <p>Because MTI's GHG emissions come from electricity consumption, the Company always emphasizes energy conservation and carbon reduction initiatives. MTI has not only implemented energy-conserving designs in its offices but has also continuously improved the energy efficiency of its facilities during operation. These efforts simultaneously reduce both carbon dioxide gas emissions and costs.</p>

Assessment Item	Implementation Status		Summary Description	Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.																					
	Yes	No																							
			<p>MTI GHG Emissions in Recent Two Years:</p> <p>Unit: Metric ton CO2 equivalent</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Scope 1</th> <th>Scope 2</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>136</td> <td>4,395</td> </tr> <tr> <td>2021</td> <td>143</td> <td>4,471</td> </tr> </tbody> </table> <p>Note: The data covers MTI. The greenhouse gas emissions included subsidiary Jupiter (Wuxi).</p> <p>To make the most effective use of Taiwan's limited water resources, MTI makes every effort to reduce the water consumption of manufacturing and non-manufacturing process, including water used in air conditioning systems, sanitary facilities, wall cleaning and landscaping activities and in kitchens.</p> <p>MTI Water Usage in Recent Two Years:</p> <p>Unit: Water Usage (m3)/Per Employee, Month</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Actual</th> <th>Goal</th> <th>Achievement Status</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>5.45</td> <td>5.80</td> <td>Achieved</td> </tr> <tr> <td>2021</td> <td>5.44</td> <td>7.36</td> <td>Achieved</td> </tr> </tbody> </table> <p>To achieve the goal of sustainable resource utilization, MTI priorities are process waste reduction, recycling and regeneration. In order to ensure that all waste is treated and recycled properly, MTI closely tracks the waste that is implemented in the process of recycling and reuse by clean and disposal vendors. The Company carefully selects waste disposal and recycling vendors that have certificates and permits.</p>	Year	Scope 1	Scope 2	2022	136	4,395	2021	143	4,471	Year	Actual	Goal	Achievement Status	2022	5.45	5.80	Achieved	2021	5.44	7.36	Achieved	
Year	Scope 1	Scope 2																							
2022	136	4,395																							
2021	143	4,471																							
Year	Actual	Goal	Achievement Status																						
2022	5.45	5.80	Achieved																						
2021	5.44	7.36	Achieved																						

Assessment Item	Implementation Status		Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.									
	Yes	No										
		<p>MTI Waste Quantity and Outsourced Unit Waste Disposal in Recent Two Years:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Actual</th> <th>Recycle Rate</th> </tr> </thead> <tbody> <tr> <td>2022</td> <td>28.50</td> <td>10.20%</td> </tr> <tr> <td>2021</td> <td>39.50</td> <td>10.00%</td> </tr> </tbody> </table> <p>In 2022 and as of the date of this Annual Report, MTI has no incurred any environmental pollution related losses. However, the Company was given one fine NT\$6,000 for violating environmental regulations issued on 03/04/2022 for failing to install the waste disposal competent personnel (Article 44 of the Waste Disposal Act; Article 2 of the Professional Technical Personnel in Waste Disposal Management Regulations) – MTI took immediate corrective action after the audit by the competent authority and enhanced related management measures.</p>	Year	Actual	Recycle Rate	2022	28.50	10.20%	2021	39.50	10.00%	
Year	Actual	Recycle Rate										
2022	28.50	10.20%										
2021	39.50	10.00%										
<p>IV. Social Topic</p> <p>(1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?</p>	✓		None									

Assessment Item	Implementation Status		Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
			<p>Company.</p> <p>MTI support the “Universal Declaration of Human Rights”, and are committed to treating all workers with dignity by international human rights standards.</p> <p>MTI’s hiring principles are without regard to race, gender, or age. The Company also strive to increase female ratio in management. Related declarations and action plans are inscribed in the ESG Report. The Company makes continuous efforts to promote harmonious labor relations.</p> <p>The guiding principles include:</p> <ul style="list-style-type: none"> <li>• Provide a safe, secure, healthy and friendly environment</li> <li>• Comply with all applicable wage laws and regulations, and legal limits to working hours</li> <li>• Eliminate unlawful discrimination and ensure equality in the workplace</li> <li>• Forbid forced labor</li> <li>• Protect labor rights of vulnerable groups or marginalized groups such as indigenous peoples, women, migrant workers, and persons with disabilities.</li> <li>• Enable a communication-friendly environment and maintain an open-style management system</li> <li>• Encouraging employees keeping physical and mental health and maintaining well-balanced living.</li> <li>• Review and evaluation of related systems and actions</li> </ul>

Assessment Item	Implementation Status		Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
(II) Has the Company established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?	✓		<p>at regular intervals.</p> <ul style="list-style-type: none"> <li>Arrangement of education and training pertinent to respect of human rights and occupational safety.</li> </ul> <p>MTI regularly holds labor-management meetings and listens to employee concerns through communication to ensure a harmonious relationship between labor and management.</p> <p>MTI provides employee benefit system superior to statute, including travelling subsidies, subsidies for marriage, childbirth and funerals, payment for hospitalization due to injury or illness, financial assistance for emergencies, wide variety of social activities, gifts for festival and citation of outstanding employees (or teams), as well as discounts in designated shops.</p> <p>To provide support in their personal and work lives, MTI offers employees parental leave in accordance with local laws and regulations, provides comprehensive leave management system. Employees have flexibility in making use of their vacation days to take care of their children.</p> <p>Employees who need to take long leaves of absence for military service or severe injuries can also apply for unpaid leave, and then apply for reinstatement after the expiration of the period.</p> <p>MTI facilities are equipped with health centers, where healthcare management professionals and appointed onsite physicians provide quality services beyond those required</p>
			None

Assessment Item	Implementation Status		Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
			legally. Annual checkups for all employees are provided as well. The Company encourages employees to exercise regularly and holding regular sports events. Vacation and insurance policies at MTI's overseas offices are designed in compliance with local regulations. MTI's retirement policy is set according to the labor standard laws and labor pension practices of various respective regions, which encourages employees to make long-term career plans and further deepen their commitment to MTI. MTI employees enjoy a comprehensive compensation and benefits program above the industry average. MTI adheres to the philosophy of sharing wealth with employees in order to attract, retain, and motivate employees. MTI's compensation programs in overseas subsidiaries in addition to providing employees with a locally competitive base salary, in line with local regulations, market practices to promote employee commitment and development.
(III) Has the Company provided a safe and healthy work environment for the employees, and related education on occupational safety and health for the employees at regular intervals?	✓		MTI's strive to establish a safe working environment, prevent occupational injury and illness, keep employees healthy, enhance every employee's awareness and sense of accountability to ESH, and building an ESH culture. The disabling injury frequency rate (FR) was 0.57 and the disability injury severity rate (SR) was 5, under the industry. In response, MTI is reviewing potential

Assessment Item	Implementation Status		Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
			<p>improvement measures, such as standard safety operation procedures. In addition to regular reviews, to pay closer attention to the physical and mental state of employees to ensure their safety and health during their work.</p> <p>MTI conduct major annual emergency response exercises and evacuation drills to provide employees a comfortable, safe workplace. These strategies included educating employees in prevention and response, publishing guidelines for managers, establishing guidelines for employees. So that losses can be minimized in the event of a real disaster.</p> <p>MTI believes that employee physical and mental health is fundamental to maintaining sound business operations.</p> <p>MTI strives to reduce injuries that might be induced or aggravated by overwork, night work or shift work. The Company conducts programs for maternal health protection and for prevention of cumulative trauma disorders as well. Through analysis of health check questionnaire and working hours data of its employees, MTI provides health education and medical assistance in combination with internal annual examination reports, work scheduling information, and contracted doctors resource.</p>

Assessment Item	Implementation Status		Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
(IV) Has the company provided effective training in career planning for the employees?	✓		Employee development is an integral and critical factor for the growth of any company. The Company is committed to expanding and fulfilling employee potential through the integration of internal and external training resources. MTI is also committed to cultivating a consistent and diverse learning environment. The Company has initiated the MTI Employee Training and Education Procedure in combination with physical and online learning resources, including functional capabilities, leadership capabilities, general capabilities, and quality and safety.
(V) Does the Company's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' rights and consumer appeal procedures?	✓		This item of evaluation is not applicable, as MTI is not a manufacturer of end products.
(VI) Does the Company set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status?	✓		For better supply chain management, MTI is committed to communicating with and encouraging its suppliers to increase their quality, cost effectiveness and delivery performance, and make continuous improvement in environmental protection, safety and health. The Company collaborates with major suppliers to ensure continued improvement of performance. The Company is committed to collaborating with its suppliers to maintain full compliance with Taiwan's environmental, safety, health

Assessment Item	Implementation Status		Variations from the Sustainable Development Practice Principles for TWSE Listed and TPEX Listed Companies and the reasons.
	Yes	No	
V. Does the Company refer to international reporting rules or guidelines to publish Sustainability Report to disclose non-financial information of the Company? Has the said Report acquire 3 <sup>rd</sup> certification party verification or statement of assurance?		✓	MTI follows the instructions of GRI in compiling its Sustainability Report for disclosure of non-financial information. This report is posted at the official website of the Company, and also the MOPS website for the viewing of the public. The Sustainability Report has not be accredited by a third party for validation or guarantee.
VI. If the Company has established its sustainable development code of practice according to “Listed Companies Sustainable Development Code of Practice,” please describe the operational status and differences: MTI has established the Sustainable Development Best Practice Principles. There is no significant difference between the Sustainable Development Best Practice Principles of the Company and the practice of Sustainable Development.			MTI’s report adopts the GRI, TCFD framework, and SASB reporting standards. However, MTI has not received any certification yet.
VII. Other important information to facilitate better understanding of the Company’s implementation of sustainable development: Please refer to MTI’s website for its sustainable development implementation status.			

Note1:

Major issues	Risk assessment items	Risk management policies or strategies	Related company internal regulations
Environment	Environmental protection and ecological conservation	<p>1. The company bases on the environmental and occupational health and safety policies of “Compliance with law and regulations, emphasis on communication, education and training, continuous improvement, prevention, and sustainable development” to forcefully promote RoHS and WEEE related work in the factory and to guide the suppliers to implement it synchronously.</p> <p>2. In addition, for the management of conflict minerals, the company does not directly purchase metal materials and does not use cassiterite (Sn), wolfram (W), tantalum (Ta), gold (Au), and other metals from the Democratic Republic of Congo and surrounding countries and regions. Also, the company values the impact of environmental pollution on the overall living environment; therefore, audits the suppliers regularly and demands the identified nonconformities to be corrected accordingly.</p> <p>3. The company strives to protect the environment and respond to green and clean production. In addition to passing and obtaining ISO 14001 environmental management system verification and certificates, the company also adopts measures, such as, process management and formulating environmental management plans, to reduce pollution emissions and environmental impacts.</p>	<p>1. The CEO has the environmental and occupational health and safety policies signed, announced, and implemented.</p> <p>2. The company has formulated MTI-M0058 supplier management operating procedures, which have been implemented accordingly.</p> <p>3. The company has formulated the MTI-M0087 Environmental and Occupational Health and Safety Management Manual, which has been implemented accordingly.</p>
Society	Occupational safety  Product Safety	<p>The company obtained the ISO 45001 and CNS 45001 occupational safety and health management system verification and certificates. Beside comply with local occupational safety and health-related law and regulations, the company promises to lower the risk of manufacturing processes, facilities, and activities on the occupational health and safety risks of employees, suppliers, contractors, by-standers, and related groups. At the same time, formulates corresponding occupational safety and health management documents and plans for implementing related work in the factory for securing a safe operating environment in the factory.</p> <p>1. The company actively promotes green products and green production in response to international trends and customer needs. The company has also implemented the concept and action of green procurement into the supply chain in order to control restricted substances accordance with international regulations; also, regularly</p>	<p>The company has formulated the MTI-M0087 “Environmental and Occupational Health and Safety Management Manual,” which has been implemented accordingly.</p> <p>Formulate MTI-M0141 green product verification operating procedures, MTI-M0141-01 Green Product</p>

Major issues	Risk assessment items	<p style="text-align: center;">Risk management policies or strategies</p> <p>reviews the performance of suppliers, to ensure distinguishing green product line. The company has established a “Green Product (GP) management system” and has incorporated it into the existing management system. The company has the contact window of each department integrated to formulate product specifications and related operating procedures; it also assists suppliers in establishing their green supply chain system to complete the introduction of the lead-free manufacturing processes.</p> <p>2. The company, through product life cycle management, introduction of green innovative design, product environment-friendly design, enhancement of the green supply chain system, and regular customer satisfaction surveys, has conducted a customer questionnaire survey with a focus on the product design expertise, quality stability, urgent order support, customer complaint handling, prompt information feedback, and communication. Analyze the problems and needs responded by customers with the corresponding improvement measures implemented, continuously improve the company’s product quality, after-sales service, and customer satisfaction; also, further enhance the good relationship between parties.</p>	Related company internal regulations
Corporate Governance	Society economy, and legal compliance	<p>Ensured all personnel and operations of the company actually comply with relevant law and regulations by establishing an internal corporate governance mechanism and implementing internal control.</p>	<p>RoHS Inspection Operation Specification, and MTI-M0145 Green Product Operation Manual, which have been implemented accordingly.</p>
			<p>Operational risk management standards for companies, boards of directors, etc.:</p> <ol style="list-style-type: none"> <li>(1) Articles of Incorporation</li> <li>(2) Board Meeting Procedure and Rules</li> <li>(3) Measures of the Election of directors and supervisors</li> <li>(4) Procedures for Performance Evaluation of Board of Directors Meeting</li> <li>(5) Shareholders Meetings Rules of Procedure</li> <li>(6) Audit Committee Charter</li> <li>(7) Remuneration Committee</li> </ol>

Major issues	Risk assessment items	Risk management policies or strategies	Related company internal regulations
			<p>Charter</p> <p>Rules Governing Financial Risks:</p> <ol style="list-style-type: none"> <li>(1) Procedures for Handling Acquisition and Disposal of Assets</li> <li>(2) Procedures for Loaning of Funds</li> <li>(3) Regulations Governing Making of Endorsements / Guarantees</li> <li>(4) Corporate Governance Best Practice Principles</li> <li>(5) Guidelines for the Adoption of Codes of Ethical Conduct</li> <li>(6) Ethical Corporate Management Best Practice Principles</li> <li>(7) Sustainable Development Best Practice Principles</li> <li>(8) Procedures for Handling Material Inside Information</li> <li>(9) Whistle-Blowing Policy</li> </ol> <p>Rules Governing Information Security Risk:</p> <ol style="list-style-type: none"> <li>(1) Trade Secrets Regulations</li> <li>(2) Intellectual Property Rights Regulations</li> </ol>

Note2:

Item	Risk Category (Trans / Physical )	Climate Risk	Potential Financial Impact	Climate Opportunities	Actions	
1	Trans- Risk	Raw Material Supply	Low	Low	Establish strategic suppliers and adopt Tier 1 manufacturers	
2		Regulations	Low	Medium	Regularly renewal of laws and regulations, and continuous optimization the environmental protection measures	
3		GHG Emissions Cap and Carbon Tax/Carbon Fee	Medium	Medium	Continuously to update relevant laws and regulations to reduce the impact	
4		Renewable Energy	Low	Medium	Solar energy revenue could be considered to increase the proportion	
5		Customer Demand Transformation	Medium	Medium	Satisfy customers' needs for energy-saving products and increase revenue	
6		Uncertainty of Energy Supply	Medium	Medium	Utilize the manufacturing bases on both sides to avoid unstable energy supply, and to consider increasing investment in renewable energy (such as solar panels)	
7		Market Demand Transformation / Industry Innovation Technologies	Medium	Medium	Continue to develop new products	
8		Physical Risk	Drought	Medium	Medium	Save water and cut costs
9			Extreme Climate Events	Medium	Medium	Strengthen climate resilience, lower risk of operations disruption, and reduce potential losses

(VI) The Practice of Ethical Corporate Management:

Items for Evaluation	The Pursuit		Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures  (I) Does the Company have a clear ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?	✓		Integrity is the most important core value of MTI's culture. MTI has instituted the "Corporate Governance Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Ethic Code of Conduct", and the "Ethical Corporate Management Procedure and Code of Conduct" to require that each employee bears a heavy personal responsibility to uphold MTI's ethics value. For more details on the Ethics Code and the measures that MTI Board of Directors (the "Board") and the management team take to ensure compliance of the Ethics Code please refer to MTI's Annual Report and the Sustainability Report.
(II) Whether the company has established an assessment mechanism for the risk of unethical conduct; regularly analyzes and evaluates within a business context, the business activities with a higher risk of unethical conduct; has formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed	✓		At the heart of our corporate governance culture is the Ethics Code that applies to MTI, and this Ethics Code requires that each employee bears a heavy personal responsibility to preserve and to protect MTI's ethical values and reputation and to comply with various applicable laws and regulations. To educate and remind our employees of their responsibilities under the Ethics Code, we publish our Ethics Code, relevant policies and documents on our intranet and promote its awareness through training courses, posters, emails, and internal news articles. Furthermore, to ensure that our conduct

Items for Evaluation	The Pursuit		Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	
Companies?			meets relevant legal requirements and the highest ethical standards under the Ethics Code, MTI provides multiple channels for reporting business conduct concerns. MTI elaborates its ethical corporate management policy and the commitment of the realization of its corporate policy by the Board and the management through annual report, corporate website, and the CSR Report.
(III) Whether the Company has established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation and complaints procedures, and periodically reviews and revises such policies?	✓		For assurance of strong demand for compliance with applicable laws in the conduct, the procedure for reporting illegal acts and response procedure are explicitly stated in related rules and regulations. MTI also provides the system for complaint of any unethical practices to impose strict punishment and take legal action timely against any unethical practices in operation. In addition, MTI demands all employees to read related laws and internal code thoroughly and make the right business and moral judgment. This demand extends to the subsidiaries of MTI that the same standard is applied in compliance and legal matters. The internal audit function of MTI plays a critical role in matters pertaining to compliance with applicable laws and the ethic code of conduct. This functional unit conducts audits in accordance with the annual audit plans approved by the Board, and report to the Board and the management the audit findings and subsequent corrective action plans for the best result of audits.
			None

Items for Evaluation	The Pursuit		Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	
<p>II. Implementation of Ethical Corporate Management</p> <p>(I) Has the Company assessed the record of the counterparties in business integrity, and has it specified the clause of ethical practices in business transactions in the contracts binding the Company and the counterparties?</p>	✓		None
<p>(II) Whether the Company has set up a unit which is dedicated to promoting the Company's ethical standards and regularly (at least once a year) reports directly to the Board of Directors on its ethical corporate management policy and relevant matters, and program to prevent unethical conduct and monitor its implementation?</p>	✓		None

Items for Evaluation	The Pursuit		Variation from the Ethical Corporate Management Best Practice Principles for TWE/TPEX-listed Companies
	Yes	No	
(III) Has the Company made policies for the prevention of the conflict of interest, and provided the channels for expressions, and has it properly implemented this system?	✓		None

Items for Evaluation	The Pursuit		Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies	
	Yes	No		Summary Description
(IV) To implement relevant policies on ethical conducts, has the Company established effective accounting and internal control systems, audit plans based on the assessment of unethical conduct, and have its ethical conduct program audited by internal auditors or CPA periodically?	✓		MTI continues maintaining the integrity of its financial reporting processes and controls and establishes appropriate internal control systems for preventing higher potential unethical conduct, and the Internal Auditors formulate annual audit plans based on the results of the risk assessment and subsequently reports its audit findings and remedial issues to the Board and Management on a regular basis. In addition, all departments of MTI are also required to conduct Control Self-Assessment tests annually to review the effectiveness of the internal control system.	None
(V) Has the Company provided internal and external trainings on topics of ethical corporate management at regular intervals?	✓		Law and compliance education constituted a vital part of the training of the Company. Through the routine education and training on legal topics, the employees could understand the latest regulatory environment and applicable laws and be more determined of their promise to ethical corporate management. As for the suppliers and contractors, the Company will invite them to take part in the education of the ethic code of conduct of the Company for assurance of their compliance.	None

Items for Evaluation	The Pursuit		Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	
<p>III. Implementation of Complaint Procedures</p> <p>(I) Does the company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p>	✓		None
<p>(II) Whether the company has established standard operation procedures for investigating the complaints received, follow-up measures after investigation are completed, and ensuring such complaints are handled in a confidential manner ?</p>	✓		None

Items for Evaluation	The Pursuit		Variation from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-listed Companies
	Yes	No	
(III) Does the company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	✓	The personnel responsible for handling reports on unethical practices and misconduct shall declare in writing of keeping the identity of the informants and the content of the complaints in confidence. MTI strictly prohibits any form of retaliation against any individual who in good faith reports or helps with the investigation of any complaint, as is clearly stated in our bylaws.	None
IV. Information Disclosure Does the company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and Market Observation Post System (MOPS)?	✓	MTI provides the guidelines and informative articles related to ethics and honorable business conduct on its internal website (in both Chinese and English) for employees' easy access. The Company Discloses periodically at MOPS and its official website.	None
<p>V. If the company has established corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>MTI has established the Ethics Code to require that all employees, officers and board members comply with the Ethics Code and the other policies and procedures. There is no discrepancy between the Ethics Code, including its affiliate policies and procedures, and its implementation</p>			
<p>VI. Other important information to facilitate better understanding of the company's corporate conduct and ethics compliance practices:</p> <p>MTI discloses information on MOPS and its official website in real-time to the public and holds institutional investors conference and seminar from time to time. This is the manifestation of the sense of responsibility of the Company to the investors and the shareholders.</p>			
<p>(VII) The method of inquiry of the ethical corporate governance best practice principles and related rules and regulations instituted by the Company: The ethical corporate governance best practice principles and related regulations instituted by the Company were disclosed at its official website of the Company as well as MOPS.</p>			

(VIII) The Implementation of the Internal Control System:

1. Declaration of Internal Control

Microelectronics Technology Inc.  
Declaration of Internal Control System

March 8, 2023

Based on the findings of a self-assessment, Microelectronics Technology Inc. (MTI) states the following with regard to its internal control system during the year 2022:

- I. The company acknowledges and understands that, the establishment, enforcement and preservation of internal control system is the responsibility of the Board and the managers and that the company has already established such system. The purpose it to reasonably ensure the effect and efficiency of operation (including profitability, performance and security of assets), the reliability of financial reporting and the compliance with relevant legal rules.
- II. There is limitation inherent to the internal control system, no matter how perfect the design. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals. Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the company features the self-monitoring mechanism. Once identified, any shortcoming will be corrected immediately.
- III. The company judges the effectiveness of the internal control system in design and enforcement in accordance with the “Criteria for the Establishment of Internal Control System of Public Offering Companies” (hereinafter referred to as “the Criteria”). The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control are composed by five elements, namely, 1. Control environment, 2. Risk Evaluation, 3. Control Operation, 4. Information and Communication, and 5. Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the “Criteria” for detail.
- IV. The company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the findings of such evaluation, MTI believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of the annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- VII. This Statement was passed by the Board of Directors in their meeting held on March 8, 2023, with none of the 7 attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement

Microelectronics Technology Inc.

Chairman: Chi-Chia Hsieh

President: Eugene Wu

Remark: The format prescribed in Article 24 of the “Criteria for the Establishment of Internal Control System of Public Offering Companies” is applicable to the declaration of the effectiveness of the design and implementation of the internal control system – declaration of compliance with applicable laws after the annual self-assessment of the internal control system conducted by the Company.

2. If CPA Was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

- (IX) The penalty to the Company and its insiders under law, the punishment of the insiders in violation of the internal control system by the Company in the most recent year to the date this report was printed, the major shortcomings and state of corrective action: Not applicable.
- (X) Major resolutions of the Board and the Shareholders Meeting in the most recent year to the day this report was printed:

1. Resolutions of the Board:

Date Session	Major resolutions
2022.01.25 The 17 <sup>th</sup> session of the 16 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. Approve the issuing price for 2021 capital injection</li> <li>2. The employees' subscription program for 2021 capital injection</li> <li>3. Approve the 2022 remuneration for Directors and Managers</li> </ol>
2022.03.16 The 18 <sup>th</sup> session of the 16 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. Convening the 2022 Annual Shareholders' Meeting, at which shareholders will hold an election for MTI's 7-member Board of Directors, including 3 independent directors</li> <li>2. Approving the 2021 Business Report and Financial Statements</li> <li>3. Approving the proposal for the 2021 losses covering</li> <li>4. Approving the re-election of new Directors</li> <li>5. Approving the nomination of Directors</li> <li>6. Approving the release of non-competition restrictions on the Directors and their representatives</li> <li>7. Approving the amendment of the "Procedures for Handling Acquisition and Disposal of Assets"</li> <li>8. Approving the assessment of the effectiveness of the internal control system and the statement of 2021 internal control</li> <li>9. Approving the reshuffle of the certified public accountant and the independence and suitability evaluation and 2022 remuneration of the certified public accountant</li> <li>10. Approving the change of bank credit facilities</li> </ol>
2022.03.29 The 19 <sup>th</sup> session of the 16 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. Approving the election of the Chairperson of the meeting</li> <li>2. Approving the election of the new Chairperson of the 16<sup>th</sup> Board of Directors</li> <li>3. Approving the change of subsidiaries' Board members</li> </ol>
2022.05.04 The 20 <sup>th</sup> session of the 16 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. 2022 Q1 financial reports</li> <li>2. Renewal of bank facilities</li> </ol>
2022.06.14 The 1 <sup>st</sup> session of the 17 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. The election of new Chairperson of the Company</li> </ol>
2022.08.11 The 2 <sup>nd</sup> session of the 17 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. Approving the 2022 Q2 MTI financial reports</li> <li>2. Approving the renewal of bank credit facilities</li> <li>3. Approving the appointment of the fifth term Compensation Committee members</li> </ol>
2022.11.10 The 3 <sup>rd</sup> session of the 17 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. Approving the 2022 Q3 MTI financial reports</li> <li>2. Approving MTI's 2023 annual internal audit plan</li> <li>3. Approving the 2022 remuneration for Directors</li> <li>4. Approving the amendment of the "Corporate Governance Best Practice Principles"</li> <li>5. Approving the amendment of the "Procedures and Rules of Board of Director Meetings"</li> <li>6. Approving the the amendment of the "Procedures for Handling Material Inside Information"</li> <li>7. Approving the the amendment of the "Sustainable Development Best Practice Principles"</li> <li>8. Approving the the change of bank credit facilities</li> </ol>

Date Session	Major resolutions
2022.12.15 The 4 <sup>th</sup> session of the 17 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. 2023 business plan and budget</li> <li>2. 2023 capital expenditure budget</li> <li>3. Approving the change of bank credit facilities</li> </ol>
2023.03.08 The 5 <sup>th</sup> session of the 17 <sup>th</sup> Board	<ol style="list-style-type: none"> <li>1. Convening the 2023 Annual Shareholders' Meeting</li> <li>2. Approving the 2022 business report and financial statements</li> <li>3. Approving the proposal of the 2022 losses appropriation</li> <li>4. Approving t the amendment of the Company's "Articles of Incorporation"</li> <li>5. Approving the assessment of the effectiveness of the internal control system and the statement of 2022 internal control.</li> <li>6. Approving the shuffle of the certified public accountant and the independence and suitability evaluation and 2023 remuneration of the certified public accountant</li> <li>7. Approving the appointment of the Sr. managers</li> </ol>

2. Resolutions of the 2022 Shareholders Meeting and follow-up with the resolutions:

Time: 2022.06.14

Major resolutions:

Motion (I): 2021 Business Report and Financial Statements for acknowledgement.  
(Proposed by the Board of Directors)

Action status: the motion was approved by the participating shareholders.

Motion (II): 2021 covering of losses for acknowledgement.  
(Proposed by the Board of Directors)

Action status: MTI's net loss after tax for the 2021 fiscal year was NT\$450,015,600.  
So there will be no dividend distribution this year.

Motion (III) : The amendment of the "Procedures for Handling Acquisition and Disposal of Assets" (Proposed by the Board of Directors)

Action status: the motion was approved by the participating shareholders. Revised Measures of the Election of Directors was posted at the official website of the Company and MOPS.

Motion (IV): Re-elect directors of the Company. (Proposed by the Board of Directors)

Action status: List of Directors Elected: Chi-Chia Hsieh, Eugene Wu, CyberTAN Technology, Inc. Representative: Gwong-Yih Lee and Hank Hsieh. List of Independent Directors Elected: Yun Lin, Golub Drakulovic, and Jong Wang. This reshuffle has been approved by and registered at the Hsinchu Science Park Bureau, Ministry of Science and Technology on June 29, 2022 and posted at the official website of the Company.

Motion (V): Suspension of the non-competition restriction on the director and their representatives. (Proposed by the Board of Directors)

Action status: The motion was approved by the participating shareholders.

(XI) Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors in 2022 and as of the Date of this Annual Report: None.

(XII) Resignation or Dismissal of Chairman, President, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D in 2022 and as of the Date of this Annual Report: None.

**(IV).Information on Payment for the CPAs:**

Unit : NT\$ Thousands

Name of CPA office	Name of CPA	Audit Period	Audit fee	Non-audit Fee (Note)	Total	Remark
PwC Taiwan	Tian-Yi Lee	111.01.01~111.12.31	4,750	100	4,850	-
	Chien-Yu Liu	111.01.01~111.12.31				

Note: Non-audit fee NT\$100 thousands was mainly other expenses were in lieu of.

- (I) The payment of the non-audit fee to the CPAs retained for certification, the CPA firm, and its subsidiaries exceeds 1/4 of the auditing fee: None.
- (II) Replacement of CPA Office and the service charge was less than the previous year: None.
- (III) The audit fee decreased by more than 10% from the previous year: None when compare on the same basis.

**(V).Information on replacement of CPAs:**

## 1. Former CPA

Date of Change	Approved by BOD on March 8, 2023		
Reasons and Explanation of Changes	In compliance with regulatory requirements on rotation, the engagement partner Tian-Yi Lee will be replaced by Tina Cheng starting from 2023. The co-signing partner will remain to be Chien-Yu Liu.		
State Whether the Appointment is Terminated or Rejected by the Consignor or CPAs	Client		Consignor
	Status	CPA	
	Appointment terminated automatically	Not available	Not available
	Appointment rejected (discontinued)	Not available	Not available
The Opinions Other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions	None		
Is There Any Disagreement in Opinion with the issuer (Yes/No)	Yes	Accounting principle or practice	
		Disclosure of financial statements	
		Auditing scope or procedures	
		Others	
No	✓		
Notes: Not applicable.			
Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)	None		

2. Former CPA

Accounting Firm	PwC Taiwan
CPA	Tina Cheng 、 Chien-Yu Liu
Date of Engagement	March 8, 2023
Prior to the Formal Engagement, Any Inquiry or Consultation on the Accounting Treatment or Accounting Principles for Specific Transactions, and the Type of Audit Opinion that Might be Rendered on the Financial Report	None
Written Opinions from the Successor CPAs that are Different from the Former CPA's Opinions	None

**(VI). MTI's Chairman, Directors, Chief Executive Officer, Chief Financial Officer, and Managers in Charge of Its Finance and Accounting Operations Did Not Hold Any Positions within MTI's Independent Audit Firm or Its Affiliates in the Most Recent Year.**

**(VII). The transfer of equity shares or change in the pledge of shares under lien by the Directors, Managers, and shareholders holding more than 10% of the shares issued by the Company in the most recent year to the date this report was printed:**

**(I) Changes in shareholding of the Directors, Managers, and the dominant shareholders:**

Title	Name	2022		01/01/2023 - 04/17/2023	
		Net Change in Shareholding	Net Change in Shares Pledged	Net Change in Shareholding	Net Change in Shares Pledged
Chairman	Chi-Chia Hsieh	21,000	(2,620,840)	0	0
Director and major shareholder	CyberTAN Technology Inc.	1,716,754	0	0	0
Representative of Institutional Director	Gwong-Yih Lee	0	0	0	0
Representative of Institutional Director	Hank Hsieh	0	0	0	0
Director President & CEO	Eugene Wu	47,054	0	0	0
Independent Director	Yun Lin	0	0	0	0
Independent Director	Golub Drakulovic	0	0	0	0
Independent Director	Jong Wang	0	0	0	0
Vice President & CFO	Hualin Chi	(4,581)	0	0	0
Vice President	Hunter Huang	10,000	0	(1,000)	0
Vice President	Dunga Wu	25,000	0	0	0
Asst Vice President	Chia-Yu Chou	0	0	0	0
Asst Vice President	Yi-Shan Chang	26,066	0	0	0
Asst Vice President	Jui-Yun Chen	20,000	0	(5,000)	0
Asst Vice President	Kuo-Tien Chang	0	0	0	0
Asst Vice President	Wan-Ping Su	20,020	0	0	0
Asst Vice President	Yu-Cheng Liu	20,175	0	0	0
Asst Vice President	Yen-Liang Chen	30,174	0	0	0
Asst Vice President	Zheng-Wei Chen (Date of relief from office: 2023/3/17)	0	0	Not Applicable	Not Applicable
Asst Vice President	Paddy Yang (Date of appointment:2023/03/08)	Not Applicable	Not Applicable	0	0
Asst Vice President	Hope Li (Date of appointment:2023/03/08)	Not Applicable	Not Applicable	0	0
Chief Accounting Officer	Sheng-Xiong Yu	2,000	0	0	0

(II) Stock Trade with Related Party: None.

(III) Stock Pledge with Related Party: None.

**(VIII).Related Party Relationship among MTI’s 10 Largest Shareholders:**

NAME	SHAREHOLDING BY THE PERSON		SHARES HELD BY SPOUSE AND/OR CHILDREN WHO ARE MINORS		TOTAL SHAREHOLDING IN THE NAME OF A THIRD PARTY		THE TITLES OR NAMES AND RELATIONS OF THE TOP 10 SHAREHOLDERS WHO ARE RELATED PARTIES OR SPOUSES, OR KINDRED WITHIN THE 2ND TIER UNDER THE CIVIL CODE TO ONE ANOTHER.		R E M A R K
	Shares	%	Shares	%	Shares	%	Title (or name)	Relation	
CyberTAN Technology Inc.	54,070,749	22.72%	0	0.00%	0	0.00%	None	-	-
Chi-Chia Hsieh	2,764,279	1.16%	1,950	0.00%	0	0.00%	None	-	-
Hui-Chen Chuang	1,427,362	0.60%	0	0.00%	0	0.00%	None	-	-
Citibank (Taiwan) Ltd. in custody for BNP SNC	1,140,893	0.48%	0	0.00%	0	0.00%	None	-	-
Xiu-Mei Wang	1,085,452	0.46%	0	0.00%	0	0.00%	None	-	-
Jing-Ping Tseng	973,385	0.41%	0	0.00%	0	0.00%	None	-	-
Chun-Chieh Yen	930,000	0.39%	0	0.00%	0	0.00%	None	-	-
Nan-Ying Xu	800,698	0.34%	0	0.00%	0	0.00%	None	-	-
HSBC (Taiwan) in custody for Goldman Sachs Inv.	750,644	0.32%	0	0.00%	0	0.00%	None	-	-
Shun-Zheng Luo	651,892	0.27%	0	0.00%	0	0.00%	None	-	-

**(IX). The total quantity of shares of particular re-investment company held by the enterprises under the direct or indirect control of the Company, the directors and managers of the Company**

April 17, 2023  
Unit: Share/%

Re- investment Company (Note)	Ownership by MTI (1)		Ownership by Directors, Managers and Directly/Indirectly Owned Subsidiaries (2)		Total Ownership (1) + (2)	
	Shares	%	Shares	%	Shares	%
Sasson International Holdings Inc.	3,920	100.00%	0	0.00%	3,920	100.00%

Note: Re-investment of the Company accounted for under the equity method

## IV. State of offering

### (I). Capital and shares

#### (i) Sources of capital stock

April 17, 2022

Unit: NT\$ Thousands/1,000 shares

YY MM	Offering price (Face value)	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of equity capital (NT\$1,000)	Investment by assets other than cash	Others
1994.04	10	160,000	1,600,000	146,871	1,468,713	Capitalization of retained earnings 121,934 Capitalization of capital reserves 121,934 Capitalization of employee bonus 5,502	None	Securities & Futures Commission, Ministry of Finance 1994.04.02 Letter No. (83) Taiwan-Finance-Securities-I-18244
1994.04	10	160,000	1,600,000	159,871	1,598,713	Capital injection 130,000	None	Securities & Futures Commission, Ministry of Finance 1994.04.26 Letter No. (83) Taiwan-Finance-Securities-I-48488
1994.05	10	330,000	3,300,000	192,415	1,924,154	Capitalization of retained earnings 159,871 Capitalization of capital reserves 159,871 Capitalization of employee bonus 5,698	None	Securities & Futures Commission, Ministry of Finance 1995.05.22 Letter No. (84) Taiwan-Finance-Securities-I-26716
1996.05	10	330,000	3,300,000	232,213	2,322,134	Capitalization of retained earnings 192,415 Capitalization of capital reserves 192,415 Capitalization of employee bonus 13,149	None	Securities & Futures Commission, Ministry of Finance 1996.05.07 Letter No. (85) Taiwan-Finance-Securities-I-28256
1997.06	10	330,000	3,300,000	255,435	2,554,347	Capitalization of capital reserves 232,213	None	Securities & Futures Commission, Ministry of Finance 1997.06.14 Letter No. (86) Taiwan-Finance-Securities-I-46566

YY MM	Offering price (Face value)	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of equity capital (NT\$1,000)	Investment by assets other than cash	Others
2000.05	10	450,000	4,500,000	312,863	3,128,631	Capitalization of retained earnings 510,869 Capitalization of employee bonus 63,413	None	Securities & Futures Commission, Ministry of Finance 2000.05.17 Letter No. (89) Taiwan-Finance-Securities-I-42594
2001.05	10	450,000	4,500,000	383,093	3,830,934	Capitalization of retained earnings 625,726 Capitalization of employee bonus 76,577	None	Securities & Futures Commission, Ministry of Finance 2001.05.10 Letter No. (90) Taiwan-Finance-Securities-I-126609
2002.05	10	700,000	7,000,000	426,162	4,261,626	Capitalization of retained earnings 383,093 Capitalization of employee bonus 47,599	None	Securities & Futures Commission, Ministry of Finance 2002.05.20 Letter No. (91) Taiwan-Finance-Securities-I-127232
2004.03	10	700,000	7,000,000	429,148	4,291,479	Convertible bonds 29,853	None	Securities & Futures Commission, Ministry of Finance 2002.05.31 Letter No. (91) Taiwan-Finance-Securities-I-127708
2007.07	14.7	700,000	7,000,000	429,172	4,291,720	Employees exercise stock options to issue common stock 240	None	Securities & Futures Commission, Ministry of Finance 2003.01.07 Letter No. (92) Taiwan-Finance-Securities-I-09100169535 Hsinchu Science Park 2007.07.30 Administration Yuan-Shang-Zi No. 19971
2007.09	14.1~ 20.3	700,000	7,000,000	435,018	4,350,180	Employees exercise stock options to issue common stock 58,460	None	Securities & Futures Commission, Ministry of Finance 2002.05.23 Letter No. (91) Taiwan-Finance-Securities-I-128274 Securities & Futures Commission, Ministry of Finance 2003.01.07 Letter No. (92) Taiwan-Finance-Securities-I-09100169535 Hsinchu Science Park 2007.09.29 Administration Yuan-Shang-Zi No. 26482

YY MM	Offering price (Face value)	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of equity capital (NT\$1,000)	Investment by assets other than cash	Others
2007.11	14.1~ 20.3	700,000	7,000,000	436,179	4,361,790	Employees exercise stock options to issue common stock 11,610	None	Securities & Futures Commission, Ministry of Finance 2002.05.23 Letter No. (91) Taiwan-Finance-Securities- I-128274 Securities & Futures Commission, Ministry of Finance 2003.01.07 Letter No. (92) Taiwan-Finance-Securities- I-09100169535 Hsinchu Science Park 2007.11.29 Administration Yuan-Shang-Zi No. 31920
2008.04	14.1~ 20.3	700,000	7,000,000	419,354	4,193,540	Capital Reduction via Buyback Treasury Stocks Nullifying 178,000,000 Employees exercise stock options to issue common stock 9,750	None	Securities & Futures Commission, Ministry of Finance 2002.05.23 Letter No. (91) Taiwan-Finance-Securities- I-128274 Securities & Futures Commission, Ministry of Finance 2003.01.07 Letter No. (92) Taiwan-Finance-Securities- I-09100169535 Hsinchu Science Park Administration Yuan-Shang-Zi No. 0970010653
2008.07	14.1~ 20.3	700,000	7,000,000	420,740	4,207,400	Employees exercise stock options to issue common stock 13,860	None	Securities & Futures Commission, Ministry of Finance 2002.05.23 Letter No. (91) Taiwan-Finance-Securities- I-128274 Securities & Futures Commission, Ministry of Finance 2003.01.07 Letter No. (92) Taiwan-Finance-Securities- I-09100169535 Hsinchu Science Park Administration Yuan-Shang-Zi No. 0970018132
2008.09	13.3~ 14.1	700,000	7,000,000	421,360	4,213,600	Employees exercise stock options to issue common stock 6,200	None	2003.01.07 Letter No. (92) Taiwan-Finance-Securities- I-09100169535 Hsinchu Science Park Administration Yuan-Shang-Zi No. 0970025417

YY MM	Offering price (Face value)	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of equity capital (NT\$1,000)	Investment by assets other than cash	Others
2008.11	13.3	700,000	7,000,000	409,459	4,094,590	Capital Reduction via Buyback Treasury Stocks Nullifying 120,000 Employees exercise stock options to issue common stock 990	None	2003.01.07 Letter No. (92) Taiwan-Finance-Securities- I-09100169535 Hsinchu Science Park Administration Yuan-Shang-Zi No. 0970033151
2008.12	9.7	700,000	7,000,000	408,475	4,084,750	Capital Reduction via Buyback Treasury Stocks Nullifying 9,840	None	Hsinchu Science Park Administration Yuan-Shang-Zi No. 0970036033
2009.07	10	700,000	7,000,000	412,968	4,129,682	Capitalization of retained earnings 44,932	None	Hsinchu Science Park Administration 2009.07.29 Yuan-Shang-Zi No. 0980020674
2011.03	16.80	700,000	7,000,000	413,037	4,130,372	Employees exercise stock options to issue common stock 690	None	Hsinchu Science Park Administration 2011.03.29 Yuan-Shang-Zi No. 1000008688
2012.12	9.00	700,000	7,000,000	415,337	4,153,372	Private Equity Convertible Bond to issue common stock 23,000	None	Hsinchu Science Park Administration 2012.12.14 Yuan-Shang-Zi No. 1010039187
2013.01	10.00	700,000	7,000,000	271,429	2,714,295	Capital reduction plan to offset company losses 1,439,076	None	Hsinchu Science Park Administration 2013.01.17 Yuan-Shang-Zi No. 1020001922
2013.04	13.77	700,000	7,000,000	294,450	2,944,505	Private Equity Convertible Bond to issue common stock 230,210	None	Hsinchu Science Park Administration 2013.04.03 Yuan-Shang-Zi No. 1020009670
2013.10	13.77	700,000	7,000,000	335,285	3,352,857	Private Equity Convertible Bond to issue common stock 408,351	None	Hsinchu Science Park Administration 2013.10.09 Yuan-Shang-Zi No. 1020030843
2015.10	13.77	700,000	7,000,000	400,645	4,006,452	Private Equity Convertible Bond to issue common stock 653,594	None	Hsinchu Science Park Administration 2015.10.13 Yuan-Shang-Zi No. 1040029287
2016.08	10	700,000	7,000,000	200,323	2,003,226	Capital reduction plan to offset company losses 2,003,226	None	Hsinchu Science Park Administration 2016.08.05 Chu-Shang-Zi No. 1050021609
2016.11	21	700,000	7,000,000	213,323	2,133,226	Capital injection 130,000	None	Hsinchu Science Park Administration 2016.11.29 Chu-Shang-Zi No. 1050033064

YY MM	Offering price (Face value)	Authorized capital		Paid-in capital		Remark		
		Quantity of shares	Amount	Quantity of shares	Amount	Source of equity capital (NT\$1,000)	Investment by assets other than cash	Others
2017.05	10	700,000	7,000,000	215,176	2,151,755	Convertible bonds 18,529	None	Hsinchu Science Park Administration 2017.05.25 Chu-Shang-Zi No. 1060014454
2017.08	10	700,000	7,000,000	220,528	2,205,284	Convertible Bond to issue common stock 53,529	None	Hsinchu Science Park Administration 2017.08.21 Chu-Shang-Zi No. 1060022853
2017.11	10	700,000	7,000,000	224,712	2,247,122	Convertible Bond to issue common stock 41,838	None	Hsinchu Science Park Administration 2017.11.23 Chu-Shang-Zi No. 1060032024
2018.01	10	700,000	7,000,000	228,028	2,280,283	Convertible Bond to issue common stock 33,161	None	Hsinchu Science Park Administration 2018.01.03 Chu-Shang-Zi No. 1061002905
2022.3	10	700,000	7,000,000	238,028	2,380,283	Capital injection 10,000	None	Hsinchu Science Park Administration 2022.03.16 Chu-Shang-Zi No. 1110007948

(ii) Types of shares issued

April 17, 2023

Unit: share

Type of shares	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Common shares	238,028,320	461,971,680	700,000,000	-

(iii) Information on inclusive declaration system: Not applicable.

(iv) Shareholder Structure:

April 17, 2023

Shareholder Structure: Quantity	Government Agencies	Financial Institutions	Other Institutional Shareholders	Individuals	Foreign Institutional Shareholders and Individuals	Total
Number of Persons	1	6	171	59,619	76	59,873
Quantity of shares held	3	129,773	54,882,859	179,291,668	3,724,017	238,028,320
Proportion of shareholding	0.00%	0.05%	23.06%	75.32%	1.57%	100.00%

## (v) Dispersion of Shareholdings:

April 17, 2023  
NT\$10/share in face value

Shareholdings Along the Scale of Share Quantity	Number of Shareholders	Quantity of shares held	Proportion of shareholding
1 to 999	27,466	4,255,306	1.79%
1,000 to 5,000	26,252	51,537,081	21.65%
5,001 to 10,000	3,410	26,189,320	11.00%
10,001 to 15,000	964	12,054,815	5.06%
15,001 to 20,000	562	10,286,919	4.32%
20,001 to 30,000	478	12,049,004	5.06%
30,001 to 40,000	213	7,501,868	3.15%
40,001 to 50,000	136	6,175,126	2.59%
50,001 to 100,000	248	17,464,732	7.34%
100,001 to 200,000	95	13,012,921	5.47%
200,001 to 400,000	28	7,565,853	3.18%
400,001 to 600,000	10	4,729,322	1.99%
600,001 to 800,000	3	2,013,235	0.85%
800,001 to 1,000,000	3	2,740,083	1.14%
More than 1,000,001	5	60,488,735	25.41%
Total	59,873	238,028,320	100.00%

## (vi) List of Dominant Shareholders:

April 17, 2023

Names of Dominant Shareholders	Quantity of shares held	Proportion of shareholding
CyberTAN Technology Inc.	54,070,749	22.72%
Chi-Chia Hsieh	2,764,279	1.16%
Hui-Chen Chuang	1,427,362	0.60%
Citibank (Taiwan) Ltd. in custody for BNP SNC	1,140,893	0.48%
Xiu-Mei Wang	1,085,452	0.46%
Jing-Ping Tseng	973,385	0.41%
Chun-Chieh Yen	930,000	0.39%
Nan-Ying Xu	800,698	0.34%
HSBC (Taiwan) in custody for Goldman Sachs Inv.	750,644	0.32%
Shun-Zheng Luo	651,892	0.27%

(vii) Market Price, Net Worth, Earnings, and Dividends Per Common Share

Unit: NT\$, except for weighted average shares and return on investment ratios

Item		Year	2021	2022	April 30, 2023 (Note 9)
		Market price per share (Note 1)	Highest	96.50	79.70
	Lowest	27.00	33.15	37.95	
	Average	53.64	51.06	43.73	
Net value per share (Note 2)	Cum-dividend	8.60	8.73	5.37	
	Ex-dividend	-	- Note 8	-	
Earnings per share (Note 3)	Weighted average quantity of shares	228,028	238,028	238,028	
	Cum-dividends earnings per share	(1.97)	(2.06) Note 8	(0.26)	
	Ex-dividends earnings per share	-	-	-	
Dividends per share	Cash dividend		-	- Note 8	-
	Stock dividends	Capitalization of retained earnings into new shares for distribution	-	-	-
		Capitalization of additional paid-in capital into new shares for distribution	-	-	-
	Accumulated undistributed dividends (Note 4)		-	-	-
Analysis of ROI	Price/Earnings ratio (Note 5)		(27.22)	(24.79) Note 8	-
	Price/Profit ratio (Note 6)		N/A	N/A Note 8	-
	Cash dividends yield rate (Note 7)		N/A	N/A Note 8	-

Note 1: Specify the highest and lowest market price of each common share in relevant years, and calculate the average market price of the relevant year with reference to the trading value and volume.

Note 2: Fill in the information on the basis of the quantity of outstanding shares on the last day of the year, and the resolution of the Board of Director or Shareholders Meeting for distribution of the year.

Note 3: If stock dividends were paid with a retroactive adjustment, state the earnings per share before and after adjustment.

Note 4: If the issuance of equity securities allowed for the accumulation of undistributed dividends of the year to the year with earnings as a condition for offering, disclose the undistributed dividends accumulated to current period.

Note 5: P/E Ratio = The average closing price per share of the year/earnings per share.

Note 6: P/P Ratio = The average closing price per share of the year/cash dividends per share.

Note 7: Cash Dividends Yield = Cash dividend per share/the average closing price per share of the year

Note 8: Pending on the decision of the Shareholders' Meeting.

Note 9: The net value and earnings per share is the based on the information presented in the audited consolidated financial statements of 2023 Q1.

(VIII) Dividends Policy and the Implementation of the Policy:

1. Dividend Policy as Stated in the Articles of Incorporation:

The Company is now at the stage of stable growth in operation. In consideration of the macroeconomic environment and the specific nature of the industry, the capital needs and long-term financial planning of the Company for sustainable development and stable development, and the assessment of the capital expenditure and requirement of the future, the Company could appropriate at least 30% of its earnings as dividend for the shareholders. If the accumulated earnings available for distribution are less than 5% of the paid-in capital, no dividend will be paid. Cash dividends are preferred among other forms of shareholders' dividends. The percentage of cash dividends will range from 30-100% of the total dividends of the year for payment. The remainder could be paid by stock dividends. The Board shall propose the plan for the distribution of earnings and present to the Shareholders' Meeting for final approval.

2. The payment of dividend proposed to current session of the Shareholders' Meeting:

The Board dated on March 8, 2023 had approved no dividend distribution this year because the accumulated earnings available for distribution now were less than 5% of the paid-in capital.

(IX) The influence of issuance of bonus shares discussed in current session of the Shareholders' Meeting on the operation performance and earnings per share of the Company:

Not applicable. No issuance of bonus shares this year.

(X) Remuneration to the Employees and Directors:

1. Information on the remuneration to the employees and directors as Stated in the Articles of Incorporation

If the Company made a profit in the year, appropriate at least 7% as remuneration to the employees, which will be paid in cash or by stock as determined by the Board. The targets of payment include employees of subsidiaries meeting the designated conditions. The Company will, depending on the profit of the year, determine to appropriate no more than 1% of the earnings as remuneration to the directors in the care of the Board.

The proposal for the remuneration to the employees and the directors shall be reported to the Shareholders Meeting. The Company shall appropriate for covering carryforward loss, if applicable, and appropriate for the remuneration to the employees and Directors in the aforementioned percentages.

2. Information on the proposal of the Board on remuneration to the employees and the Directors.

(1) There was no remuneration to the employees and the Directors this year.

(2) The amount of remuneration to the employees by stock in proportion to the net income presented in the separate financial statements in current period and to the total remuneration to the employees: Not applicable.

3. The actual amount of remuneration to the employees and the Directors and the difference from the stated amount of remuneration to the employees and the directors in the previous year, the reason for the difference and response: There was no remuneration to the employees and the Directors in 2022.

(XI) The repurchase of shares by the Company: None.

**(II) The offering of corporate bonds: None.**

- (III) **The offering of preferred shares:** None.
- (IV) **The issuance of overseas depository receipts:** None.
- (V) **The issuance of ESO:** None.
- (VI) **The issuance of restricted stocks:** None.
- (VII) **Merger and acquisition, or acceptance of shares from assignment of other issuers:** None.

**(VIII) Fund utilization plan:**

As of the date of publication of the annual report, the previous cash capital increase, merge or transfer of shares of other companies, issuance of new shares or bonds, and private placement of securities have all been completed in accordance with the plans. The following is a description of the contents and implementation of each plan :

1. The cash capital increase plan process of implementation

A. Particulars of the plan and implementation schedule:

The Company's capital utilization plan for the 2021 cash capital increase and issuance of new shares has received all the money due on March 8, 2022. The funds raised are NT\$520,000,000. All of which have been used to repay the bank loan, to satisfy the funding demands of the Company's long-term development in order to raise the surviving company's corporate competitiveness and profitability; and to ensure the sustainable growth of the surviving company's business and to bring positive impact on shareholders' rights and interests. After capital increase, it would improve the financial structure, business operation and development, and benefit to the shareholders' equity.

Unit: NT\$ Thousands

Item/Plan	Estimated Completion Date	Total funds required	Scheduled fund utilization progress
			2022Q1
Repay bank loan	2022Q1	600,000	600,000
Total		600,000	600,000

B. Implementation Situation

The funds raised are NT\$520,000,000. The actual expenditure amount in 2022 was NT\$600,000,000, all of which have been used to repay the bank loan. The insufficient part of the raised funds has been paid for by bank loan or other means, and the progress of using the funds has been completed on schedule.

Unit: NT\$ Thousands

Item/Plan	Completion Date and Implementation situation				Reasons for progress ahead or behind schedule and improvement plans
	2022Q1	Amount	Scheduled	600,000	
Repay bank loan			2022Q1	Amount	Actual
	Process	Scheduled			100%
		Process		Actual	100%
	Process			Scheduled	100%

## 2. Assessing the difference between the expected benefit and the actual achievement—repay bank loan

### A. Effect as of 2022

Unit: NT\$ Thousands

Institution	Interest(%)	Contract period	Currency	Purposes	The amount of loan	The amount of repayment	Reduced interest	
							2022	Future
DBS	0.80	2021.10.15~2022.10.15	NTD	Operating Turnover	100,000	100,000	600	800
Land bank	0.96	2020.12.22~2021.12.22	NTD	Operating Turnover	260,000	250,000	1,800	2,400
Taishin	0.89	2021.07.31~2022.07.31	NTD	Operating Turnover	250,000	250,000	1,669	2,225
Total						600,000	4,069	5,425

Note 1 : The above financing contracts can be used cyclically during the contract period, and the extension of the loan has been (will) be processed considering the availability of funds.

Note 2 : The repayment was made immediately after the fundraising is completed in March 2022, and the interest was saved in 9 months in 2022.

This capital utilization plan is to complete the cash capital increase and issuance of new shares in the first quarter of 2022. The short-term bank loan of NT\$600,000,000 was be repaid in the first quarter. After considering the amount, interest rate level and loan term of each loan repayment by the company, it is calculated based on the company's actual bank loan interest rate of 0.80%~0.96%. In 2022, it saved NT\$4,069,000 in interest expenses, and NT\$5,425,000 in interest expenses every year in the future, which can moderately reduce the financial burden of the company, improve its solvency, and increase capital flow. It is very beneficial to the future operation of the company.

### A. Actual benefit as of 2022

Unit: NT\$ Thousands

Institution	Interest(%)	Contract period	Currency	Purposes	The amount of loan	The amount of repayment	Reduced interest	
							2022	Future
DBS	0.80	2021.10.15~2022.10.15	NTD	Operating Turnover	100,000	100,000	600	800
Land bank	0.96	2020.12.22~2021.12.22	NTD	Operating Turnover	260,000	250,000	1,800	2,400
Taishin	0.89	2021.07.31~2022.07.31	NTD	Operating Turnover	250,000	250,000	1,669	2,225
Total						600,000	4,069	5,425

Note 1 : The above financing contracts can be used cyclically during the contract period, and the extension of the loan has been (will) be processed considering the availability of funds.

Note 2 : The repayment was made immediately after the fundraising is completed in March 2022, and the interest was saved in 9 months in 2022.

The company's capital utilization plan for repayment of bank loans has been fully implemented in the first quarter of 2022. The benefits lie in saving interest expenses, improving financial structure, reducing dependence on banks, increasing flexibility in capital scheduling and reducing operational risks. If calculated based on the company's actual repayment of bank loan details, it saved NT\$4,069,000 in interest expenses in 2022, and NT\$5,425,000 in interest expenses every year from 2023.

3. The reasonableness of the purposes for unused capital

The issuance of new shares to be publicly offered has been completed in the first quarter of 2022. The plan and progress is on schedule. The actual expenditure is NT\$520,000,000. There is no undisbursed funds. As a result, it is not applicable.

4. Whether there has been any deviation from the capital utilization plan

As of the end of 2022, the company has not changed its plans and projects, and the repayment of bank loans has been used up as scheduled, and there has been no deviation from the capital utilization plan.

## V. Business Overview

### (I).Business Contents

#### (i) Main business Contents and their business distribution

(The financial figures herein are excerpted from the Company's financial statements which are audited and certified by the accountants)

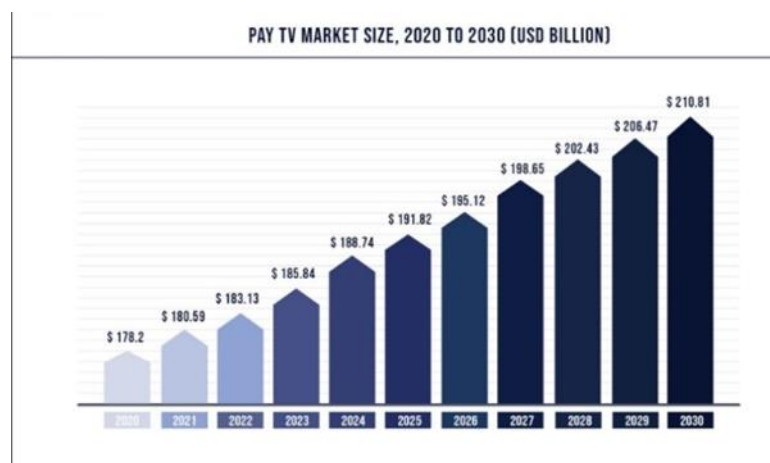
Our main business contents in 2022 included two categories: Satellite Communication Products and Telecommunication Products. The Satellite Communication Products consist of the satellite TV receiving equipment and commercial private satellite communication system; while the Telecommunication Products consist of the cell site equipment and digital microwave communication products.

#### (ii) Industry overview and its future development as well as trends

The industry overview and its future development as well as trends are reviewed for the satellite communication system as well as its devices, and the telecommunication system as well as its devices:

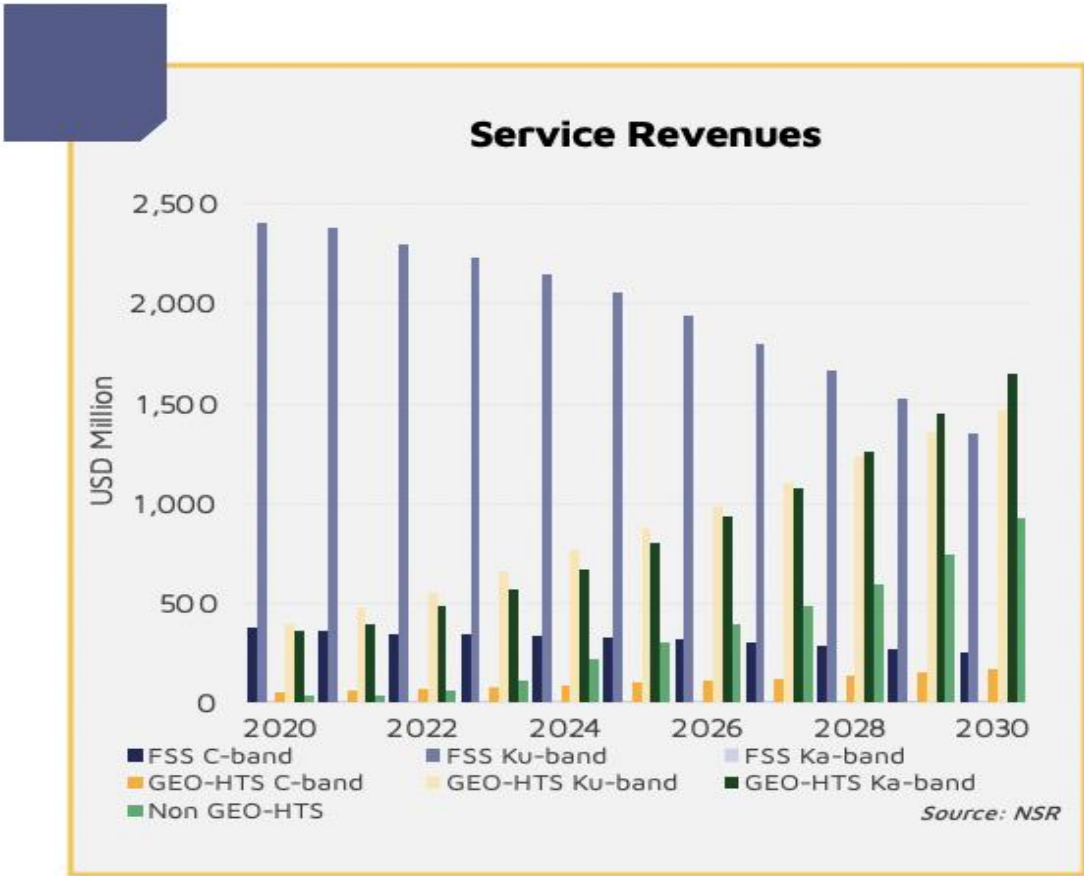
##### Satellite communication system and its devices

The global satellite TV markets mainly consist of America, Europe, Asia Pacific, Middle East, and Africa. Among them, America is the most mature market with the highest HD rate. Nearly 60% of global HDTV channels serves America; Europe traditional market is growing Slow down; Asia Pacific is a continuously growing up emerging market.



The evolution of technology, pay-TV operators can meet consumers' demand for TV entertainment through satellite TV, cable TV or Internet video and audio streaming services. Satellite live TV covers a wide range and lower external interference. It is relatively convenient and has low deployment costs in emerging markets. It can also meet the needs of high-definition live broadcast markets in developed countries. Source: Precedence Research, 2020

The Very Small Aperture Terminal (VSAT) is mainly used to provide the broadband satellite services, such as the high-speed two-way voice, digital communications, and Internet, to the subscribers in the remote areas for which cable modems and DSL are unavailable. In response to the unprecedented demands for high data rate transmission business and broad-band multimedia applications, the HTS (High Throughput Satellite) system has been invented. For the satellite communication system, the C/Ku bands (each with 500 MHz bandwidth was commonly utilized at the early stage. Nowadays, the high-frequency Ka band (2.5 GHz bandwidth) or even Q/V bands (each with 10 GHz bandwidth) are used, which drives the rapid development of the broadband satellite communications. As the broadband communication satellite system and space network technologies develop, the satellite communications have gradually entered the era of the Internet, with the advent of satellite Internet access. Currently, several airlines have provided the "in-flight Internet access" service. In the 5G era, LEO satellite communication will complement with the 5G base stations, which covers high mountain, desert, ocean and other areas that could not be penetrated by 5G base stations into the scope of communication. For this reason, the newly emerged satellite service providers, such as Space X, and OneWeb, have started to launch satellite to provide worldwide satellite communication service aiming at the realization of worldwide Internet. MTI is actively engaged in joint ventures with LEO satellite service providers recently to develop communication equipments for small size ground satellite stations.

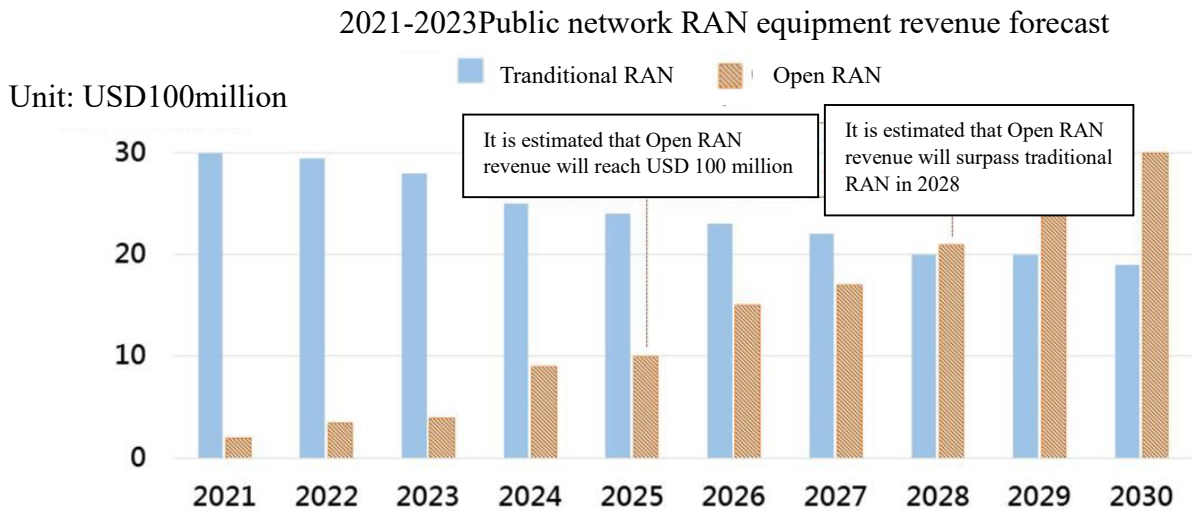


Source: NSR Report, 2021

## Mobile Communications 5G Open RAN Products

Radio unit manufacturers can directly supply products to system integrators or operators under the Open RAN standard; therefore, they no longer rely on traditional telecom manufacturers, which comes with many business opportunities. Under this open industry chain, companies with smaller market shares in the past, including Fujitsu, NEC, Samsung, and service-level software manufacturers, including AltioStar, Parallel Wireless, Mavenir, JMA Wireless, and Radisys, all hope to corner a large market share by having industrial ecology changed through Open RAN technology. Global leading operators have been actively testing Open Radio Access Network (Open RAN) network performance since 2020. Actually, more and more small and medium-sized telecom operators (also known as “Greenland Field”), such as DISH and Rakuten, also choose Open RAN equipment and systems when participating in service network construction from ground zero.

According to the current and future adoption plans of international operators for Open RAN, the market is expected to grow continuously along with the increasing test and validation cases of traditional operators and the network deployment and operation performance of emerging operators, such as DISH and Rakuten. According to the research report of ABI Research, the market share of O-RAN has been developed since 2021 and will be the equal to traditional RAN by 2028, which is shown as follows:



Note: RAN(Radio Access Network)  
Source: ABI Research, DIGITIMES Research 2021/7

Microelectronics Technology, Inc. focuses its 5G RU products on the Radio Unit (O-RU) in Macrocell, including the single-frequency FDD O-RU and multiple-frequency FDD O-RU. Microelectronics’ solution is to support frequencies such as 4G and 5G n1/n3/n5/n7/n20/n26/n28/n29/n66/n70/n71 of the third-generation partnership project (3GPP) and to develop various series of products through universal platforms and support different frequency bands, carrier aggregations and ascending/descending pathway configurations so that the requirements of telecommunications operators may be effectively fulfilled. Programmable FPGA is adopted; it can flexibly/extensively adapt to the interfacing requirements of the operator and

optimize different configurations. European and American telecommunications operators have selected or commercially deployed the O-RU of Microelectronics. In addition, TDD O-RU and millimeter solutions are being developed.

(iii) Linkage of industry upstream, midstream, and downstream

Upstream	Midstream (where the company is located)	Downstream
Suppliers of parts and components	Manufacturers of equipment	System integrators Telecoms or satellite service providers
Semiconductors, transistors, resistors, capacitors, printed circuit boards, transformers, filters, mechanical components, antennas	Companies specializing in R&D, manufacturing, assembly, etc.	System integrators Mobile communication/telecoms service providers Satellite TV service providers

(iv) Technological research and development

1. Based on the core RF(Radio Frequency) technology, the Company continues to develop the most niche products in the wireless communication market.
2. To meet the growth of our businesses, MTI has been investing in researching, developing and manufacturing of the following product lines:
  - User terminal equipment of LEO
    - To finish LEO transceiver/antenna module and establish key tech
    - The mass production transceiver and trial production of phased array antenna and monopole antenna
  - Virtualization of wireless protocol
    - Calibrate with rising vRAN/ORAN solution provider to support the infrastructure construction of 4G/5G RRH/RRU operators.
3. Key R&D plans in 2022:
  - Completed LTE RRH and 5G Open RAN RU
    - Finished North America Customer n66/n70 dual band, n71/n29/n26 triple band RU, and 3GPP interoperability test verification
    - Finished all design of n1/n7 dual band RU test verification, acquisition CE verification, and mass production
    - Finished 4G LTE & 5G NR Dynamic Spectrum Sharing (DSS) software design
  - Established the system test capability of frequency Band I&V
    - 3GPP TS36.141(4G LTE) and TS 38.141-1(5G NR) RF Conformance Software and hardware development of test system
    - Perform design verification of RF Conformance of various types of RRHs
  - Completed 5G Open RAN mm Wave FR2 Beam-Forming Phased Array Antenna Module (PAAM) Project
    - Practiced 3GPP Release 16, Integrated Access and Backhaul, IAB
  - GEO related projects
    - Complete customer verification New Generation Ka Band ODU, implemented Auto Assembly/Testing, and mass production
  - LEO related projects
    - Completed customers verification of 3W Ku-bank Transceiver, implemented LEO UT system integration, and mass production
    - Started Beamforming array antenna small batch production

4. Patents related to newly developed technologies in 2022

Item	Name of Application Case	Applied Country	Type	Certificate No.	Approval Date
1.	Electronic device	TW	Invention	I756075	2022/02/21
2.	Microwave System	TW	invention	I761057	2022/04/11
3.	Circuit structure	TW	Invention	I787904	2022/12/21

5. The R&D plan of main products in 2023 are described below:

- (1) Focus on 5G NR RU new tech R&D and RU product mix, including
  - O-RAN eCPRI protocol 7.2x protocol New Software Requirement
  - DSP Back End and Front End IP
  - RU Energy Saving soft-, hard-ware design, strengthen base station energy saving effect
  - PIMC
  - Multi-band of FR1 MIMO TDD Mode RU new product mix
- (2) Step into 3GPP FR2 mmWave phased array antenna development
- (3) GEO related projects
  - Maritime Software-define ODU of new generation Ka-band consumer satellite system
- (4) LEO related projects
  - Research on 1W Ka-band TDD Mode transceiver and system test of LEO UT
- (5) Estimated 2023 R&D expenditure: It is estimated that the R&D expenditure invested in 2023 approximately accounts for 10%~14% of the revenue

6. The R&D expenditure

(1) Stand-alone information

Unit: NT\$ Thousands

Year	2021	2022	2023 Q1
R&D expenditure	648,522	779,037	172,796
% of revenue	18%	18%	14%

(2) Consolidated information

Unit: NT\$ Thousands

Year	2021	2022	2023 Q1
R&D expenditure	701,953	731,186	176,386
% of revenue	18%	16%	15%

## (v) Long and short-term business plans

### 1. Short-term business plan

- Strengthen current customers' relationships. By closely cooperating with our customers, the Company provides customized products and services with higher value. With the win-win relationship, it provides more cost-effective products to improve customer's competitiveness and increase its market share.
- Work with large system operators in each region of distribution to enhance the network of channels to provide timely services for customers and grasp business opportunities.
- Increase the contribution of the high value-added products to the total turnover, and take advantage of the Company's leading product development and technology capabilities to establish a marketing network to support key customers, improve the management of the supply chain, and shorten the delivery period.
- Continue to cultivate outstanding R&D talents, stay technological competitiveness, and rapidly launch new competitive products.
- Gather more information about the upstream and downstream of the industry to quickly respond to market demands and create niche products.

### 2. Long-term business plan:

- To achieve the goal of becoming the world-class supplier of professional RF communication equipment, continue to expand our customer base, and explore the market.
- To establish a long-term partnership with the suppliers of key components and good subcontractors to create a win-win strategy
- To forge alliances with the vendors of key technologies in the industry for technical cooperation, improvement of R&D strength, and building of a market-oriented and responsive R&D team.

## **(II). Market and sales overview**

### (1) Market analysis

#### 1. Services and sales of main products

The Company has rich experience in professional ODM/OEM experience while our sales model is mainly ODM/OEM. For many years, we have been committed to forging alliances with global renowned communications companies and leading system vendors to provide rapid and flexible design and manufacturing services, and sell our products to every corner of the world through the global sale channel of system vendors.

## 2. Market supply and demand for products in 2022

Unit: NT\$ Thousands

Region of distribution	MTI Alone sales	Proportion	Consolidated sales	Proportion
America	1,552,997	35%	1,555,082	35%
Europe	1,424,134	32%	1,424,147	32%
Asia and others	1,429,632	33%	1,503,072	33%
Total	3,929,852	100%	4,482,301	100%

### Satellite communication system and its devices

As the demand for Video on Demand (VOD), Personal Video Recorder (PVR), and interactive TV, the high-end Multi-output LNB has become the mainstream in the market when combined with the high-end set-top box (STB). MTI's LNB has focused multi- digital and satellite advanced products to become of the main suppliers of LNB for the global top satellite Pay-TV operators. For the product lineup, our high-end products are mainly sold to the US market. The low-end LNB are mainly available in Asia, especially in India.

For Broadband Satellite products, the core product is Ka-band broadband VSAT Transceiver. Currently, Microelectronics Technology is the first professional manufacturer of the Ka-band VAST transceivers, and continues to invest in R&D of new products. In addition to the high-speed satellite Internet access, the applications include the in-flight broadband access during high-speed moving, which are offered to the main operators in North American broadband satellite market.

### Ground station communication equipments

Microelectronics Technology Inc. (MTI) became a member of the Open RAN Alliance in 2019, hoping to directly provide telecom operators with 4G and 5G network RU equipment in the O-RAN ecosystem. Microelectronics Technology Inc. has strategically cooperated with the top SDN/NFV software companies in the United States to carry out various interoperability tests, receive product trial orders, and enter the O-RAN market in Europe, Southeast Asia, and India for on-site validations. In addition, benefiting from the company's long-term and stable relationship with Dish Network in the satellite business, a Multi-Band Radio Unit (RU) product research and development and product procurement contract was signed with Dish Wireless in September 2020 to provide radio frequency units equipment. In 2022, we will establish a partnership with a well-known Japanese system integrator (SI, System Integrator), and follow the 2022 network construction plan of a new German telecom operator, mass-produce and ship thousands of sets of radio unit radio units, O-RU), mass production and shipment will continue in 2023. In addition, the company is also carrying out a number of new market development plans to continue to develop business opportunities for telecom operators in Japan, Australia, Canada and other places. MTI strives to win procurement contracts from

local telecom companies with multiple tests performed.

Microelectronics Technology Inc. has professional design and manufacturing (ODM/OEM) experience in Taiwan and Wuxi. The company can provide engineering trial samples in real-time according to the needs of each customer; also, can help customers quickly start mass production. R&D teams in the United States and Denmark of MTI owns advanced 4G LTE/5G NR radio access network (RAN) technology. The core of the soft-, firm- and hard-ware used by RU are all developed by the company's engineering R&D team, fully mastering the autonomy of technology, The company aims to directly provide telecom operators with 4G and 5G network station radio unit (RU) equipment in the O-RAN ecosystem.

### 3. Competitive niche

- With its solid and outstanding RF design capability, the Company continue to focus on the product development of satellite communication system, cell sites, and microwave transmission equipment. By working with international companies, we develop the most niche products in the wireless communication market, help customers optimize their products, and enhance our market leadership.
- We have more-than-thirty-year experience in professional ODM/OEM/JDM. We are capable of providing engineering samples in real time and perform mass production. We can also provide flexible and trustworthy production services based on customer needs, which are well recognized by international companies.
- Through manufacturing consolidation and cost control, we can maintain competitive production costs, improve the operation performance, and profitability.
- The Company has been granted several management system certificates, such as ISO9001/TL9000, ANSI/ESD S20.20, ISO/IEC 17025, ISO14001, ISO45001, CNS4001, AS9100, and IATF 16949 to ensure the design and manufacture processes meet the highest standards, include the comprehensive design, optimized manufacturing processes, complete quality feedback and control system. We are committed to providing the product and services with the highest quality.

### 4. Positive and negative factors for future development

#### ◆ Positive factors

- Wireless communication trend
  - The output value of the global wireless communications is increasingly growing with the growth of the global mobile phones and Internet which drive the demands for wireless transmission.
  - The global 5G NR RU wireless communication market is expanding actively.
  - O-RAN hybrid network allow operators to reduce the network deployment costs and improve flexibility.

- The digital satellite TV and broadband satellite market needs to be tapped.
  - The trend of Low Earth Orbit (LEO) satellite communications is clearly developing.
  - The broadband technology becomes the mainstream. For the wireless broadband technology, the Company has started development of future-proof broadband technology in addition to its immense strength in satellite broadband technology over years.
- Large European and US companies seek outsourcing
- Considering the production cost and professional division of labor of, large European and US companies have gradually outsourced their products which will create huge potential opportunities for Microelectronics Technology's ODM/OEM products.
  - The Company's 30-year ODM/OEM capability of RF products are well-received by many large international companies in the industry.
  - The outsourcing trend created by large communication companies will continue and require OEM to provide more extensive services from design, assembly to warranty. This trend enables Microelectronics Technology to take advantage of its outstanding engineering and logistics management.
- Invested by CyberTAN and Foxconn Technology Group
- Since September 2012, CyberTAN and Foxconn Technology Group have jointly invested in the Company, and become the largest shareholders. It is expected that with the technical expertise and advantages of three companies, in terms of technological R&D, production manufacturing, and customer marketing, the Company can grasp enormous business opportunities which will be created by the new generation 4G/LTE communication technology and satellite communication demand.
- Research and Development Capabilities
- MTI has close to 40 years' experience in professional design and manufacturing OEM capabilities in radio frequency, beginning from design, development and manufacturing for global big names like NOKIA. Today we have entered into the O-RAN market. Radio units developed and designed by MTI has received the recognition of many global telecommunications operators, which successively issued press releases announcing successful tests of radio units by MTI. The B3 products developed and designed by MTI were also recognized by Telecom Infra Project (TIP) as standard products. The long years of investment in R&D, coupled with future 5G trends, will bring about substantial returns for us.
- ◆ Negative factors
- The international situation is treacherous and changeable
  - Satellite TV market is shrinking with the surge in the popularity of OTT streaming media services.
  - In the global market, as the international telecom companies have performed the integration of the technology, services and products, it is more difficult to establish a relationship with the marketing channel which may affect the benefits of new products.
  - The global market is facing a shortage of materials, and the entire semiconductor market is facing a shortage of materials. The preparation time for key materials has been extended to 52 weeks, which may affect the shipment of new products.

In light of disadvantages, the company made dynamic adjustments to overall corporate strategy and actively approached major players in global telecommunications and built strategic partnerships with them, as well as joined the O-RAN Alliance of the 5G industry and actively engaged in interactions with major global telecommunications operators to strengthen grasp over market trends and marketing channels, enhance R&D and design capabilities and production management, develop high-profit margin niche products and enhance product competitiveness to secure important positions in the market. Faced with material shortages, we actively engaged in close discussions and cooperation with clients in terms of supply chain crunches. We also sought out possibilities for alternative materials through changes in the design of R&D engineers. We also worked together with the procurement and supply management system of Foxconn and sought help from client supply chains, combining the competitive supply chain advantages of multiple parties in obtaining raw materials to resolve the current shortages.

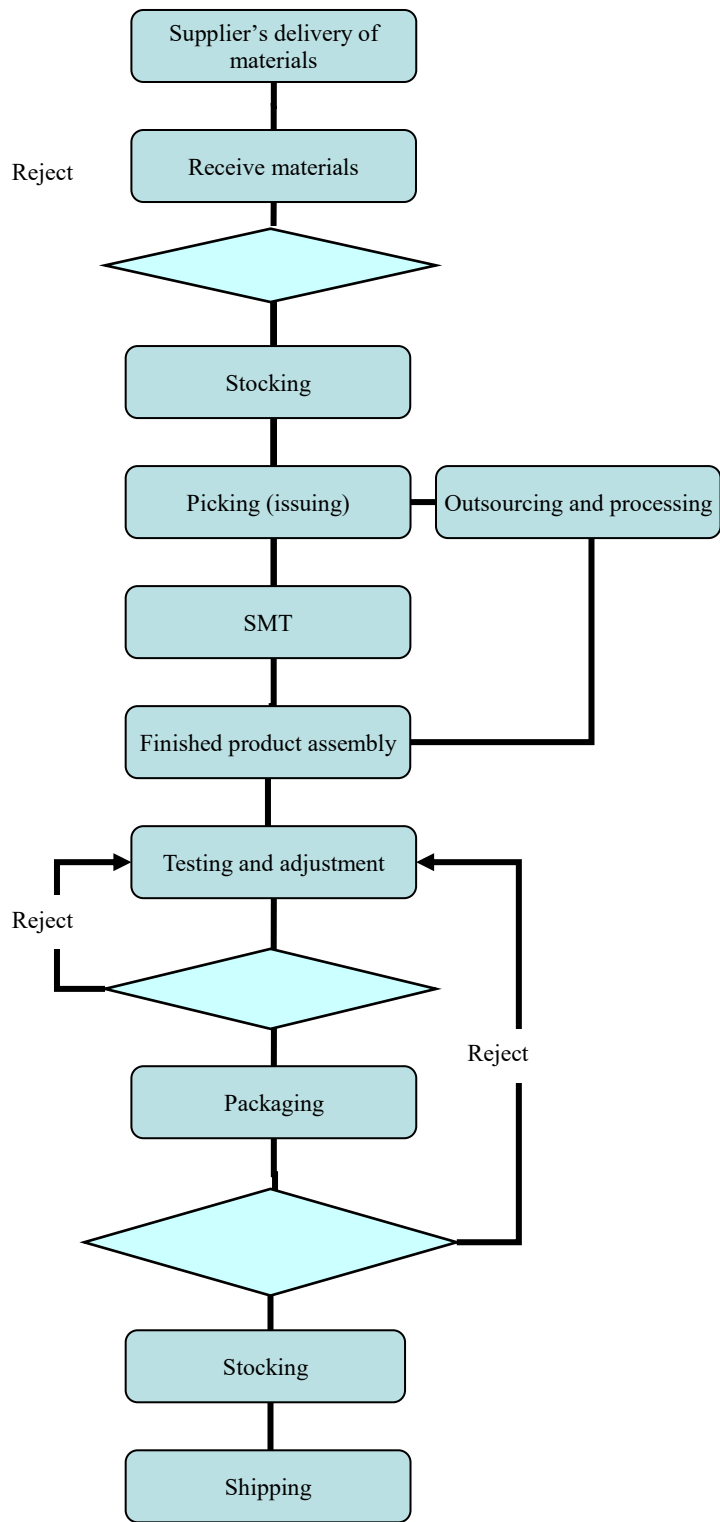
(2) Main product applications and production processes:

1. Main applications of our two key products:

Product items		Main applications
Satellite communication system and its devices	Low-Noise Block Downconverter (LNB)	<ul style="list-style-type: none"> <li>- Direct Broadcasting Satellite (DBS). DBS broadcasts TV shows directly with high-power Ku-band or Ka-band satellites. Users can receive satellite TV programs with a small disc-typed antenna of approximately 45-60 cm width combination with set box.</li> </ul>
	Very Small Aperture Terminal (VSAT)	<ul style="list-style-type: none"> <li>➤ The traditional commercial small satellite communication system uses satellite networks to provide immediate transmission of sound, data and images. The main applications include: <ul style="list-style-type: none"> <li>- Private networks, such as bank account inquiries and transaction records, factory inventory management, and hotel reservations, etc.</li> <li>- Telephones in rural areas, such as developing countries with large geographical areas, scattered populations in rural areas, or countries dotted with islands such as Indonesia and the Philippines.</li> <li>- Distance education and telemedicine.</li> <li>- Video conferencing.</li> <li>- Disaster recovery.</li> </ul> </li> <li>➤ In recent years, broadband satellites have been used to provide services such as multimedia and high-speed Internet. Applications include: <ul style="list-style-type: none"> <li>- SME (Small and Medium Enterprises) and household Internet access.</li> <li>- High-speed broadband Internet access for large enterprises or public hotspots.</li> <li>- Broadband Internet access for moving vehicles, such as sailing, aviation, and ground transportation.</li> </ul> </li> </ul>
Telecommunication system and its devices	Digital Microwave Radio	<ul style="list-style-type: none"> <li>- Cellular Network Back-haul.</li> <li>- Transportation</li> <li>- Telephony in Developing Countries.</li> <li>- Disaster Recovery.</li> </ul>
	Radio Frequency Identification (RFID)	<ul style="list-style-type: none"> <li>➤ The Company's RFID products are mainly UHF (850MHz-930 MHz), which can provide a longer reading range and higher reading speed.</li> <li>➤ RFID has a wide variety of applications including: <ul style="list-style-type: none"> <li>- Inventory and material management</li> <li>- Identification and tracking of valuables.</li> <li>- Transportation and supply chain tracking.</li> <li>- Object management for industries such as healthcare.</li> </ul> </li> </ul>

Product items	Main applications
LTE/5G NR Remote Radio Head	<ul style="list-style-type: none"> <li>- MTI 's new generation of RU supports the Split 7.2x architecture of the O-RAN Alliance, and also complies with the interface specifications of 3GPP standard and O-RAN Alliance, including power amplifier module, duplexer, RF linear module, power supply module, circuit signal bridging module, and RoE interface of customer DU with the use of eCPRU communication protocol , it assists our customers phase in mass production quickly and meet the latest generation of 4G LTE/5G NR RU or equipment, which can be supplied as follows :</li> <li>- Single Band RU (B1/B3/B5/B7/B20/B28/B71) supports different LTE/5G NR frequency bands and carrier combinations.</li> <li>- Dual Band or Triple Band RU(n1+n7/n66+n70 or n26+n29+n71)supports LTE/5G NR in one enclosure.</li> <li>- Both Single Band or Dual Band and Triple Band RU supports 2T/2R and 4T/4R MIMO operations.</li> </ul>

2. The production process of the Company's products is as follows:



### (3) Supply of key materials

The primary raw materials of the Company are active components, passive components, adapters, modules, PCBs, die-castings, plastic parts, hardware items, and wrapping materials, among others. There were total 326 contractors in 2022 and mainly distribution is as follows:

TW	US	CN	JP	Europe	Others
32%	28%	34%	3%	1%	2%

The Company always selects domestic and international contractors with leading technologies, sound quality assurance systems, and outstanding procurement cooperativeness and requires that suppliers follow local laws and regulations (regarding the environment, labor conditions, human rights, and society, among others) and go with international standards in restricted/prohibited substances and promise that they will not use conflict minerals.

The Company maintains optimal collaborative relationships with domestic and international suppliers while at the same time purchasing important parts and components strategically. Die-castings, plastic parts, hardware, and wrapping materials, among others, are mostly manufactured by domestic contractors according to the defined specifications and those close to the Company's factories are prioritized in order to reduce the transport risk and to lower the transport cost. Respective major suppliers keep close communications with the Company and market intelligence is exchanged at all times to jointly minimize the supply chain crisis.

Based on supplier's technology, quality, service, delivery period and cost, the Company makes an overall assessment to select good suppliers for long-term cooperation. The Company develop the supplier management guidelines based on the above principles:

- The Company regularly visits the factory by senior personnel at least every six months, share the market and price information with suppliers, and cooperates with manufacturers to make the company and customers more competitive in the market.
- In the initial stage of product design, the Company asks suppliers to participate in development of parts, so that they can meet the cost target of parts and their manufacturability will meet its needs.
- For the quality management of imported materials, on the other hand, TL-900 policy is followed and quality testing is done to meet international criteria.
- Regularly provides ratings and improvement reports on the overall performance of major suppliers monthly, that manufacturers can better understand their own performance.

(4) The suppliers and customers whose total purchases and total sales are more than 10% in one year of the last two years, and their purchase and sales amount as well as ratio

➤ Supplier Data

Amount Unit: NT\$ Thousands

2021		2022				Q1 2023					
Name	Amount	Ratio of annual net purchase	Relationship with the issuer	Name	Amount	Ratio of annual net purchase	Relationship with the issuer	Name	Amount	Ratio of annual net purchase as of the previous quarter of the year	Relationship with the issuer
Vendor G	530,804	12%	None	Vendor G	256,258	7%	None	Vendor A	54,209	21%	None
Vendor A	195,524	4%	None	Vendor V	201,802	6%	None	Vendor W	47,738	4%	None
Others	3,645,634	84%	-	Others	3,033,646	87%	-	Others	529,829	83%	-
Net purchase	4,371,962	100%	-	Net purchase	3,491,706	100%	-	Net purchase	631,776	100%	-

Difference between two years (1) In 2022, the decrease in purchases of Vendor G's materials is due to the decrease of product's shipment. The overall decrease in purchases is due to the inventory control policy in H2.

➤ Customer Data

Amount Unit: NT\$ Thousands

2021			2022			Q1 2023					
Name	Amount	Ratio of annual net sales	Relationship with the issuer	Name	Amount	Ratio of annual net sales	Relationship with the issuer	Name	Amount	Ratio of annual net sales as of the previous quarter of the year	Relationship with the issuer
Customer G	678,895	17%	None	Customer G	822,984	18%	None	Customer X	350,549	29%	None
Customer B	583,255	15%	None	Customer X	763,667	17%	None	Customer A	314,550	26%	None
Customer A	541,568	14%	-	Customer Y	589,263	13%	None	Customer G	164,670	14%	None
Customer L	260,652	7%	-	Customer A	389,772	9%	None	Customer Y	145,711	12%	None
Others	1,865,483	47%	-	Others	1,916,615	43%	-	Others	228,144	19%	-
Net sales	3,929,852	100%	-	Net sales	4,482,301	100%	-	Net sales	1,203,624	100%	-

Comparisons between two years: The increase in sales to Customer G, X and Y in 2022 compared to 2021 is due to increase in demand from this customer. The decrease in sales to Customer A in 2022 compared to 2021 is due to decreasing demand from the customer.

(5) Production over the Last Two Years

Unit: Piece (set)  
Value: NT\$ Thousands

Product Type	Year	2021			2022		
	Production Value	Production capacity	Yield	Output value	Production capacity	Yield	Output value
Satellite communication and Telecommunication system and devices		12,075,790	5,788,729	3,088,262	8,564,714	2,214,776	3,610,652
Total		12,075,790	5,788,729	3,088,262	8,564,714	2,214,776	3,610,652

(6) Sales over Last Two Years

Unit: Piece (set)  
Value: NT\$ Thousands

Product Type	Year		2021				2022			
	Quantity & Value		Domestic Sales		Export		Domestic Sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value		
Satellite communication/ Telecommunication system and its devices	94,338	289,940	5,853,856	3,639,912	12,512	131,798	2,343,403	4,350,503		
Total	Quantity: 5,948,194 Value: 3,929,852				Quantity: 2,355,915 Value: 4,482,301					

**(III). Number of employees over the last two years as of the published date, average seniority, average age and distribution of education level**

Year		2021	2022	April 30, 2023
Number of employees	Production	513	562	528
	Engineering	270	281	281
	Sales	38	33	37
	Administration	187	117	110
	Total	1,008	993	956
Average age		39.20	38.40	39.01
Average seniority		7.90	8.78	9.23
Distribution of education level	Ph.D.	0.65%	1.41%	1.41%
	Master's	20.65%	15.11%	14.60%
	Bachelor's	47.80%	45.12%	44.31%
	High School	30.89%	25.28%	32.93%
	Below High School	-	13.09%	3.02%

**(IV). Environmental expenditure information**

The annual expenses related to work safety in 2022 are based on the requirements of environmental and occupational health and safety policies. The Company continues to promote environmental protection and occupational safety and health. The main completed tasks are as follows

1. Continuous waste sorting and clean-up management: Strict control of the general and hazardous waste storage, and clean-up process. Select good waste clean-up companies, verify the legal clean-up channel, and do recycling properly. The waste clean-up proposal and on-line application should be submitted for the storage, clean-up and output of wastes in accordance with the laws and regulations.
2. Continuous Promotion of the ISO-14001, ISO-45001 and CNS45001 management systems, implementation of the autonomous management system, and maintenance of employees’ safety and health: On January 3, 2020, the Company passed the annual certification by the Certification Body (BSI) to ensure that the management system functions properly and the certificate effectiveness is maintained.
3. Enhanced promotion of the safety and health concepts: In addition to the newly-recruited/on-job EHS training based on the annual education and training program, the new GHS system is promoted among employees and the emergency response team performs the evacuation drills.
4. In 2022, MTI has accomplished the revision of the Occupational safety and health management entities and personnel report, earthquake emergency response and evacuation drills, health promotion, electric hydraulic pallet truck, safety scoring mechanism, lighting energy saving improvement - management plan for replacing LED lamps.
5. Continuous implementation of zero-disaster working hour activities: Continue to promote safety and health activities, and the concept of hazard prevention.
6. Promotion of green product solutions: In addition to the establishment of the ISO14001 environmental management system, Microelectronics Technology has established a “Green Product (GP) Management System” in response to RoHS requirements to meet customer and international environmental law and regulations, and requires suppliers to announce the compliance with REACH and conduct inventory.
7. Each environmental and energy saving indicator in 2022:

2022	Average monthly water usage per person	Average monthly electricity usage per person	Waste recovery rate
Performance	5.45 Unit/month	719,633 degree/month	10.20%
Goal	5.80 Unit/month	732,000 degree/month	10.00%
Status	Achieved	Achieved	Achieved

8. CO2 emissions over last year and performance of emission reduction

Year	CO2 emissions	CO2 emission reduction
2022	4,532 Eq (tons)/year	61 Eq (tons)/year
2021	4,771 Eq (tons)/year	475 Eq (tons)/year

9. Compliance with laws and regulations: The Company complies with the requirements.

## **(V).Labor relations**

### **1.Harmonious labor relations - shared concern and mutual growth**

The communication industry involves a wide range of technologies and rapid technological development. It requires a long-term cultivation of talents. The Company has been committed to industrial upgrading and accelerated integration over the years. In the field of microwave and satellite communications, it has cultivated many professionals to lay a foundation for domestic related fields. As a result of cultivation over many years, we have created a dynamic and innovative working environment and excellent team:

- With excellent staff quality, MTI is full of vitality average age is 38 years old; the employees actively pursue excellence and challenge themselves; As the distribution of education level shows, the employees of the Manufacturing Department at least have a high school diploma or above. To know the education level of our talents is also helpful for correct operation of the manufacturing processes. MTI encourages on-the-job training improving labors quality. The marketing, research and sales personnel mostly have a bachelor degree or above. This will greatly benefit the company's consistent technology leadership and R&D innovation.
- In the organization of training, an open learning space is available with flexible functions of the target team, flexible use of human resources and organizational management, the use of advanced equipment and equipment, in continuous pursuit of excellence and teamwork. We continuously invest in research and development. In the vertical integration process, through systematic planning of education and training required for various duties, on-the-job training, and caring and respecting employees, while emphasizing professionalism and teamwork, we have cultivated a considerable number of outstanding talents to meet the rapidly changing technical challenges and fierce competitiveness in the future. Those have laid a solid foundation.
- In the pursuit of quality, through the certification and education training of ISO9001/TL9000, ANSI/ESD S20.20, ISO/IEC 17025, ISO-14001, ISO45001, CNS45001, AS9100, and IATF 16949, each employee has been asked to respect the quality and system specifications. In terms of cost, technology, engineering services and sales, they are committed to "continuous improvement, in the pursuit of the highest quality" to achieve and exceed the international standards.
- In terms of technical strength, the Company's R&D personnel account for about 30% of all employees so that the Company is a task-oriented project organization, improving technical standards and satisfying employees' sense of accomplishment, and cultivating professionals with different fields through vertical integration experience over many years. It has enhanced the strength of domestic microwave and satellite communications, and has also created a number of system integration technologies, which have considerable potential for meeting the rapid development of future business.

### **2.Employee Behavior and Ethics**

By caring for and respecting the employees, the internal documents prepared by Microelectronics Technology serve as the basis of the behavior and ethics to convey that the employee should have a cautious and loyal working attitude, and maintain Microelectronics Technology's assets, interests, and image. Their contents are:

- Non-compete clause: The employee may not engage in, be employed by or participate in any business that directly or indirectly competes with Microelectronics Technology Inc. or its

affiliates without permission.

- Prevention of conflict of interest: The employee may deal with official duties with an objective attitude and should avoid situations in which individuals have potential conflicts of interest with the Company.
- Avoid opportunities for self-dealing: employees must not handle private business on behalf of Microelectronics Technology, or use authority to take advantage of personal interests.
- Responsibility for protecting the Company's business secrets: Except for the information authorized or required by laws and regulations for disclosure, the information of Microelectronics Technology or the customer should be kept confidential.
- Respect the intellectual property rights of the Company and others: Comply with the with the provisions of the Copyright Act and related regulations of intellectual property rights
- Fair Trade: Microelectronics Technology's customers, suppliers, competitors and employees should be treated in a fair and objective manner.
- Protect and properly use company assets: The employees are responsible for protecting the assets of Microelectronics Technology and ensuring that it can be used effectively and legally in business matters.

### 3. Education and training and development

Microelectronics Technology's education and training system is based on organizational strategy, departmental goals, personal performance development and personal functions. It plans the implementation direction of the education and training, and provides a learning blueprint for a working environment for continuous learning and development.

Its development system for education and training includes the following five items:

- Training about product applications: Expertise or skills training related to product and product applications.
- Training of professional functions: In addition to products and product applications, training about other technical or business-related professional knowledge and skills includes various working procedures, processes, instrument and facilities management and environmental management.
- Quality management training: Improve quality related knowledge and skills training
- Management training: To improve management-related knowledge and skills,
- General education and training: Related to the Company's values, various rules and regulations, or necessary training used to enhance the common knowledge, ability, labor safety and environmental management, and environmental management.

Microelectronics Technology plans a complete knowledge management platform to accumulate human capital, upholds a humanized management system for employees, and makes employees happy to work. This is the belief that MTI has always upheld. In addition to providing a comprehensive education and training program and environment, MTI also emphasizes development of employees' career. The diverse resources are provided for on-the-job training, work authorization, task assignment, project participation, mentor system, job rotation and external training opportunities, and talent training management, combined with performance management system to stimulate employees' potential and achieve organizational performance improvement for the personal growth.

#### 4. Existing important labor agreements and their implementation

- Employee benefits:  
The Company's Employee Welfare Committee was established on December 11, 1984 and approved by the Hsinchu Science Park Bureau on December 23, 1984. Since its establishment, each business unit has performed according to the regulations and has good performance.
  - Retirement system:
    - (1) The Company's Supervisory Committee of Business Entities' Labor Retirement Reserve was established on December 11, 1985 and was approved by Hsinchu Science Park Bureau on December 23, 1985. Since the establishment of the committee, the monthly appropriated labor pension reserve funds based on the total salary ratio, and the standard and method of application for pension payment are handled in accordance with Labor Standards Act. Since July 1, 2005, the company was based on the "Labor Pension Act". The Ordinance has a retirement scheme that is determined to be applicable to employees of this nationality. The Company selects the part of the labor pension system stipulated in the "Labor Pension Act" for employees. It pays 6% of the salary to the individual accounts of the employees of the Bureau of Labor Insurance every month. The payment of the employee's pension is based on the individual pension of the employee. The amount of the special account and the accumulated income will be collected by monthly pension or one pension.
    - (2) Our subsidiary, Jupiter Technology (Wuxi) Co., Ltd., in Mainland China has appropriated 16% of the total salaries of the local employees as pension fund every month in conformity to the law of the People's Republic of China governing the retirement and pension system.
    - (3) Our subsidiary, MTI Laboratory Inc., does not need to pay pension fees in accordance with local laws and regulations; RadioComp ApS provides a salary fee of 5% of the total salary as pension in accordance with local laws and regulations.
  - Other important agreements: None
5. Losses due to the labor dispute over last three years: None

**(VI). Information Security Management:** Please refer to Page 133.

## (VII). Important contracts

The date of the annual report, the date of publication, the date of publication and the most recent annual supply and sales contract, technical cooperation contract, engineering contract, long-term loan contract and other important contracts that affect shareholders' equity, the main content, the restrictions and the date of commencement of the contract:

Contract property	Interested parties	Contract date	Main content	Restrictions
Factory rental	CyberTAN Technology, Inc.	2022.07.01 ~ 2023.06.30	The Company rents an area of 7,526 square meters as factories.	None
Land access	Wuxi Land and Resources	2008.09.29 ~ 2058.09.28	Jupiter Technology has acquired the land access for Research and Development Park of Taihu International Technology Park, Wuxi, with an area of 15,249.6 square meters.	None
Long-term debt payable	Mega International Commercial Bank	2019.12.23~ 2025.12.15	"Loans for Returning Overseas Taiwanese Business" 6-year Loan for Machine & Equipment Purchase NT\$340 million.	"Loans for Returning Overseas Taiwanese Business" Only for the purchase of machinery & equipment, not for revolving
Long-term debt payable	Mega International Commercial Bank	2020.09.30~ 2026.09.15	"Loans for Returning Overseas Taiwanese Business" 6-year Loan for Working Capital Need NT\$200 million.	Provide the working capital need "Loans for Returning Overseas Taiwanese Business" cannot be revolved.
Long-term debt payable	Land Bank of Taiwan	2021.02.05~ 2026.02.05	"Loans for Returning Overseas Taiwanese Business" 5-year Loan for Working Capital Need NT\$250 million	Provide the working capital need "Loans for Returning Overseas Taiwanese Business" cannot be revolved.
Long-term debt payable	The Shanghai Commercial & Savings Bank	2020.03.31~ 2025.03.15	"Loans for Returning Overseas Taiwanese Business" 5-year Loan for Working Capital Need NT\$300 million	Provide the working capital need "Loans for Returning Overseas Taiwanese Business" cannot be revolved

## VI. Financial Position

### (I). Condensed Balance Sheets and Comprehensive Income Statements covering the period from 2018.01.01 to 2022.12.31

#### 1. Condensed Consolidated Balance Sheet - IFRS

Unit: NT\$ Thousands

Item	Year	Financial information of the period 2018.01.01 ~ 2022.12.31 (Note 1)					Financial information of current period to 2023.03.31 (Note 2)
		2018	2019	2020	2021	2022	
Current assets		4,383,047	3,245,272	3,451,306	4,563,530	4,501,789	4,266,694
Property, plant and equipment (Note 3)		540,951	495,226	522,570	573,940	657,372	637,925
Intangible assets		301,060	302,120	304,576	298,072	313,755	306,229
Other assets		693,130	981,606	1,121,331	1,116,808	1,068,134	1,096,291
Total assets		5,918,188	5,024,224	5,399,783	6,552,350	6,541,050	6,307,139
Current liabilities	Cum-dividend	2,833,598	1,778,982	1,888,517	3,281,470	3,325,624	3,226,226
	Ex-dividend	2,879,204	1,778,982	1,888,517	3,281,470	Note 4	Note 4
Non-current liabilities		325,033	589,787	1,091,736	1,308,514	1,137,822	1,060,178
Total liabilities	Cum-dividend	3,158,631	2,368,769	2,980,253	4,589,984	4,463,446	4,286,404
	Ex-dividend	3,204,237	2,368,769	2,980,253	4,589,984	Note 4	Note 4
Shareholders equity attributable to the parent company		2,759,557	2,655,455	2,419,530	1,962,366	2,077,604	2,020,735
Capital stock		2,280,283	2,280,283	2,280,283	2,280,283	2,380,283	2,380,283
Additional paid-in capital		402,937	402,937	402,937	402,937	830,132	830,132
Retained earnings	Cum-dividend	269,763	220,811	101,062	(339,909)	(790,778)	(853,598)
	Ex-dividend	269,763	220,811	101,062	(339,909)	Note 4	Note 4
Other equity		(193,426)	(248,576)	(364,752)	(380,945)	(342,033)	(336,082)
Treasury shares		-	-	-	-	-	-
Uncontrolled equity		-	-	-	-	-	-
Total equity	Cum-dividend	2,759,557	2,655,455	2,419,530	1,962,366	2,077,604	2,020,735
	Ex-dividend	2,713,951	2,655,455	2,419,530	1,962,366	Note 4	Note 4

Note 1: The Financial information in the period of 2018.01.01 to 2022.12.31 was based on the audited financial statements of the Company.

Note 2: The 2023 Q1 financial information was based on the financial statements reviewed by Independent Auditors.

Note 3: No asset re-evaluation has been conducted in the aforementioned periods.

Note 4: The proposal for the 2022 losses appropriation is pending the final approval of the Shareholders' Meeting and is not presented here.

## 2. Condensed Consolidated Comprehensive Income Statement- IFRS

Unit: NT\$ Thousands

Item	Year	Financial information of the period 2018.01.01 ~ 2022.12.31 (Note 1)					Financial information of current period to 2023.03.31 (Note 2)
		2018	2019	2020	2021	2022	
Revenue		7,969,155	5,798,880	3,949,997	3,929,852	4,482,301	1,203,624
Gross profit		1,066,361	952,277	739,872	515,172	629,308	207,195
Operating income		55,192	12,781	(137,009)	(475,162)	(418,739)	(43,033)
Non-operating income and expense		26,478	(2,256)	56,464	16,754	(47,370)	(12,041)
Earnings before taxation		81,670	10,525	(80,545)	(458,408)	(466,109)	(55,074)
Net income of continuing operations in current period		52,109	1,684	(95,415)	(450,016)	(486,411)	(62,820)
Loss from discontinued operations		-	-	-	-	-	-
Net income (loss) in current period		52,109	1,684	(95,415)	(450,016)	(486,411)	(62,820)
Other comprehensive incomes in current period (Net income)		(17,092)	(60,180)	(140,510)	(7,148)	74,454	5,5951
Total comprehensive income in current period		35,017	(58,496)	(235,925)	(457,164)	(411,957)	(56,869)
Net income attributable to the shareholders of parent company		52,109	1,684	(95,415)	(450,016)	(486,411)	(62,820)
Net income attributable to uncontrolled equity		-	-	-	-	-	-
Total comprehensive income attributable to the shareholders of parent company		35,073	(58,496)	(235,925)	(457,164)	(411,957)	(56,869)
Total comprehensive income attributable to uncontrolled equity		(56)	-	-	-	-	-
Earnings per share		0.23	0.01	(0.42)	(1.97)	(2.06)	(0.26)

Note 1: The Financial information in the period of 2018.01.01 to 2022.12.31 was based on the audited financial statements of the Company.

Note 2: The 2023 Q1 financial information was based on the financial statements reviewed by Independent Auditors.

### 3. Condensed Stand-alone Balance Sheet - IFRS

Unit: NT\$ Thousands

Year		Financial information of the period 2018.01.01 ~ 2022.12.31				
		2018	2019	2020	2021	2022
Item						
Current assets		2,850,464	2,200,703	2,507,893	3,618,560	3,891,842
Property, plant and equipment (Note 2)		80,754	93,334	119,451	177,033	233,326
Intangible assets		157,552	163,085	166,109	163,048	162,264
Other assets		2,039,497	2,219,892	2,401,619	2,349,632	2,158,279
Total assets		5,128,267	4,677,014	5,195,072	6,308,273	6,445,711
Current liabilities	Cum-dividend	2,047,787	1,513,458	1,753,740	3,096,197	3,311,675
	Ex-dividend	2,093,393	1,513,458	1,753,740	3,096,197	Note 3
Non-current liabilities		320,923	508,101	1,021,802	1,249,710	1,056,432
Total liabilities	Cum-dividend	2,368,710	2,021,559	2,775,542	4,345,907	4,368,107
	Ex-dividend	2,414,316	2,021,559	2,775,542	4,345,907	Note 3
Shareholders equity attributable to the parent company		2,759,557	2,655,455	2,419,530	1,962,366	2,077,604
Capital stock		2,280,283	2,280,283	2,280,283	2,280,283	2,380,283
Additional paid-in capital		402,937	402,937	402,937	402,937	830,132
Retained earnings	Cum-dividend	269,763	220,811	101,062	(339,909)	(790,778)
	Ex-dividend	269,763	220,811	101,062	(339,909)	Note 3
Other equity		(193,426)	(248,576)	(364,752)	(380,945)	(342,033)
Treasury shares		-	-	-	-	-
Uncontrolled equity		-	-	-	-	-
Total equity	Cum-dividend	2,368,710	2,655,455	2,419,530	1,962,366	2,077,604
	Ex-dividend	2,414,316	2,655,455	2,419,530	1,962,366	Note 3

Note 1: The Financial information in the period of 2018.01.01 to 2022.12.31 was based on the audited financial statements of the Company.

Note 2: No asset reevaluation has been conducted in the aforementioned periods.

Note 3: The proposal for the 2022 losses appropriation is pending on the final approval of the Shareholders' Meeting and is not presented here.

#### 4. Condensed Separate Comprehensive Income Statement - IFRS

Unit: NT\$ Thousands

Item \ Year	Financial information of the period 2018.01.01 ~ 2022.12.31				
	2018	2019	2020	2021	2022
Revenue	7,124,093	4,922,305	3,165,331	3,606,238	4,406,763
Gross profit	878,625	777,893	498,049	383,628	634,365
Operating income	(46,907)	(48,095)	(183,873)	(465,289)	(326,292)
Non-operating income and expense	107,616	49,779	88,458	9,273	(152,657)
Earnings before taxation	60,709	1,684	(95,415)	(456,016)	(478,949)
Net income of continuing operations in current period	52,109	1,684	(95,415)	(450,016)	(486,411)
Loss from discontinued operations	-	-	-	-	-
Net income (loss) in current period	52,109	1,684	(95,415)	(450,016)	(486,411)
Other comprehensive incomes in current period (Net income)	(17,036)	(60,180)	(140,510)	(7,148)	74,454
Total comprehensive income in current period	35,073	(58,496)	(235,925)	(457,164)	(411,957)
Net income attributable to the shareholders of parent company	52,109	1,684	(95,415)	(450,016)	(486,411)
Net income attributable to uncontrolled equity	-	-	-	-	-
Total comprehensive income attributable to the shareholders of parent company	35,073	(58,496)	(235,925)	(457,164)	(411,957)
Total comprehensive income attributable to uncontrolled equity	-	-	-	-	-
Earnings per share	0.23	0.01	(0.42)	(1.97)	(2.06)

Note: The Financial information in the period of 2018.01.01 to 2022.12.31 was based on the audited financial statements of the Company.

5. Names of the external auditors in the period of 2018.01.01 to 2022.12.31 and audit opinion

Audit year	Name of CPA office	Name of CPA	Audit Opinion
2018	PwC Taiwan	Yu-Kuan Lin, Tien-Yi Lee	Unqualified opinion
2019	PwC Taiwan	Yu-Kuan Lin, Tien-Yi Lee	Unqualified opinion
2020	PwC Taiwan	Yu-Kuan Lin, Tien-Yi Lee	Unqualified opinion
2021	PwC Taiwan	Tien-Yi Lee, Yu-Kuan Lin	Unqualified opinion
2022	PwC Taiwan	Tien-Yi Lee, Chien-Yu Lin	Unqualified opinion

## (II).Financial Analysis in the period from 2018.01.01 to 2022.12.31

### 1. Consolidated financial analysis - IFRS

Items of analysis		Financial Analysis in the period 2018.01.01 ~ 2022.12.31 (Note 1)					Financial information of current period to 2023.03.31 (Note 2)
		2018	2019	2020	2021	2022	
Financial Structure (%)	Liabilities to assets ratio	53.37	47.15	55.19	70.05	68.24	67.96
	Long-term capital to property, plant and equipment ratio	570.22	655.31	671.92	569.90	489.13	482.96
Ability to re- pay debts %	Current ratio	154.68	182.42	182.75	139.07	135.37	132.25
	Quick ratio	105.28	131.53	125.41	71.58	62.95	63.51
	Debt service coverage ratio	5.59	1.92	(4.06)	(21.81)	(9.96)	(1.91)
Operat- ing ability	Receivables turnover (time)	4.82	4.08	3.76	3.69	4.29	4.86
	Average days of collection	76	89	97	99	85	75
	Inventory turnover (time)	4.71	3.88	2.98	2.04	1.65	1.73
	Payables turnover (time)	4.02	3.20	3.72	3.43	3.67	4.15
	Average days of sale	77	94	122	179	221	211
	Property, plant and equipment turnover (time)	14.64	11.19	7.76	7.17	7.28	7.95
	Total assets turnover (time)	1.37	1.06	0.76	0.66	0.68	0.75
Profita- bility	Return on assets (%)	1.09	0.10	(1.53)	(7.20)	(6.69)	(2.75)
	Return on equity (%)	1.88	0.06	(3.76)	(20.54)	(24.08)	(12.62)
	EBT to paid-in capital ratio (%)	3.58	0.46	(3.53)	(20.10)	(19.58)	(9.26)
	Net income ratio (%)	0.65	0.03	(2.42)	(11.45)	(10.85)	(5.22)
	Earnings per share (NTD)	0.23	0.01	(0.42)	(1.97)	(2.06)	(0.26)
Cash flows	Cash flow ratio (%)	9.04	12.32	2.53	Note 4	Note 4	Note 4
	Cash flow adequacy ratio (%)	56.83	87.73	77.21	23.04	23.75	11.82
	Cash re-investment ratio (%)	6.15	5.86	1.54	(48.40)	(12.56)	(4.93)
Levera- ge:	Operating leverage	14.70	48.79	Note 3	Note 3	Note 3	Note 3
	Financial leverage	1.48	(1.28)	0.90	0.96	0.90	0.70

Explain the changes in the financial ratios in the last 2 years and the reasons for the changes:

1. Financial structure: Fixed assets were added that the proportion of long-term funds decreased in 2022.
2. The ability to re-pay debts: The debt service coverage ratio was negative in 2022 due to the deficit of EBT.
3. Operating ability: Average days of sale is longer due to the increase in stockpiling of new products and inventory
4. Profitability: The profitability was negative due to net loss in 2022.
5. Cash flows: The better ratio is due to the decrease cash outflow from operating activities in 2022.
6. Leverage: Due to the negative operating profit.

Note 1: The financial information in the period from 2018.01.01 to 2022.12.31 was audited.

Note 2: The 2023 Q1 financial information was reviewed by the Independent Auditors.

Note 3: No calculation as operating income minus interest expense was negative.

Note 4: Not applicable when operating cash outflow was reported.

The equations for calculation are shown below:

1. Financial Structure

(1) Liabilities to assets ratio = Total liabilities/total assets

(2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/net property, plant and equipment

2. Ability to repay debts

(1) Current ratio = current assets/current liabilities

(2) Quick ratio = (current assets – inventory – prepayment)/ current liabilities

(3) Debt service coverage ratio = EBIT/interest expense in current period

3. Utility

(1) Receivables (including account receivables and note receivables from business operation) turnover = net sale/balance of average receivables in each period (including account receivables and note receivables from business operation).

(2) Average days of collection = 365/ account receivable turnover

(3) Inventory turnover = cost of sale/ average inventory

(4) Payables (including account payables and note payables from business operation) turnover = net sale/balance of average payables in each period (including account payables and note payables from business operation)

(5) Average days of sale = 365/inventory turnover

(6) Property, plant, and equipment turnover = net sale / average net property, plant, and equipment

(7) Total asset turnover = net sale/ average total assets

4. Profitability

(1) Return on assets = [net income + interest expense x (1-tax rate)] / average total assets

(2) Return on equity = net income / average total equity

(3) Net income ratio = net income/net sale

(4) Earnings per share = (income attributable to parent company – preferred share dividend) / weighted average outstanding shares

5. Cash flows

(1) Cash flow ratio = cash flow from operation /current liabilities

(2) Net cash flow adequacy ratio = net cash flows from operation in the last 5 years / (capital expenditures + inventory increment + cash dividends) of the last 5 years

(3) Cash re-investment ratio = (net cash flows from operation – cash dividend) / (gross property, plant, and equipment + other non-current assets + working capital)

6. Leverage:

(1) Operating leverage = (net sales – variable operating costs and expense) operating income

(2) Financial leverage = operating income / (operating income – interest expense)

## 2. Stand-Alone Financial Analysis - IFRS

Year Items of analysis		Financial Analysis in the period 2018.01.01 ~ 2022.12.31 (Note 1)				
		2018	2019	2020	2021	2022
Financial Structure (%)	Liabilities to assets ratio	46.19	43.22	53.43	68.89	67.77
	Long-term capital to property, plant and equipment ratio	3,814.65	3,389.50	2,880.96	1,814.39	1,343.20
Ability to re-pay debts%	Current ratio	139.20	145.41	143	116.87	117.52
	Quick ratio	102.15	105.42	93.87	61.61	53.73
	Debt service coverage ratio	4.82	1.56	(6.02)	(24.59)	(10.95)
Operating ability	Receivables turnover (time)	5.04	4.27	3.56	3.63	4.51
	Average days of collection	72	86	102	101	81
	Inventory turnover (time)	8.85	5.59	3.58	2.46	1.95
	Payables turnover (time)	6.83	4.39	3.64	3.43	3.74
	Average days of sale	41	65	102	149	187
	Property, plant and equipment turnover (time)	111.85	56.55	29.75	24.33	21.48
	Total assets turnover (time)	1.42	1.00	0.64	0.63	0.69
Profitability	Return on assets (%)	1.32	0.39	(1.67)	(7.52)	(6.90)
	Return on equity (%)	1.88	0.06	(3.76)	(20.54)	(24.08)
	EBT to paid-in capital ratio (%)	2.66	0.07	(4.18)	(20.00)	(19.16)
	Net income ratio (%)	0.73	0.03	(3.01)	(12.48)	(11.04)
	Earnings per share (NTD)	0.23	0.01	(0.42)	(1.97)	(2.06)
Cash flows	Cash flow ratio (%)	6.98	15.23	Note 2	Note 2	Note 2
	Cash flow adequacy ratio (%)	168.36	189.34	123.17	21.33	16.48
	Cash re-investment ratio (%)	2.94	6.00	(6.59)	(43.72)	(11.02)
Leverage	Operating leverage Note 4	Note 3	Note 3	Note 3	Note 3	Note 3
	Financial leverage	0.74	0.74	0.93	0.96	0.88

Explain the changes in the financial ratios in the last 2 years and the reasons for the changes:

1. Financial Structure: The proportion of long-term funds decreased due to increase of PP&E in 2022.
2. The ability to re-pay debts: The interest coverage ratio was negative in 2022 due to the deficit of EBT.
3. Operating ability: Average days of sale is longer due to the increase in stockpiling of new products and inventory
4. Profitability: The profitability was negative due to net loss in 2022.
5. Cash flows: The better ratio is due to the decrease cash outflow from operating activities in 2022.
6. Leverage: Due to the negative operating profit.

Note 1: The financial information in the period from 2018.01.01 to 2022.12.31 was audited.

Note 2: No calculation as operating cash outflow was reported in recent five years.

Note 3: Not applicable when there was operating cash outflow.

The equations for calculation are shown below:

1. Financial Structure

- (1) Liabilities to assets ratio = Total liabilities/total assets
- (2) Long-term capital to property, plant and equipment ratio = (total equity + non-current liabilities)/net property, plant and equipment

2. Ability to repay debts

- (1) Current ratio = current assets/current liabilities
- (2) Quick ratio = (current assets – inventory – pre-payment)/ current liabilities
- (3) Debt service coverage ratio = EBIT/interest expense in current period

3. Utility

- (1) Receivables turnover = net sale/balance of average receivables in each period.
- (2) Average days of collection = 365/ account receivable turnover
- (3) Inventory turnover = cost of sale/ average inventory
- (4) Payables turnover = net sale/balance of average payables in each period.
- (5) Average days of sale = 365/inventory turnover
- (6) Fixed assets turnover = net sale /net fixed assets
- (7) Total asset turnover = net sale/ average total assets

4. Profitability

- (1) Return on assets = [net income + interest expense x (1-tax rate)] / average total assets
- (2) Return on equity = net income / average total equity
- (3) Net income ratio = net income/net sale
- (4) Earnings per share = (Net income – preferred share dividend) / weighted average outstanding shares

5. Cash flows

- (1) Cash flow ratio = cash flow from operation /current liabilities
- (2) Net cash flow adequacy ratio = net cash flows from operation in the last 5 years / (capital expenditures + inventory increment + cash dividend) of the last 5 years
- (3) Cash reinvestment ratio = (net cash flows from operation – cash dividend) / (gross fixed assets + other non-current assets + working capital)

6. Leverage:

- (1) Operating leverage = (net sales – variable operating cost and expense) operating income (Note 6)
- (2) Financial leverage = operating income / (operating income – interest expense)

**(III).The Review Report of the Audit Committee on the financial statements of the most recent year.**

The Board of Directors compiled the 2022 Business Report, Financial Statements, and Proposal for the losses covering. The aforementioned financial statements were audited by Tien-Yi Lee and Chien-Yu Liu, CPAs from PwC Taiwan with the issuance of an Auditors' Report. We have reviewed the aforementioned Business Report, Financial Statements and the Proposal for the losses covering, which were prepared in conformity to applicable rules and regulations. We hereby present this report to the Shareholders' Meeting of Microelectronics Technology Inc. for your reference pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2023 Annual Shareholders' Meeting

Microelectronics Tecnology Inc.

Convener of Audit Committee: Yun Lin

March 8, 2023

**(IV).The audited Consolidated Financial Statements of the most recent year**

Please refer to Appendix 1.

**(V).The audited Parent Company Only Financial Statements of the most recent year**

Please refer to Appendix 2.

**(VI).If the Company and its subsidiaries encountered insolvency in the most recent year to the day this report was printed, specify the influence on the financial position of the Company: None.**

## VII. The review and analysis of financial position and performance, and assessment of related risks

### (I). Financial Position

Unit: NT\$ Thousands

Year Item	2021	2022	Difference	
			Change in amount	Change in ratio %
Current assets	4,563,530	4,501,789	(61,741)	(1.35)%
Property, plant and equipment	573,940	657,372	83,432	14.54%
Intangible assets	298,072	313,755	15,683	5.26%
Other assets	1,116,808	1,068,134	(48,674)	(4.36)%
<b>Total assets</b>	<b>6,552,350</b>	<b>6,541,050</b>	<b>(11,300)</b>	<b>(0.17)%</b>
Current liabilities	3,281,470	3,325,624	44,154	1.35%
Non-current liabilities	1,308,514	1,137,822	(170,692)	(13.04)%
<b>Total liabilities</b>	<b>4,589,984</b>	<b>4,463,446</b>	<b>126,538</b>	<b>(2.76)%</b>
Shareholders equity attributable to the parent company	1,962,366	2,077,604	115,238	5.87%
Capital stock	2,280,283	2,380,283	100,000	4.39%
Additional paid-in capital	402,937	830,132	427,195	106.02%
Retained earnings	(339,909)	(790,778)	(450,869)	(132.64)%
Other equity	(380,945)	(342,033)	38,912	10.21%
Treasury shares	-	-	-	-
Uncontrolled equity	-	-	-	-
<b>Total shareholders' equity</b>	<b>1,962,366</b>	<b>2,077,604</b>	<b>115,238</b>	<b>5.87%</b>
<p>Note to the difference:</p> <ol style="list-style-type: none"> <li>Increase in PP &amp; E: Due to additional production equipment purchase in response to new product shipments.</li> <li>Decrease in Non-current liabilities: Due to decrease in DBO.</li> <li>Increase in Additional Paid-in Capital: Due to new common stock shares premium.</li> <li>Decrease in Retained earnings: This resulted from net loss.</li> </ol> <p>Note: Above financial information was audited by Independent Auditors accordance with IFRSs.</p>				

## (II).Financial performance

Unit: NT\$ Thousands

Item \ Year	2021	2022	Change in Amount	Change in ratio %
Revenue	3,929,852	4,482,301	552,449	14.06%
Cost of goods sold	3,414,680	3,852,993	438,313	12.84%
Gross profit	515,172	629,308	114,136	22.15%
Operating expense	990,334	1,048,047	57,713	5.83%
Operating income (loss)	(457,162)	(418,739)	56,423	11.87%
Non-operating income and (expense)	16,754	(47,370)	(64,124)	(382.74)%
Earnings (loss) before tax	(458,408)	(466,109)	(7,701)	(1.68)%
Income tax expense (benefit)	(8,392)	20,302	28,694	341.92%
Net income (loss)	(450,016)	(486,411)	(36,395)	(8.09)%

Note to the changes in the ratios:

1. Increase in GP and OI: Mainly due to the change of product matrix in 2022.
2. Decrease in non-operating income: Mainly due to the decrease in government subsidy income in 2022.
3. Increase in income tax expense: Because of decrease in DTA from temporary difference.

Note: Above financial information was audited by Independent Auditors accordance with IFRSs.

## (III).Cash flows

### 1. Liquidity analysis of the last 2 years

Unit : %

Item \ Year	2021.12.31	2022.12.31	Change in ratio %
Cash flow ratio (%)	NA	NA	NA
Cash flow adequacy ratio (%)	23.04	23.75	3.08%
Cash re-investment ratio (%)	(48.40)	(12.56)	74.05%

Note to analysis of the change in the ratios:

Cash Flow Analysis: The better ratio resulted from decrease in operating cash outflow.

Note: Above financial information was audited by Independent Auditors accordance with IFRSs.

## 2. Analysis of cash flow in the year ahead

Unit: NT\$ Thousands

Cash Balance 12/31/2021 (1)	Net Cash Provided by Operating Activities in 2022 (2)	Net Cash Used in Investing and Financing Activities In 2022 (3)	Cash Balance 12/31/2022 (1) + (2) + (3)	Remedy for Liquidity Shortfall	
				Investment plan	Financing Plan
1,124,401	826,642	(886,814)	1,064,229	None cash deficit	

Note to the analysis of cash flow of MTI in the year ahead:

- (1) Operating activities: Mainly due to expected revenue growth and profit increase, but the demand for working capital also increased due to revenue growth, resulting in a small cash inflow from operating activities
- (2) Investing and financing activities: The cash outflows mainly resulted from capital expenditures, and short-, medium-, and long-term loan repayment resulting in investing and financing activities.

## **(IV). Major capital expenditure in the most recent year and the influence on the financial position and operation**

### 1. Major capital expenditure and the sources of capital for MTI Group

Unit: NT\$ Thousands

Plan	Actual or Planned Source of Capital	Actual or Planned Date of Completion	Total Amount of Capital Requirement (2021 and 2022)	Actual expenditure of capital	
				2021	2022
Additional Purchase of Equipment and Software	Equity capital and part of long-term Loans for “Returning Overseas Taiwanese Businesses”	Purchase in respective years	418,857	195,446	223,411

### 2. Expected results

The capital spending on the procurement of additional plant, automation equipment, R&D and testing software and equipment could upgrade the innovation of products perpetually and upgrade product quality and quantity, to the extent that cost could be cut down, quality and performance could be improved. These will be essential for the high-tech industry in maintaining competitive advantage.

**(V). The re-investment policy of the most recent year, the main reason for profit or loss, corrective action plan and the investment plan in the year ahead.**

1. Re-investment policy:  
The main direct investment of the Company is Sasson International Holdings Inc., which is a holding company responsible for the planning and execution of domestic and foreign investment management. Through international strategic alliance or merger and acquisition, the Company could develop more channels for international marketing and upgrade technology. In general, the strategy will focus on long-term holding and not for profit through short swing trade.
2. Main reason for profit or loss:  
In 2022, the Company mainly recognized the losses from the satellite communication systems and equipment researched by sub-subsidiary MTI Laboratory Inc. and Radiocomp ApS amounting to NT\$ 10,282 thousand as return on investment.

**(VI). Risks**

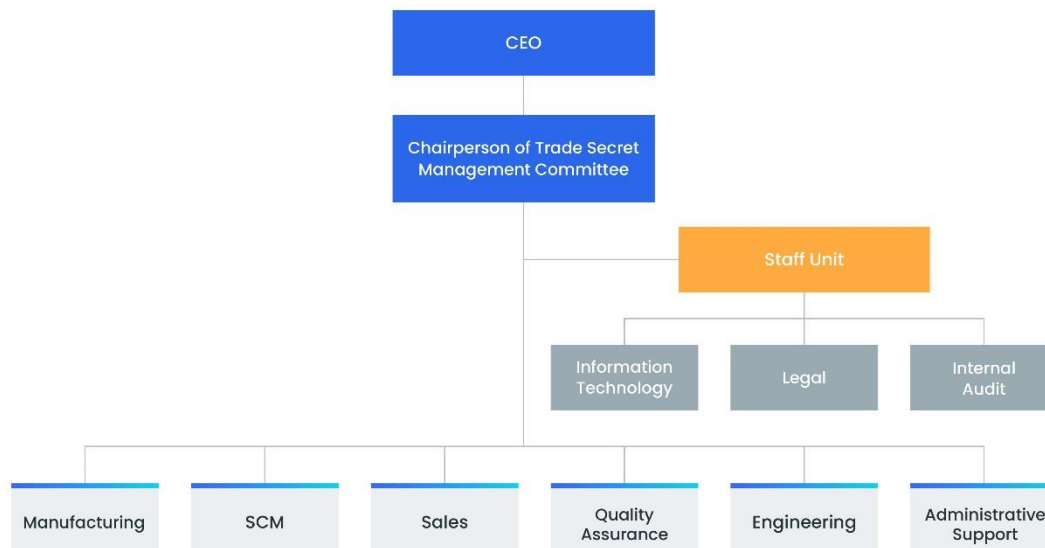
1. The influence of changes in interest rate and exchange rate, and inflation, and information security risk on the income position of the Company and the remedy in the future:
  - (1) Interest rate: the interest rate risk of the Company is derived from financing and financial investment. The fluctuation of interest rate in Taiwan and the U.S.A. will affect the expenses incurred from interest payable, and the interest income generated from cash and cash equivalents. The treasury policy of the Company focused on the security and liquidity of cash flow and keep the receipt and payment of cash under control with close attention to the changes in interest rate in market and the proper use of different financing instruments for keeping the cost of financing at reasonable levels.
  - (2) Exchange rate: The Company has appointed designated personnel to observe the changes in the foreign exchange market daily, and adopted the quotation for sale and purchase in the same currency for natural hedge of most of the exchange risk. The position of foreign currency that cannot be offset by natural hedge will be remedied by forwards and FX swap through cautious risk assessment before engagement for mitigating the influence from exchange rate fluctuation.
  - (3) Inflation: Inflation did not significantly affect the cost of purchase for the Company. Ongoing observation of the trend is still necessary.
  - (4) Information security risk: MTI has built up a set of information environment protection mechanisms for responding to any kind of possible threats in responding the the everchanging network and virus attacks form outside so as to reduce the risks of external attacks on the information environment of the Company. Although the protection mechanisms are established, the avoidance of possible network and computer virus attack can not be fully guaranteed. Successful network attack may cause network interruption, congestion or instability. Computer virus infection may paralyze personal computer, system server, or production apparatus and equipment. The attack from hackers from outside may cause data leak or encryption of data of the Company that can not be used. The above situations may deprive the Company from normal operation and production. Further to the loss caused by temporary suspension of production, the discontinuation of the production line may also affect the promise to customers on delivery. Data leak may cause the drain out of vital technical documents of the Company that affects the competitive power of the Company in the long-run. The divulgence of information provided by customers/suppliers may result in liability of damages to the customers/suppliers. The divulgence of information on the employees may trigger legal

proceedings pertinent to the protection of personal information under applicable laws. Further to the protective mechanisms, MTI has also established the mechanism for recovery after disaster through routine backup of vital information at alternate locations. Exercise drill will be conducted regularly for assurance of system recovery in the shortest possible time after natural disaster or sabotages. From 2022 to the day this report was printed, MTI did not discover any incident on information security that may significantly affect the business and operation of the Company.

In order to consolidate its information security protection mechanism, the Company formed the cross-departmental “Information Security Management Committee” to take care of preparing and enforcing respective important information security policies. The Committee has prepared “information security policies” and respective information security protection operating manuals to be followed while respective protective tasks are carried out. Implementation of “information security policies” follows the revolving cycle of planning, execution, audit and persistent improvement sequentially and progressively to ensure the validity and continuity of information security. The Committee meets at least once a year to evaluate implementation status at each department and discuss adjustments of information security policies. One information security management representative is available at the Committee to take charge of promoting respective information security affairs and coordinating cross-departmental issues. Under it are three working groups. The Risk Group primarily implements each information security protection mechanism. Besides carrying out respective information security tasks, the group evaluates new information security technologies and their risks from time to time in order to provide the latest information security protection mechanism to be discussed in the Committee meeting. The Documentation Group, on the other hand, is responsible for promoting information security information, updating external regulatory requirements and standard message and information security documentation. The Audit Group takes charge of planning and executing internal audits and tracking correction of deficiencies. All departments attending the Committee meeting will follow decisions made in the meeting while carrying out related information security protection tasks. All the related information security protection mechanisms mentioned above are configured in compliance with ISO 27001 standards. Microelectronics was also ISO 27001 certified in 2022.

To reduce information security risks, the specific practices adopted currently are as follows:

1. Check the information environment occasionally: Observe whether there is a new information security attack externally and new protection technology, and check whether the existing information system structure is with potential risks, whether information security regulations are appropriate, and whether the related software and hardware equipment are updated completely. Base on the review results to formulate relevant improvement measures and have them implemented on schedule.
2. Regular account and authorization review: Regularly review the account authorization of each system to ensure that the relevant account authorization is programmed appropriately.
3. Regular backup and disaster recovery drills: Formulate and implement a backup plan. Arrange disaster recovery drills for the key systems every year to ensure that the system can be restored as soon as necessary.
4. Occasional phishing drills: Arrange phishing drills occasionally every year to improve personnel’s ability to respond to information security attacks.



2. The policies for the engagement in high risk and high leverage investment, loaning of funds to a third party, endorsement/guarantee, and derivative trade, the main reason for profit or loss and the remedies in the future:

Under the Regulations Governing the Use of Funds of the Company, MTI is not allowed to use its funds for speculation and assets not for production like speculative investment in stocks or property not for official use for the proper management of financial risk. Relevant effective internal management regulations and procedures were in place for governing all other investment: including the “Procedure for the Acquisition or Disposition of Assets (including derivatives),” “Procedure for the Loaning of Funds” and “Regulations Governing Endorsement/Guarantees.” The main targets for endorsement/guarantee are the subsidiaries and usually up to the amount of net shareholders equity. As of the day this report was printed, the Company did not undertake any endorsement/guarantee. The “Procedure for Loaning of Funds” specified that the Company shall not offer loan to a third party.

3. The R&D plan in the future and projected expenditure:

The Company has attracted good people in research and development and invested in the best resources for research and development for the control of the core RF technology and integration with DSP and Software technology. These resources allowed for the differentiation of new products and providing the customers with high benefit products and the best solutions to the extent that both sides are the winners. For information on R&D plan in the future, refer to V. Business Review (I) Business Overview (iv) Technological research and development of the annual report.

4. The influence of the changes in major policies of the home countries and overseas and the changes in the regulatory environment on the financial position and operation of the Company and the response:

The Company complies with the policies and laws of the home country. The treasury and legal affairs functions of the Company can keep track with related policies and applicable laws for timely adjustment of related internal systems of the Company and respond appropriately to the changes for assurance of smooth business operation. The change in the regulatory environment in 2022 did not significantly affect the operation of the Company.

5. The influence of the changes in technology and industry on the financial position and operation of the Company and the response:

The Company highly treasures R&D and training of personnel and has appropriate a portion of

its revenue for investment in R&D and training of personnel for assurance of an edge in innovation of technology and production process. In responding to the acute competition in market, the Company continues to fortify the function of its products, reduce the cost of production and launch the products to the needs of the customers, keep abreast of any trend in the market and align with any technological and industrial change.

6. The influence of the change in corporate image on corporate crisis management and response:

The Company highly treasures corporate governance and corporate social responsibility, and spares no effort in keeping high moral standard in business and ethical corporate management. The Company holds conference related to its operation and improve the transparency of financial information. The Company also participates in social charity voluntarily for the assurance of performing its social responsibility.

7. The expected results and possible risks of mergers and acquisitions, and the response: The Company has no plans for mergers and acquisitions to the day this report was printed.

8. The expected results and possible risks of capacity expansion, and the response: The Company will take precautions in capacity expansion and upgrade in response to the changes in market and customer needs, and procures automated production equipment.

9. The risks deriving from concentration of purchase or sales and remedies:

Purchase: The Company keeps at least 2 suppliers for the same item for the diversification of the sources of supply and has maintained positive relationships with its suppliers for assurance of the uninterrupted sources and good quality of materials supply.

Sale: The Company insists on the capacity in R&D and manufacturing. Further to keeping prolonged cooperative relationships with existing customers, the Company also seeks to cultivate new customers and broaden the sources of business. The risk of concentration in sale is not a concern.

10. The influence of voluminous transfer of share or swap of shares by the directors, supervisors, or major shareholders holding more than 10% of the shares on the Company and the risks thereof, and the response: Not applicable to the Company to the day this report was printed.

11. The influence of the ownership on the Company, the risk thereof and the response: Not applicable to the Company to the day this report was printed.

12. Law suits or non-contentious matters: Not applicable to the Company to the day this report was printed.

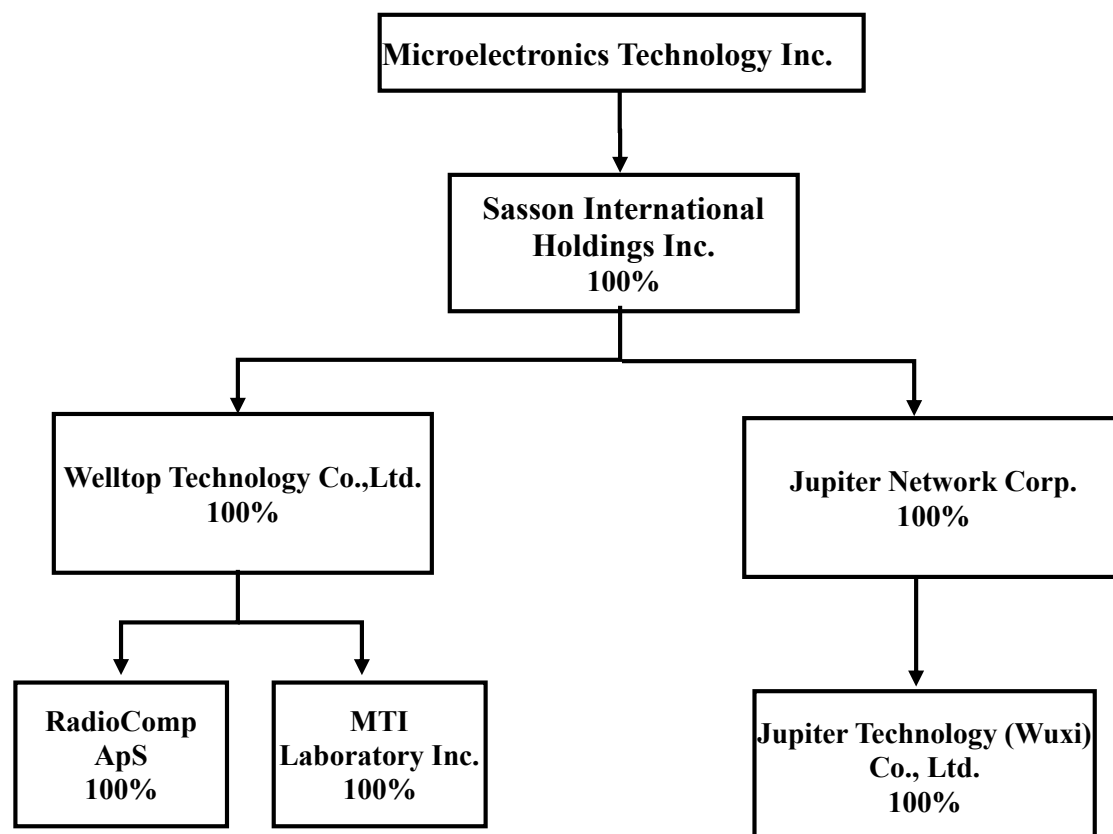
**(VII).Additional information:** None.

## VIII. Special Notes

### (I). Subsidiaries

#### 1. Organizational chart

2022.12.31



## 2. Basic information on the affiliates

2022.12.31

Unit: NTD/USD/DKK Thousands

Enterprise name	Date of establishment	Address	Paid-in capital	Principal business or products
Sasson International Holdings Inc.	February 1992	Avias Fabrega & Febrega Trust Co. BVI Ltd. Level 1, Palm Grove House, Wickham's Cay 1, Road Town, Tortola, BVI	US\$39,202	Investment management
Welltop Technology Co., Ltd.	October 2000	Tropic Isle Building, P.O. Box 438, Road Twon, Tortola, BVI	US\$7,834	Investment management
Jupiter Network Corp.	January 2001	Tropic Isle Building, P.O. Box 438, Road Twon, Tortola, BVI	US\$31,072	Investment management
Jupiter Technology (Wuxi) Co., Ltd.	March 2001	No. 180-2, Linghu Blvd, Independent Research and Development Park, Taihu International Technology Park, Wuxi.	US\$31,000	Communication industry
MTI Laboratory Inc.	July 2006	201 Continental Boulevard #300, El Segundo, CA 90245	US\$1,500	Communication industry
RadioComp ApS	October 2010	Krakasvej 17, DK-3400 Hillerød, Denmark	DKK\$1,751	Communication industry

3. Same shareholders of enterprises presumed under control and in subordination to the Company: None.

4. The industries covered by the enterprises of the whole group:

(1) The business engaged by the affiliates of the Company are: investment management and communication.

(2) The affiliates in association with one another, their transactions, and division of labor: The Company has purchases and sales with Jupiter Technology (Wuxi) Co., Ltd., subsidiary of the Company. RadioComp and MTI Laboratory Inc. have signed the service contracts with the Company.

Profiles of the directors, supervisors and president of the affiliates

2023.04.17  
Unit: share; %

Enterprise name	Title	Name or Representative	Quantity of Shareholding	
			Quantity of share	Proportion of shareholding
Sasson International Holdings Inc.	Director President	Patrick Wang Chi Hsieh Amy Ting Chris Wei	3,920	100.00%
Welltop Technology Co., Ltd.	Director	Sasson International Holdings Inc. -Representative: Chi Hsieh -Representative: Eugene Wu -Representative: Hualin Chi	7,834,000	100.00%
Jupiter Network Corp.	Director	Sasson International Holdings Inc. -Representative: Chi Hsieh -Representative: Eugene Wu -Representative: Hualin Chi	31,071,800	100.00%
Jupiter Technology (Wuxi) Co., Ltd.	Director Supervisor President	Jupiter Network Corp. -Representative: Chi Hsieh -Representative: Eugene Wu -Representative: Dunga Wu -Representative: Hunter Huang Hualin Chi Yi-Shan Chang	N / A	100.00%
MTI Laboratory Inc.	Director President	Welltop Technology Co., Ltd -Representative: Chi Hsieh -Representative: Eugene Wu -Representative: Hualin Chi Davis Kent	1,500,000	100.00%
RadioComp ApS	Director President	Welltop Technology Co., Ltd -Representative: Chi Hsieh -Representative: Eugene Wu -Representative: Hualin Chi Tarakaram Choudary Guntupalli	1,527,944	100.00%

## 5. Business Highlights of the Affiliates

2022.12.31

Unit: NT\$ Thousands

Enterprise name	Paid-in capital	Total assets	Total liabilities	Net worth	Revenue	Operating income	Net income (After tax)
Sasson International Holdings Inc.	US\$39,202,000	1,590,452	-	1,590,452	-	(91)	16,910
Welltop Technology Co., Ltd	US\$7,834,000	375,005	-	375,005	-	-	10,156
Jupiter Network Corp.	US\$31,071,800	1,002,758	-	1,002,758	-	-	16,500
Jupiter Technology (Wuxi) Co., Ltd.	US\$31,000,000	2,089,038	1,086,280	1,002,758	2,163,760	54,473	16,500
MTI Laboratory Inc.	US\$1,500,000	274,838	113,811	161,027	252,412	12,848	8,216
RadioComp ApS	DKK \$ 1,750,912	79,139	19,682	59,457	159,366	5,360	2,066

6. Consolidated financial statements of the affiliates: refer to VI. Financial Position-(IV) the Audited Consolidatd Financial Statements of the most recent year.

7. Representation Letter:

Microelectronics Technology Inc.  
Representation Letter

The entities that are required to be included in the combined financial statements of the Company for year 2022 (from January 1, 2022 to December 31, 2022), under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company does not prepare a separate set of combined financial statements.

Microelectronics Technology Inc.

Representative: Chi-Chia Hsieh

March 8 2023

- (II). Offering of securities through private placement: None.**
- (III). The holding or disposal of Company shares by subsidiaries: None.**
- (IV). Other additional information: None.**
- (V). Incidents that significantly affected the shareholders equity or stock price of the Company as prescribed in Subparagraph 2, Paragraph 2 in Article 36 of the Securities and Exchange Act in the most recent year to the day this report was printed: None.**

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of MICROELECTRONICS TECHNOLOGY, INC.

### ***Opinion***

We have audited the accompanying consolidated balance sheets of Microelectronics Technology Inc. and 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, 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Key audit matters***

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

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

### **Intangible assets - assessment of goodwill impairment**

#### Description

As of December 31, 2022, goodwill amounted to NT\$276,909 thousand. The group estimates recoverable amount utilizing the future cash flows of goodwill's cash generating unit and appropriate discount rates in order to determine whether goodwill is impaired. Please refer to Notes 4(11), 5(2) and 6(10) for details. The estimation of future cash flows involves various assumptions, which may have significant effects on the estimation of recoverable amount. Thus, it has been identified as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Interviewed with management in order to obtain an understanding of the procedures in relation to identifying cash-generating units and estimating the future cash flows. Assessed the valuation model has been properly adopted.
2. Interviewed with management in order to obtain an understanding of development plans and schedules of the projects. Compared the financial forecast for the future cash flows are in agreement with the budget of the Group.
3. Assessed the key assumption that management used to estimate future cash flows, including operating revenue growth rate and gross margin, and compared with historical data, economic and industry forecast. Evaluated the parameters used in determining the discount rate, including the risk-free rate of return that was used to calculate cost of equity, industry's risk coefficient and long-term market return.

## **Allowance for inventory valuation losses**

### Description

As of December 31, 2022, the balances of inventories and allowance for inventory valuation losses amounted to NT\$2,415,489 thousand and NT\$76,839 thousand, respectively. Please refer to Notes 4(13), 5(1) and 6(6) for details. Since inventory is material to the financial statements and the determination of net realisable value of the obsolete inventory involves management's subjective judgement, therefore, we determined valuation of inventories that are over a certain age and individually identified as obsolete or slow-moving as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of management policies on obsolete or slow-moving inventories, and verified the reasonableness of determining the obsolescence of inventory.
2. Tested the movements of inventories, and sampled individual inventory item numbers to check whether the classification of inventory aging is correct.
3. For obsolete or slow-moving inventories, sampled individual inventory item numbers to check progress of inventory clearance and evaluated the reasonableness of determining the allowance for inventory valuation losses.

### ***Other matter – Parent company only financial statements***

We have audited and expressed an unqualified opinion on the parent company only financial statements of Microelectronics Technology Inc. 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 year 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.

---

Li, Tien-Yi

---

Liu, Chien-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 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.

**MICROELECTRONICS TECHNOLOGY, INC. 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	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 1,124,401	17	\$ 1,138,191	17
1110	Financial assets at fair value through profit or loss - current	6(2)	3,227	-	490	-
1136	Current financial assets at amortised cost	6(4) and 8	34,676	1	26,580	-
1150	Notes receivable	6(5)	663	-	14,013	-
1170	Accounts receivable, net	6(5)	885,000	14	1,100,349	17
1180	Accounts receivable - related parties	6(5) and 7	26,760	-	32,276	1
1200	Other receivables		18,351	-	36,847	1
1210	Other receivables - related parties	7	239	-	136	-
130X	Inventories	6(6)	2,338,650	36	2,156,275	33
1410	Prepayments		69,822	1	58,373	1
11XX	<b>Total current assets</b>		<u>4,501,789</u>	<u>69</u>	<u>4,563,530</u>	<u>70</u>
<b>Non-current assets</b>						
1510	Financial assets at fair value through profit or loss-non-current	6(2)	55,626	1	28,906	-
1517	Financial assets at fair value through other comprehensive income-non-current	6(3)	108,109	1	114,588	2
1600	Property, plant and equipment	6(7)	657,372	10	573,940	9
1755	Right-of-use assets	6(8) and 7	441,732	7	477,613	7
1780	Intangible assets	6(9)(10)	313,755	5	298,072	5
1840	Deferred income tax assets	6(29)	440,882	7	482,106	7
1900	Other non-current assets	7	21,785	-	13,595	-
15XX	<b>Total non-current assets</b>		<u>2,039,261</u>	<u>31</u>	<u>1,988,820</u>	<u>30</u>
1XXX	<b>Total Assets</b>		<u>\$ 6,541,050</u>	<u>100</u>	<u>\$ 6,552,350</u>	<u>100</u>

(Continued)

**MICROELECTRONICS TECHNOLOGY, INC. 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	%
<b>Current Liabilities</b>						
2100	Short-term borrowings	6(11)	\$ 1,558,915	24	\$ 1,547,656	24
2120	Financial liabilities at fair value through profit or loss - current	6(12)	220	-	-	-
2130	Current contract liabilities	6(22)	46,168	1	7,597	-
2170	Accounts payable		943,004	14	1,125,330	17
2180	Accounts payable - related parties	7	4,687	-	1,460	-
2200	Other payables	6(13)	322,276	5	347,178	5
2230	Current income tax liabilities		678	-	1,536	-
2250	Provisions for liabilities - current	6(17)	19,831	-	49,707	1
2280	Current lease liabilities	7	93,462	1	61,294	1
2320	Long-term liabilities, current portion	6(14)	301,312	5	128,543	2
2399	Other current liabilities		35,071	1	11,169	-
21XX	<b>Total current liabilities</b>		<u>3,325,624</u>	<u>51</u>	<u>3,281,470</u>	<u>50</u>
<b>Non-current liabilities</b>						
2540	Long-term loans	6(14)	569,153	9	628,437	9
2550	Provisions for liabilities - non-current	6(17)	8,187	-	1,887	-
2570	Deferred income tax liabilities	6(29)	90,825	1	109,468	2
2580	Non-current lease liabilities	7	367,750	6	397,882	6
2600	Other non-current liabilities	6(15)	101,907	1	170,840	3
25XX	<b>Total non-current liabilities</b>		<u>1,137,822</u>	<u>17</u>	<u>1,308,514</u>	<u>20</u>
2XXX	<b>Total Liabilities</b>		<u>4,463,446</u>	<u>68</u>	<u>4,589,984</u>	<u>70</u>
<b>Equity</b>						
<b>Equity attributable to owners of parent</b>						
Share capital 6(18)						
3110	Share capital-common stock		2,380,283	36	2,280,283	35
Capital Reserves 6(19)						
3200	Capital surplus		830,132	13	402,937	6
Retained Earnings 6(20)						
3310	Legal reserve		24,972	-	24,972	-
3320	Special reserve		193,426	3	193,426	3
3350	Accumulated deficit		( 1,009,176)	( 15)	( 558,307)	( 8)
Other Equity Interest 6(21)						
3400	Other equity interest		( 342,033)	( 5)	( 380,945)	( 6)
31XX	<b>Equity attributable to owners of the parent</b>		<u>2,077,604</u>	<u>32</u>	<u>1,962,366</u>	<u>30</u>
3XXX	<b>Total equity</b>		<u>2,077,604</u>	<u>32</u>	<u>1,962,366</u>	<u>30</u>
Significant contingent liabilities and unrecognised contract commitments 9						
Significant events after the balance sheet date 11						
3X2X	<b>Total Liabilities and Equity</b>		<u>\$ 6,541,050</u>	<u>100</u>	<u>\$ 6,552,350</u>	<u>100</u>

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars, except loss per share amount)

Items	Notes	Year ended December 31				
		2022		2021		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(22)	\$ 4,482,301	100	\$ 3,929,852	100
5000	Operating costs	6(6)	( 3,852,993)	( 86)	( 3,414,680)	( 87)
5900	Gross profit		629,308	14	515,172	13
	Operating expenses	6(27)(28)				
6100	Selling expenses		( 160,882)	( 4)	( 150,219)	( 4)
6200	General and administrative expenses		( 150,319)	( 3)	( 127,405)	( 3)
6300	Research and development expenses		( 731,186)	( 16)	( 701,953)	( 18)
6450	Gain on reversal of expected credit impairment		( 5,660)	-	( 10,757)	-
6000	Total operating expenses		( 1,048,047)	( 23)	( 990,334)	( 25)
6900	Operating loss		( 418,739)	( 9)	( 475,162)	( 12)
	Non-operating income and expenses					
7100	Interest income	6(23)	4,481	-	3,926	-
7010	Other income	6(24)	9,642	-	18,970	1
7020	Other gains and losses	6(25)	( 12,884)	-	14,098	-
7050	Finance costs	6(26)	( 48,609)	( 1)	( 20,240)	( 1)
7000	Total non-operating income and expenses		( 47,370)	( 1)	16,754	-
7900	<b>Loss before income tax</b>		( 466,109)	( 10)	( 458,408)	( 12)
7950	Income tax benefit (expense)	6(29)	( 20,302)	( 1)	8,392	-
8200	<b>Loss for the year</b>		<u>( \$ 486,411)</u>	<u>( 11)</u>	<u>( \$ 450,016)</u>	<u>( 12)</u>
	<b>Other comprehensive income (loss)</b>					
	<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>					
8311	Losses on remeasurements of defined benefit plans	6(15)	\$ 35,542	1	\$ 9,045	-
8316	Unrealised loss from financial assets measured at fair value through other comprehensive income	6(3)(21)	( 16,543)	-	3,102	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
8361	Currency translation differences of foreign operations	6(21)	69,319	1	( 24,119)	-
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(29)	( 13,864)	-	4,824	-
8300	<b>Total other comprehensive income (loss) for the year</b>		<u>\$ 74,454</u>	<u>2</u>	<u>( \$ 7,148)</u>	<u>-</u>
8500	<b>Total comprehensive loss for the year</b>		<u>( \$ 411,957)</u>	<u>( 9)</u>	<u>( \$ 457,164)</u>	<u>( 12)</u>
	Loss attributable to:					
8610	Owners of the parent		<u>( \$ 486,411)</u>	<u>( 11)</u>	<u>( \$ 450,016)</u>	<u>( 12)</u>
8710	Comprehensive loss attributable to: Owners of the parent		<u>( \$ 411,957)</u>	<u>( 9)</u>	<u>( \$ 457,164)</u>	<u>( 12)</u>
	Loss per share ( in dollars )	6(30)				
9750	Basic		<u>( \$ 2.06)</u>		<u>( \$ 1.97)</u>	
9850	Diluted		<u>( \$ 2.06)</u>		<u>( \$ 1.97)</u>	

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2022 AND 2021  
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent							Total equity
		Retained Earnings				Other equity interest			
		Share capital- common stock	Capital surplus, additional paid- in capital	Legal reserve	Special reserve	Accumulated deficit	Exchange differences on translation of foreign financial statements	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
<u>2021</u>									
Balance at January 1, 2021		\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	(\$ 117,336)	(\$ 110,123)	(\$ 254,629)	\$ 2,419,530
Loss for the year		-	-	-	-	( 450,016)	-	-	( 450,016)
Other comprehensive (loss) income for the year	6(3)(21)	-	-	-	-	9,045	( 19,295)	3,102	( 7,148)
Total comprehensive (loss) income		-	-	-	-	( 440,971)	( 19,295)	3,102	( 457,164)
Balance at December 31, 2021		\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	(\$ 558,307)	(\$ 129,418)	(\$ 251,527)	\$ 1,962,366
<u>2022</u>									
Balance at January 1, 2022		\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	(\$ 558,307)	(\$ 129,418)	(\$ 251,527)	\$ 1,962,366
Loss for the year		-	-	-	-	( 486,411)	-	-	( 486,411)
Other comprehensive income (loss) for the year	6(3)(21)	-	-	-	-	35,542	55,455	( 16,543)	74,454
Total comprehensive (loss) income		-	-	-	-	( 450,869)	55,455	( 16,543)	( 411,957)
Cash capital increase	6(18)	100,000	418,700	-	-	-	-	-	518,700
Share-based payment transactions	6(16)	-	8,495	-	-	-	-	-	8,495
Balance at December 31, 2022		\$ 2,380,283	\$ 830,132	\$ 24,972	\$ 193,426	(\$ 1,009,176)	(\$ 73,963)	(\$ 268,070)	\$ 2,077,604

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

**MICROELECTRONICS TECHNOLOGY, INC. 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
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		( \$ 466,109 )	( \$ 458,408 )
Adjustments			
Adjustments to reconcile profit (loss)			
Loss on expected credit impairment		5,660	10,757
Depreciation	6(7)(8)(27)	182,189	158,652
Amortization	6(9)(27)	35,036	34,013
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(25)	7,874	( 4,380 )
Net loss (gain) on financial liabilities at fair value through profit or loss	6(12)(25)	220	( 876 )
Interest income	6(23)	( 4,481 )	( 3,926 )
Dividend income	6(24)	( 97 )	( 130 )
Interest expense	6(26)	48,609	20,240
Compensation cost of share-based payment	6(16)	8,495	-
Gain on disposal of property, plant and equipment	6(25)	( 292 )	( 548 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		13,351	( 9,932 )
Accounts receivable		213,251	( 183,238 )
Accounts receivable-related parties		26,188	-
Other receivables		18,878	874
Inventories		( 167,517 )	( 1,145,086 )
Prepayments		( 10,086 )	15,785
Changes in operating liabilities			
Accounts payable		( 186,724 )	270,717
Accounts payable-related parties		( 4,266 )	-
Other payables		( 57,371 )	714
Provisions for liabilities		21,381	( 2,777 )
Contract liabilities-current		38,571	( 73,436 )
Other current liabilities		20,302	( 8,417 )
Accrued pension liabilities		( 33,159 )	( 15,600 )
Cash outflow generated from operations		( 290,097 )	( 1,395,002 )
Interest received		4,514	4,223
Dividend received		97	130
Interest paid		( 41,924 )	( 20,092 )
Income taxes paid		( 51,899 )	( 8,814 )
Net cash flows used in operating activities		( 379,309 )	( 1,419,555 )
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in financial assets at amortized cost		( 5,055 )	( 74 )
Acquisition of financial assets at fair value through profit or loss		( 33,346 )	( 20,032 )
Acquisition of property, plant and equipment	6(31)	( 186,999 )	( 163,740 )
Proceeds from disposal of property, plant and equipment		4,393	9,171
Acquisition of intangible assets	6(9)	( 36,412 )	( 31,706 )
Increase in guarantee deposits paid		( 200 )	( 3,951 )
Net cash flows used in investing activities		( 257,619 )	( 210,332 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term borrowings	6(32)	3,401,969	2,781,537
Decrease in short-term borrowings	6(32)	( 3,390,957 )	( 1,601,451 )
Increase in long-term borrowings	6(32)	168,347	390,180
Decrease in long-term borrowings	6(32)	( 55,294 )	( 33,533 )
Repayment of principal portion of lease liabilities	6(32)	( 31,904 )	( 83,662 )
Cash capital increase	6(18)	518,700	-
Net cash flows from financing activities		610,861	1,453,071
Effects due to changes in exchange rate		12,277	( 9,786 )
Net decrease in cash and cash equivalents		( 13,790 )	( 186,602 )
Cash and cash equivalents at beginning of year	6(1)	1,138,191	1,324,793
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,124,401</u>	<u>\$ 1,138,191</u>

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

MICROELECTRONICS TECHNOLOGY, INC. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANISATION

Microelectronics Technology Inc. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the design, manufacture and sales of terrestrial microwave, satellite communication system products, and related customised products.

On January 1, 2011, the Company merged with the subsidiary, Global PCS Inc.. Under the merger, the Company was the surviving company while Global PCS Inc. was the dissolved company.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on March 8, 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 that came into effect as endorsed by the FSC and became 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 that came into effect as endorsed by the FSC but not yet adopted by the Group

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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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' <sup>12</sup>	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:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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 and liabilities 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 consolidated 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 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 noncontrolling interests having a deficit balance.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)	
			December 31, 2022	December 31, 2021
Microelectronics Technology, Inc.	Sasson International Holding, Inc.	Note 1	100.00	100.00
Sasson International Holding, Inc.	Welltop Technology Co., Ltd.	Note 1	100.00	100.00
Sasson International Holding, Inc.	Jupiter Network Corp. (Jupiter)	Note 1	100.00	100.00
Welltop Technology Co., Ltd.	MTI Laboratory, Inc.	Note 2	100.00	100.00
Welltop Technology Co., Ltd.	RadioComp ApS	Note 2	100.00	100.00
Jupiter Network Corp. (Jupiter)	Jupiter Technology (Wuxi) Inc.	Note 3	100.00	100.00

Note 1: Main operating activity is investments in the manufacturing and trading business.

Note 2: Research, development, design, manufacture and sales of personal wireless communication device, components of subsystem and system and wireless microwave communication system and equipment of electronic system.

Note 3: Main operating activities are design of satellite and microwave communication system equipment and its components, sales of self-made products and providing related technical services.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

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 dollars, which is the Company's functional and the Group's presentation 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

- (a) The operating results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

#### (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 meet the definition above 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 liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. Dividends are recognised as revenue 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.
- 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 plus transaction costs. The Group subsequently measures the financial assets at fair value, 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. Dividends are recognised as revenue 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.

(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.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(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 financial assets at amortised cost, 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) 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 cost of completion and applicable variable selling expenses.

(14) 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. 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	3 ~ 40 years
Machinery and equipment	3 ~ 10 years
Office equipment	2 ~ 6 years
Transportation equipment	5 years
Leasehold improvements	3 years

(15) Leasing arrangements (lessor) – lease receivables/ operating leases

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability 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. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the interest rate implicit in the lease.

Lease payments are comprised of fixed payments.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.

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. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Intangible assets

- A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.
- B. Goodwill arises in a business combination accounted for by applying the acquisition method and subsequently measured at the amount of cost less accumulated impairment loss.
- C. Acquired special technologies are amortised on a straight-line basis over their estimated useful lives of 5 years.

(17) Impairment of non-financial assets

- A. The Group 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. Except for goodwill, when the circumstances or reasons for recognizing 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.
- B. The recoverable amount of goodwill will be assessed periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(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) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services.
- B. The short-term notes without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Provisions

Provision 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, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(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 the 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 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 defined benefit net 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 government bonds (at the balance sheet date) 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 the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as other equity.

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

For the equity-settled share-based payment arrangements, the employee services received 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, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(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 Company 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 goodwill or 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 provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. 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.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. Deferred tax assets are recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(27) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(28) Dividends

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

(29) Revenue recognition

A. Sales of goods

- (a) The Group manufactures and sells terrestrial microwave, satellite, and related customized products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and 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 customer 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) Revenue from these sales is recognised based on the price specified in the contract. Revenue

is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term of 30 to 90 days, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect the time value of money.

- (c) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

#### B. Technical services on product development

- (a) The Group provides technical services on product development. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs spent relative to the total expected cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.
- (b) The Group's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

#### C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Group recognises the incremental costs of obtaining a contract as an expense (mainly arisen from sales commissions) when incurred although the Group expects to recover those costs.

#### (30) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

#### (31) 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, ESTIMATES AND KEY SOURCES OF ASSUMPTION 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. The related information is addressed below:

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

None.

### (2) Critical accounting estimates and assumptions

#### A. Impairment assessment of tangible and intangible assets (including goodwill)

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

The Group estimates recoverable amount utilizing the future cash flows of goodwill's cash generating unit and appropriate discount rates in order to determine whether goodwill is impaired. Please refer to Note 6(9) (10) for the information on goodwill impairment. As of December 31, 2022, the Group's property, plant and equipment and intangible assets (including goodwill) amounted to \$657,372 and \$313,755, respectively.

#### B. Realisability of deferred tax assets

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2022, the Group recognised deferred tax assets amounting to \$440,882.

#### C. 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. Due to the rapid technology innovation, 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.

As of December 31, 2022, the carrying amount of inventories was \$2,338,650.

## 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	\$ 238	\$ 209
Checking accounts and demand deposits	1,019,694	973,891
Time deposits	104,469	164,091
	<u>\$ 1,124,401</u>	<u>\$ 1,138,191</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. Information on restricted cash reclassified as 'Financial assets at amortised cost' is provided in Note 8.

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 3,227	\$ 490
Unlisted stocks	113,777	102,551
Valuation adjustments	(113,777)	(102,551)
	<u>\$ 3,227</u>	<u>\$ 490</u>
Non-current items :		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	\$ 51,852	\$ 19,973
Valuation adjustments	(1,137)	9,137
Net exchange differences	4,911	(204)
	<u>\$ 55,626</u>	<u>\$ 28,906</u>

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

	<u>Years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	(\$ 10,274)	\$ 9,137
Derivative instruments	2,737	(4,757)
Option	(337)	-
	<u>(\$ 7,874)</u>	<u>\$ 4,380</u>

B. The Group entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	Unit: In thousands					
	December 31, 2022		December 31, 2021			
	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period		
<u>Derivative instruments</u>						
Current items:						
Foreign exchange swap transactions	USD	3,000	2022.11.10~ 2023.01.17	USD	3,000	2021.11.11~ 2022.01.18
Forward foreign exchange contracts	USD	-	-	USD	1,000	2021.12.06~ 2022.01.04

The Group entered into foreign exchange swap transactions and forward foreign exchange contracts to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

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

Items	December 31, 2022	December 31, 2021
Non-current items :		
Equity instruments		
Unlisted stocks	\$ 371,284	\$ 337,119
Valuation adjustments	( 268,070)	( 251,527)
Net exchange differences	4,895	28,996
	<u>\$ 108,109</u>	<u>\$ 114,588</u>

A. The Group has elected to classify equity instrument investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$108,109 and \$114,588 as at December 31, 2022 and 2021, respectively.

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:

	Years ended December 31	
	2022	2021
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive (loss) income	(\$ 16,543)	\$ 3,102

(4) Financial assets at amortised cost

Items	December 31, 2022	December 31, 2021
Current items:		
Time deposits	\$ 34,676	\$ 26,580

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

	Years ended December 31	
	2022	2021
Interest income	\$ 778	\$ 68

B. As of December 31, 2022 and 2021, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group were \$34,676 and \$26,580, respectively.

C. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 663	\$ 14,013
Less: Allowance for uncollectible accounts	-	-
	<u>\$ 663</u>	<u>\$ 14,013</u>
Accounts receivable	\$ 902,309	\$ 1,111,377
Accounts receivable - related party	26,760	32,276
Less: Allowance for uncollectible accounts	( 17,309)	( 11,028)
	<u>\$ 911,760</u>	<u>\$ 1,132,625</u>

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

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 760,589	\$ 663	\$ 549,193	\$ 14,013
Up to 90 days	136,811	-	442,376	-
91 to 180 days	14,351	-	65,293	-
Over 180 days	17,318	-	86,791	-
	<u>\$ 929,069</u>	<u>\$ 663</u>	<u>\$ 1,143,653</u>	<u>\$ 14,013</u>

The above ageing analysis was based on past due date. As of December 31, 2022, the subsequent collection of past-due accounts receivable amounted to \$115,262.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$973,109.

C. As of December 31, 2022 and 2021, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable were \$663 and \$14,013, respectively. As of December 31, 2022 and 2021, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were \$911,760 and \$1,132,625, respectively.

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

(6) Inventories

	December 31, 2022		
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	Book value
Raw materials	\$ 1,153,339	(\$ 47,278)	\$ 1,106,061
Work in progress	543,216	( 20,461)	522,755
Finished goods	718,934	( 9,100)	709,834
	<u>\$ 2,415,489</u>	<u>(\$ 76,839)</u>	<u>\$ 2,338,650</u>

	December 31, 2021		
	Cost	Allowance for inventory valuation losses and loss for obsolete and slow-moving inventories	Book value
Raw materials	\$ 1,203,337	(\$ 27,024)	\$ 1,176,313
Work in progress	458,477	( 13,678)	444,799
Finished goods	544,686	( 9,523)	535,163
	<u>\$ 2,206,500</u>	<u>(\$ 50,225)</u>	<u>\$ 2,156,275</u>

The cost of inventories recognised as expense for the period:

	Years ended December 31	
	2022	2021
Cost of goods sold	\$ 3,807,536	\$ 3,396,583
Loss on decline in market value	45,457	18,097
Recognised as selling and R&D expenses	10,148	25,790
	<u>\$ 3,863,141</u>	<u>\$ 3,440,470</u>

(7) Property, plant and equipment

Details of property, plant and equipment for its own use are as follows:

	2022						
	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1							
Cost	\$ 425,451	\$ 1,063,939	\$ 105,231	\$ 2,097	\$ 25,219	\$ 15,414	\$ 1,637,351
Accumulated depreciation and impairment	( 121,760)	( 834,497)	( 88,700)	( 2,097)	( 16,357)	-	( 1,063,411)
	<u>\$ 303,691</u>	<u>\$ 229,442</u>	<u>\$ 16,531</u>	<u>\$ -</u>	<u>\$ 8,862</u>	<u>\$ 15,414</u>	<u>\$ 573,940</u>
At January 1	\$ 303,691	\$ 229,442	\$ 16,531	\$ -	\$ 8,862	\$ 15,414	\$ 573,940
Additions	9,148	139,694	9,409	-	6,026	23,431	187,708
Reclassifications	-	17,357	-	-	-	( 12,820)	4,537
Disposals	-	( 4,096)	( 5)	-	-	-	( 4,101)
Depreciation expense	( 18,562)	( 79,106)	( 8,947)	( -)	( 5,787)	( -)	( 112,402)
Net exchange differences	4,376	2,862	392	-	36	24	7,690
At December 31	<u>\$ 298,653</u>	<u>\$ 306,153</u>	<u>\$ 17,380</u>	<u>\$ -</u>	<u>\$ 9,137</u>	<u>\$ 26,049</u>	<u>\$ 657,372</u>
At December 31							
Cost	\$ 440,613	\$ 1,205,237	\$ 115,592	\$ 2,298	\$ 31,819	\$ 26,049	\$ 1,821,608
Accumulated depreciation and impairment	( 141,960)	( 899,084)	( 98,212)	( 2,298)	( 22,682)	-	( 1,164,236)
	<u>\$ 298,653</u>	<u>\$ 306,153</u>	<u>\$ 17,380</u>	<u>\$ -</u>	<u>\$ 9,137</u>	<u>\$ 26,049</u>	<u>\$ 657,372</u>

2021

	Buildings and structures	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1							
Cost	\$ 427,181	\$ 986,153	\$ 100,371	\$ 2,150	\$ 18,584	\$ -	\$ 1,534,439
Accumulated depreciation and impairment	( 102,904)	( 812,584)	( 81,731)	( 2,150)	( 12,500)	-	( 1,011,869)
	<u>\$ 324,277</u>	<u>\$ 173,569</u>	<u>\$ 18,640</u>	<u>\$ -</u>	<u>\$ 6,084</u>	<u>\$ -</u>	<u>\$ 522,570</u>
At January 1							
Cost	\$ 324,277	\$ 173,569	\$ 18,640	\$ -	\$ 6,084	\$ -	\$ 522,570
Additions	-	117,377	7,716	-	6,777	15,403	147,273
Reclassifications	-	10,812	-	-	-	-	10,812
Disposals	-	( 8,623)	-	-	-	-	( 8,623)
Depreciation expense	( 19,160)	( 61,613)	( 9,483)	-	( 3,995)	-	( 94,251)
Net exchange differences	( 1,426)	( 2,080)	( 342)	-	( 4)	11	( 3,841)
At December 31	<u>\$ 303,691</u>	<u>\$ 229,442</u>	<u>\$ 16,531</u>	<u>\$ -</u>	<u>\$ 8,862</u>	<u>\$ 15,414</u>	<u>\$ 573,940</u>
At December 31							
Cost	\$ 425,451	\$ 1,063,939	\$ 105,231	\$ 2,097	\$ 25,219	\$ 15,414	\$ 1,637,351
Accumulated depreciation and impairment	( 121,760)	( 834,497)	( 88,700)	( 2,097)	( 16,357)	-	( 1,063,411)
	<u>\$ 303,691</u>	<u>\$ 229,442</u>	<u>\$ 16,531</u>	<u>\$ -</u>	<u>\$ 8,862</u>	<u>\$ 15,414</u>	<u>\$ 573,940</u>

(8) Leasing arrangements – lessee

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

	Carrying amount	
	December 31, 2022	December 31, 2021
Land	\$ 25,889	\$ 26,235
Buildings	415,843	451,378
	<u>\$ 441,732</u>	<u>\$ 477,613</u>

	Depreciation charge	
	Years ended December 31	
	2022	2021
Land	\$ 724	\$ 708
Buildings	69,063	63,693
	<u>\$ 69,787</u>	<u>\$ 64,401</u>

C. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$26,200 and \$23,510, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	Years ended December 31	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 8,674	\$ 9,974
Expense on short-term lease contracts	36,761	46,796
Expense on leases of low-value assets	803	1,339

E. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases were \$78,142 and \$141,771, respectively.

(9) Intangible assets

	2022			
	Goodwill	Acquired special technology	Computer software	Total
At January 1				
Cost	\$ 383,503	\$ 404,895	\$ 545,221	\$ 1,333,619
Accumulated depreciation	( 119,744)	( 404,895)	( 510,908)	( 1,035,547)
	<u>\$ 263,759</u>	<u>\$ -</u>	<u>\$ 34,313</u>	<u>\$ 298,072</u>
At January 1	\$ 263,759	\$ -	\$ 34,313	\$ 298,072
Additions	-	-	36,412	36,412
Amortisation charge	-	-	( 35,036)	( 35,036)
Net exchange differences	13,150	-	1,157	14,307
At December 31	<u>\$ 276,909</u>	<u>\$ -</u>	<u>\$ 36,846</u>	<u>\$ 313,755</u>
At December 31				
Cost	\$ 383,503	\$ 404,895	\$ 595,125	\$ 1,383,523
Accumulated amortisation	( 106,594)	( 404,895)	( 558,279)	( 1,069,768)
	<u>\$ 276,909</u>	<u>\$ -</u>	<u>\$ 36,846</u>	<u>\$ 313,755</u>
	2021			
	Goodwill	Acquired special technology	Computer software	Total
At January 1				
Cost	\$ 383,503	\$ 404,895	\$ 518,101	\$ 1,306,499
Accumulated depreciation	( 116,272)	( 404,895)	( 480,756)	( 1,001,923)
	<u>\$ 267,231</u>	<u>\$ -</u>	<u>\$ 37,345</u>	<u>\$ 304,576</u>
At January 1	\$ 267,231	\$ -	\$ 37,345	\$ 304,576
Additions	-	-	31,706	31,706
Amortisation charge	-	-	( 34,013)	( 34,013)
Net exchange differences	( 3,472)	-	( 725)	( 4,197)
At December 31	<u>\$ 263,759</u>	<u>\$ -</u>	<u>\$ 34,313</u>	<u>\$ 298,072</u>
At December 31				
Cost	\$ 383,503	\$ 404,895	\$ 545,221	\$ 1,333,619
Accumulated amortisation	( 119,744)	( 404,895)	( 510,908)	( 1,035,547)
	<u>\$ 263,759</u>	<u>\$ -</u>	<u>\$ 34,313</u>	<u>\$ 298,072</u>

A. Details of amortisation on intangible assets are as follows:

	Years ended December 31	
	2022	2021
Operating costs	\$ 6,470	\$ 6,422
General and administrative expenses	789	1,085
Research and development expenses	27,777	26,506
	<u>\$ 35,036</u>	<u>\$ 34,013</u>

B. Impairment information about the intangible assets is provided in Note 6(10).

(10) Impairment of non-financial assets

The recoverable amount of goodwill was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets- approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are as follows:

	Years ended December 31,					
	2022			2021		
	Up to 1 year	2 ~ 5 years	Over 6 years	Up to 1 year	2 ~ 5 years	Over 6 years
Operating revenue growth	33%	30%~5%	0%	97%	5%	0%
Gross margin	22%	20%	20%	16%	16%	16%
Discount rate	11.82%	11.82%	11.82%	14.03%	14.03%	14.03%

A. Operating revenue growth rate: took into consideration the estimated operation and sales plans.

B. Gross margin: calculated based on the historical data and took into consideration the estimated operation and sales plans.

C. Discount rate: the discount rates used were pre-tax and reflected specific risks relating to the relevant operating segments.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Borrowings for material purchase	\$ 532,110	4.74%~6%	None
Export financing	74,805	3.7%~5.69%	None
Unsecured borrowings	952,000	1.61%~2.35%	None
	<u>\$ 1,558,915</u>		

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Export financing	\$ 83,040	0.70%	None
Borrowings for material purchase	339,850	0.70%~0.89%	None
Unsecured borrowings	1,124,766	0.74%~1.25%	None
	<u>\$ 1,547,656</u>		

For the years ended December 31, 2022 and 2021, the Group recognised interest expense in profit or loss amounting to \$29,096 and \$4,962 respectively, due to the short-term borrowings.

(12) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	\$ 220	\$ -
Valuation adjustments	-	-
	<u>\$ 220</u>	<u>\$ -</u>

A. For the years ended December 31, 2022 and 2021, the Group recognised net (loss) gain on financial liabilities held for trading amounting to (\$220) and \$876, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Group does not adopt hedge accounting are as follows:

<u>Non-derivative financial liabilities for hedging</u>	<u>December 31, 2022</u>	
	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	USD 5,000	2022.12.28~2023.02.01

December 31, 2021: None.

C. The Group entered into forward foreign exchange contracts and foreign exchange swap transactions to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

(13) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Employee bonus payable	\$ 178,246	\$ 183,758
Payables for machinery and equipment	30,158	21,620
Payables for miscellaneous purchases	30,244	47,618
Accrued export expenses	10,971	19,681
Payables for technical assistance	9,654	11,910
Insurance expense payable	7,232	7,086
Payables for consulting service fees	5,132	7,082
Payables for commission fee	2,633	4,367
Others	48,006	44,056
	<u>\$ 322,276</u>	<u>\$ 347,178</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings				
Land Bank of Taiwan	Borrowing period is from February 5, 2021 to February 5, 2026; interest is repayable monthly; principal is repayable in equal monthly from March 15, 2022.	1.425%	None	\$ 161,662
The Shanghai Commercial & Savings Bank	Borrowing period is from March 31, 2020 to March 15, 2025; interest is repayable monthly; principal is repayable in equal monthly from April 15, 2023.	1.375%	None	293,822
Mega Bank	Borrowing period is from December 23, 2019 to September 15, 2026; interest is repayable monthly; principal is repayable monthly from December 15, 2022.	1.570%	None	311,434
Other borrowings				
Chailease Finance Co., Ltd.	Borrowing period is from June 28, 2022 to June 27, 2024; interest is repayable monthly; principal is repayable monthly from July 28, 2022.	4.165%	Note	103,547
				<u>870,465</u>
Less: Current portion				( <u>301,312</u> )
				<u>\$ 569,153</u>

Note: The Group issued promissory notes of \$154,344 as security for the inventory sale and repurchase arrangement. The coupon rate is 2%.

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Long-term bank borrowings				
Land Bank of Taiwan	Borrowing period is from February 5, 2021 to February 5, 2026; interest is repayable monthly; principal is repayable in equal monthly from March 15, 2022.	0.800%	None	\$ 214,080
The Shanghai Commercial & Savings Bank	Borrowing period is from March 31, 2020 to March 15, 2025; interest is repayable monthly; principal is repayable in equal monthly from April 15, 2022.	0.750%	None	297,351
Mega Bank	Borrowing period is from December 23, 2019 to September 15, 2026; interest is repayable monthly; principal is repayable in equal monthly from December 15, 2022.	0.945%	None	245,549
				<u>756,980</u>
Less: Current portion				( <u>128,543</u> )
				<u>\$ 628,437</u>

- A. For the years ended December 31, 2022 and 2021, the Group recognised interest expense in profit or loss amounting to \$10,839 and \$5,304, respectively, due to the long-term borrowings.
- B. On January 1, 2019, Ministry of Economic Affairs, R.O.C. (“MOEA”) implemented the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” and companies are subsidised with preferential interest loans, 0.5% of loan interest is subsidised by the National Development Fund, Executive Yuan, for qualified investment projects. The Company has obtained the approval from the MOEA to extend the loan qualification to December 31, 2023 and signed loan agreements with financial institutions during December 2019 to August 2022 with the line of credit amounting to \$1.09 billion and terms from five to six years. As of December 31, 2022 and 2021, the undrawn facility amounted to NT\$217 million and NT\$281 million, respectively. Funding from these borrowings were used to invest in machineries, equipment and broaden the Company’s working capital.

(15) 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 Law. 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 would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method; to the employees expected to be qualify for retirement in the following year, the Company 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	\$ 225,716	\$ 277,742
Fair value of plan assets	( 138,788)	( 122,113)
Net defined benefit liability	86,928	155,629
Accumulated unadjusted amount	-	-
Net liabilities recognised in the balance sheet	<u>\$ 86,928</u>	<u>\$ 155,629</u>

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

	2022		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 277,742)	\$ 122,113	(\$ 155,629)
Current service cost	( 720)	-	( 720)
Interest (expense) income	( 1,667)	733	( 934)
	( 280,129)	122,846	( 157,283)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	8,994	8,994
Change in demographic assumptions	-	-	-
Change in financial assumptions	11,099	-	11,099
Experience adjustments	15,449	-	15,449
	26,548	8,994	35,542
Pension fund contribution	-	16,988	16,988
Paid pension	27,865	( 10,040)	17,825
At December 31	(\$ 225,716)	\$ 138,788	(\$ 86,928)
	2021		
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 287,207)	\$ 106,949	(\$ 180,258)
Current service cost	( 829)	-	( 829)
Interest (expense) income	( 862)	321	( 541)
	( 288,898)	107,270	( 181,628)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	623	623
Change in demographic assumptions	( 262)	-	( 262)
Change in financial assumptions	7,513	-	7,513
Experience adjustments	1,171	-	1,171
	8,422	623	9,045
Pension fund contribution	-	16,954	16,954
Paid pension	2,734	( 2,734)	-
At December 31	(\$ 277,742)	\$ 122,113	(\$ 155,629)

(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 securitization 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:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.20%</u>	<u>0.60%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

Future mortality rate was estimated based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
December 31, 2022				
Effect on present value of defined benefit	(\$ <u>17,584</u> )	<u>\$ 18,113</u>	<u>\$ 15,673</u>	(\$ <u>15,315</u> )
December 31, 2021				
Effect on present value of defined benefit	(\$ <u>23,356</u> )	<u>\$ 24,096</u>	<u>\$ 20,924</u>	(\$ <u>20,424</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 were consistent with previous period.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2023 amount to \$3,239.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 8 years.

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 Company’s mainland China subsidiary, Jupiter Technology (Wuxi) Inc., has a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China are based on certain percentage of employees’ monthly salaries and wages. The contribution percentage was 19%. Other than the monthly contributions, the Company has no further obligations.
- (c) The Subsidiary, RadioComp ApS, accrued pension costs based on a certain appropriate rate of total salaries.
- (d) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2022 and 2021 were \$47,126 and \$45,320, respectively.

(16) Share-based payment

A. For the year ended December 31, 2022, the Group’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2022.02.10	694	NA	Vested immediately

B. The fair value of stock options granted on grant date is measured using the Black-Scholes option-pricing model or other. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Cash capital increase reserved for employee preemption in 2022	2022.02.10	64.2 dollars	\$ 52	41.66%	0.022 years	0%	0.35%	\$12.24

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

	Year ended December 31, 2022
Equity-settled	\$ 8,495
Year ended December 31, 2021: None.	

(17) Provisions

A. Warranties on sales-related products

	2022	2021
Balance at January 1	\$ 6,577	\$ 9,403
Additional provisions	24,231	2,122
Used during the period	( 2,850)	( 4,899)
Exchange difference	60	( 49)
Balance at December 31	<u>\$ 28,018</u>	<u>\$ 6,577</u>

The Group gives warranties on sales-related products. Provision for warranty is estimated based on historical warranty data of uninterruptible power supply and solar energy products.

B. Provision for income tax in the United States

The Company recognised provision for contingent income tax liability in 2021 for the products sold under the incoterms DDP in the previous year. The US Internal Revenue Service preliminarily determined that it suspects that the Company traded within the US. Although the Company claimed that those were international trades, considering the tax negotiation had been completed, provision for income tax liability amounting to \$45,017. In December 31, 2022, provision for income tax liability was repaid at full amount, so the remaining balance was \$0.

C. Analysis of total provisions:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	\$ 19,831	\$ 49,707
Non-current	<u>\$ 8,187</u>	<u>\$ 1,887</u>

(18) Share capital

As of December 31, 2022, the Company's authorised capital was \$7,000,000, consisting of 0.7 billion shares of ordinary stock (including 50 million shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$2,380,283 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Unit: In thousand shares)	
	2022	2021
At January 1	228,028	228,028
Cash capital increase	10,000	-
At December 31	<u>238,028</u>	<u>228,028</u>

On November 5, 2021, the Board of Directors of the Company resolved to increase capital amounting to \$520 million by issuing 10,000 thousand shares at \$52 (in dollars) per share. The effective date of the capital increase was on March 8, 2022. The registration for the issuance of new shares has been completed on March 16, 2022.

(19) 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. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) 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 year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. After setting aside or reversal of a special reserve in accordance with related laws, the Company shall appropriate dividends to preferred stock. The Board of Directors should present the distribution of the remaining earnings along with accumulated unappropriated earnings for the approval of the shareholders to distribute dividends to shareholders.
- B. As the Company is in the growth stage, considered the entire environment and nature of industry as well as future capital needs and long-term financial plans in order to ensure subsequent operation and stable development. Based on the Company's future budget of capital expenditure and demand of capital, the Company appropriated no less than 30% of distributable earnings to shareholders' dividends, but if the distributable earnings is lower than 5% of paid-in capital, no dividends will be distributed. Cash dividend has a first priority when distributing shareholders' dividends, and the ratio is 30~100% of current total dividends. Remaining dividend can be distributed in the form of stocks. The appropriation of retained earnings will be proposed by the Board of Directors every year, and will be approved by the 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 Company incurred operating losses for the years ended December 31, 2022 and 2021, and thus had no earnings for distribution.
- F. On June 14, 2022, the shareholders during their meeting resolved not to distribute dividends from 2021 earnings.

(21) Other equity items

	2022		
	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Total
At January 1	(\$ 251,527)	(\$ 129,418)	(\$ 380,945)
The Company's effect Effects of associate accounted for under equity method	( 1,318)	-	( 1,318)
Tax effects of associate accounted for under equity method	( 15,225)	69,319	54,094
	-	( 13,864)	( 13,864)
At December 31	(\$ 268,070)	(\$ 73,963)	(\$ 342,033)

	2021		
	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Total
At January 1	(\$ 254,629)	(\$ 110,123)	(\$ 364,752)
The Company's effect Effects of associate accounted for under equity method	5,011	-	5,011
Tax effects of associate accounted for under equity method	( 1,909)	( 24,119)	( 26,028)
	-	4,824	4,824
At December 31	(\$ 251,527)	(\$ 129,418)	(\$ 380,945)

(22) Operating revenue

	Years ended December 31	
	2022	2021
Revenue from contracts with customers	\$ 4,482,301	\$ 3,929,852

A. Disaggregation of revenue from contracts with customers

The Group derives revenue in the following major geographical regions:

	Year ended December 31, 2022			
	USA	Mainland China	Other areas	Total
Total segment revenue	\$ 1,555,082	\$ 572,564	\$ 4,854,582	\$ 6,982,228
Inter-segment revenue	-	( 43,070)	( 2,456,857)	( 2,499,927)
Revenue from external customer contracts	<u>\$ 1,555,082</u>	<u>\$ 529,494</u>	<u>\$ 2,397,725</u>	<u>\$ 4,482,301</u>
	Year ended December 31, 2021			
	USA	Mainland China	Other areas	Total
Total segment revenue	\$ 1,464,527	\$ 989,087	\$ 2,778,089	\$ 5,231,703
Inter-segment revenue	-	( 144,414)	( 1,157,437)	( 1,301,851)
Revenue from external customer contracts	<u>\$ 1,464,527</u>	<u>\$ 844,673</u>	<u>\$ 1,620,652</u>	<u>\$ 3,929,852</u>

B. Contract liabilities from customers

(a) The Group has recognised the following revenue-related contract liabilities:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities:			
Contract liabilities-			
Products sales contracts	<u>\$ 46,168</u>	<u>\$ 7,597</u>	<u>\$ 81,033</u>

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

	Years ended December 31	
	2022	2021
Revenue recognised that was included in the contract liability balance at the beginning of the period	<u>\$ 4,081</u>	<u>\$ 51,921</u>

Changes in contract liabilities are mainly from the timing difference between performance obligations satisfied and customers' payment.

(23) Interest income

	Years ended December 31	
	2022	2021
Interest income from bank deposits	<u>\$ 4,481</u>	<u>\$ 3,926</u>

(24) Other income

	Years ended December 31	
	2022	2021
Dividend income	\$ 97	\$ 130
Other income, others	<u>9,545</u>	<u>18,840</u>
	<u>\$ 9,642</u>	<u>\$ 18,970</u>

For the years ended December 31, 2022 and 2021, the Group recognised government grant income of (\$478) and \$8,769, respectively, for the subsidiaries from the Ministry of Economic Affairs under the ‘Low Earth Orbit (LEO) Radio Frequency Front End (RFFE) Solution Development Plan’.

For the year ended December 31, 2022, as the Group adopted the “The Youth's Employment Ultimate Program” of the Ministry of Labor, the Group recognised program funds of government subsidies as subsidy income amounting to \$1,380.

(25) Other gains and losses

	Years ended December 31	
	2022	2021
Gains on disposals of property, plant and equipment	\$ 292	\$ 548
Currency exchange (losses) gains	( 3,674)	9,773
(Losses) gains on financial assets (liabilities) at fair value through profit or loss	( 8,094)	5,256
Miscellaneous disbursements	( 1,408)	( 1,479)
	<u>(\$ 12,884)</u>	<u>\$ 14,098</u>

(26) Finance costs

	Years ended December 31	
	2022	2021
Interest expense	\$ 39,935	\$ 10,266
Interest expense of lease liability	8,674	9,974
	<u>\$ 48,609</u>	<u>\$ 20,240</u>

(27) Expenses by nature

	Years ended December 31	
	2022	2021
Employee benefit expense	\$ 1,044,802	\$ 1,010,133
Depreciation charges on property, plant and equipment	182,189	158,652
Amortisation	35,036	34,013
	<u>\$ 1,262,027</u>	<u>\$ 1,202,798</u>

(28) Employee benefit expense

	Years ended December 31	
	2022	2021
Salary expenses	\$ 887,453	\$ 865,607
Labour and health insurance fees	75,520	73,000
Pension costs	48,780	46,690
Other personnel expenses	33,049	24,836
	<u>\$ 1,044,802</u>	<u>\$ 1,010,133</u>

- A. According to the Articles of Incorporation of the Company, the ratio of distributable profit of the current year shall not be lower than 7% for employees' compensation in the form of stocks/cash, and employees must be working for the Company. The current year's earnings, if any, shall not be higher than 1% for directors' remuneration. Appropriation of employees' compensation and directors' remuneration shall be submitted to the shareholders' meeting. If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated to employees' compensation and directors' remuneration based on the abovementioned ratios.
- B. For the years ended December 31, 2022 and 2021, there were no employees' compensation accrued due to accumulated deficit.  
For 2021, there were no employees' compensation and directors' remuneration resolved by the Board of Directors.
- C. Information about employees' compensation and directors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(29) Income tax

A. Income tax expense

(a) Components of income tax expense (benefit):

	Years ended December 31	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 10,598	\$ 4,731
Tax of foreign source income withheld at source	248	(18,572)
Total current tax	<u>10,846</u>	<u>(13,841)</u>
Deferred tax:		
Origination and reversal of deferred tax assets	(12,847)	21,326
Impact of tax losses	22,303	(15,877)
Total deferred tax	<u>9,456</u>	<u>5,449</u>
Income tax expense (benefit)	<u>\$ 20,302</u>	<u>(\$ 8,392)</u>

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

	Years ended December 31	
	2022	2021
Currency translation differences	<u>\$ 13,864</u>	<u>(\$ 4,824)</u>

- (c) The income tax charged/(credited) to equity during the period: None.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	(\$ 88,291)	(\$ 87,379)
Effects from items disallowed by tax regulation	83,033	-
Origination and reversal of temporary differences tax assets/Change in assessment of realisation of deferred tax assets	25,312	97,559
Tax of foreign source income withheld at source	248	(18,572)
Income tax expense (benefit)	<u>\$ 20,302</u>	<u>(\$ 8,392)</u>

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

	2022				
	At January 1	Recognised in profit or loss	Recognised in other comprehensive income	Net exchange differences	At December 31
Deferred tax assets:					
-Temporary differences:					
Allowance for inventory valuation losses	\$ 10,402	\$ 5,802	\$ -	\$ 35	\$ 16,239
Unrealised warranty cost of after-sale service	1,524	4,307	-	23	5,854
Unrealised pension	31,126	(13,739)	-	-	17,387
Exchange differences on foreign financial statements	11,757	-	(11,757)	-	-
Others	16,171	(4,273)	-	(102)	11,796
-Tax losses	<u>411,126</u>	<u>(22,303)</u>	<u>-</u>	<u>783</u>	<u>389,606</u>
Subtotal	<u>\$ 482,106</u>	<u>(\$ 30,206)</u>	<u>(\$ 11,757)</u>	<u>\$ 739</u>	<u>\$ 440,882</u>
Deferred income tax liabilities:					
Unrealised gain on long-term investments	(\$ 97,492)	\$ 31,687	\$ -	\$ -	(\$ 65,805)
Unrealised exchange gain	(11,724)	(7,950)	-	-	(19,674)
Unrealised gain from doubtful accounts	-	(2,156)	-	-	(2,156)
Exchange differences on foreign financial statements	-	-	(2,107)	-	(2,107)
Others	(252)	(831)	-	-	(1,083)
Subtotal	<u>(\$ 109,468)</u>	<u>\$ 20,750</u>	<u>(\$ 2,107)</u>	<u>\$ -</u>	<u>(\$ 90,825)</u>
Total	<u>\$ 372,638</u>	<u>(\$ 9,456)</u>	<u>(\$ 13,864)</u>	<u>\$ 739</u>	<u>\$ 350,057</u>

	2021				
	<u>At January 1</u>	Recognised in profit or loss	Recognised in other comprehensive		<u>At December 31</u>
			income	Net exchange differences	
Deferred tax assets:					
-Temporary differences:					
Allowance for inventory valuation losses	\$ 27,251	(\$ 17,120)	\$ -	\$ 271	\$ 10,402
Unrealised warranty cost of after-sale service	2,214	( 712)	-	22	1,524
Unrealised pension	36,055	( 4,929)	-	-	31,126
Exchange differences on foreign financial statements	6,933	-	4,824	-	11,757
Others	14,033	3,809	-	( 1,671)	16,171
-Tax losses	<u>395,270</u>	<u>15,877</u>	<u>-</u>	<u>( 21)</u>	<u>411,126</u>
Subtotal	<u>\$ 481,756</u>	<u>(\$ 3,075)</u>	<u>\$ 4,824</u>	<u>(\$ 1,399)</u>	<u>\$ 482,106</u>
Deferred income tax liabilities:					
Unrealised gain on long-term investments	(\$ 96,469)	(\$ 1,023)	\$ -	\$ -	(\$ 97,492)
Unrealised exchange gain	( 10,294)	( 1,430)	-	-	( 11,724)
Others	( 331)	79	-	-	( 252)
Subtotal	<u>(\$ 107,094)</u>	<u>(\$ 2,374)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 109,468)</u>
Total	<u>\$ 374,662</u>	<u>(\$ 5,449)</u>	<u>\$ 4,824</u>	<u>(\$ 1,399)</u>	<u>\$ 372,638</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

(1)Microelectronics Technology, Inc.

December 31, 2022

<u>Year incurred</u>	<u>Amount filed/ Assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2013	\$ 1,086,632	\$ 1,086,632	\$ 1,086,632	2023
2014	407,486	407,486	34,566	2024
2015	240,322	210,609	-	2025
2019	103,552	103,552	-	2029
2020	218,752	218,752	-	2030
2021	462,497	462,497	-	2031
2022	415,165	415,165	-	2032
		<u>\$ 2,904,693</u>	<u>\$ 1,121,198</u>	

December 31, 2021

Year incurred	Amount filed/ Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2012	\$ 1,356,066	\$ 1,356,066	\$ 1,356,066	2022
2013	1,086,632	1,086,632	598,039	2023
2014	407,486	407,486	-	2024
2015	240,322	210,609	-	2025
2019	103,522	103,522	-	2029
2020	218,752	218,752	-	2030
2021	454,293	454,293	-	2031
		<u>\$ 3,837,360</u>	<u>\$ 1,954,105</u>	

(2)Jupiter Technology (Wuxi) Inc.

December 31, 2022

Year incurred	Amount filed/ Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2018	\$ 17,211	\$ 10,934	\$ -	2023
2021	120,688	120,688	-	2026
		<u>\$ 131,622</u>	<u>\$ -</u>	

December 31, 2021

Year incurred	Amount filed/ Assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2018	\$ 17,211	\$ 17,211	\$ -	2023
2021	120,688	120,688	-	2026
		<u>\$ 137,899</u>	<u>\$ -</u>	

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

(30) Losses per share

	Year ended December 31, 2022		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
<u>Basic/Diluted losses per share</u>			
Loss attributable to the parent	(\$ 486,411)	236,220	(\$ 2.06)
	Year ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Losses per share (in dollars)
<u>Basic/Diluted losses per share</u>			
Loss attributable to the parent	(\$ 450,016)	228,028	(\$ 1.97)

(31) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31	
	2022	2021
Purchase of property, plant and equipment	\$ 187,708	\$ 147,273
Add: Opening balance of payable on equipment	21,620	34,913
Ending balance of prepayment for equipment	11,078	3,257
Less: Ending balance of payable on equipment	( 30,158)	( 21,620)
Opening balance of prepayment for equipment	( 3,257)	-
Effect of exchange rate changes	8	( 83)
Cash paid during the period	<u>\$ 186,999</u>	<u>\$ 163,740</u>

(32) Changes in liabilities from financing activities

	<u>Lease liabilities</u>	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Total</u>
January 1, 2022	\$ 459,176	\$ 1,547,656	\$ 756,980	\$ 2,763,812
Changes in cash flow from financing activities	( 31,904)	11,012	113,053	92,161
Impact of changes in foreign exchange rate	7,740	247	-	7,987
Changes in other non-cash items	26,200	-	432	26,632
December 31, 2022	<u>\$ 461,212</u>	<u>\$ 1,558,915</u>	<u>\$ 870,465</u>	<u>\$ 2,890,592</u>

	<u>Lease liabilities</u>	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Total</u>
January 1, 2021	\$ 521,386	\$ 368,098	\$ 391,429	\$ 1,280,913
Changes in cash flow from financing activities	( 83,662)	1,180,086	356,647	1,453,071
Impact of changes in foreign exchange rate	( 2,058)	( 528)	-	( 2,586)
Changes in other non-cash items	23,510	-	8,904	32,414
December 31, 2021	<u>\$ 459,176</u>	<u>\$ 1,547,656</u>	<u>\$ 756,980</u>	<u>\$ 2,763,812</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Cybertan Technology Inc.	Entities with significant influence to the Group
IQE Taiwan Corporation	Substantive related party

(2) Significant related party transactions

A. Operating revenue

	<u>Years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
Cybertan Technology Inc.	\$ <u>108,090</u>	\$ <u>168,246</u>

The sales prices are based on mutual agreement, and no similar transactions can be compared with. The credit terms are 30 days from invoice date for the related parties. For third parties, credit terms are 30~90 days from invoice date or after monthly billings.

B. Purchases

	<u>Years ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
Cybertan Technology Inc.	\$ <u>23,731</u>	\$ <u>2,423</u>

The transaction price and payment condition of purchased goods were available to third parties. The payment terms were 60 days after the invoice date, the regular payment term was 30~90 days after monthly billing.

C. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Entities with significant influence to the Group	\$ 26,760	\$ 32,276
Other receivables:		
Entities with significant influence to the Group	<u>239</u>	<u>136</u>
	<u>\$ 26,999</u>	<u>\$ 32,412</u>

D. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Entities with significant influence to the Group	\$ <u>4,687</u>	\$ <u>1,460</u>

E. Lease transactions — lessee

(a) The Group leases buildings from Cybertan Technology Inc.. Rental contracts are typically made for periods of 10 years. Rents are paid at the end of year.

(b) Lease liabilities

(i) Outstanding balance:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cybertan Technology Inc.	\$ <u>371,306</u>	\$ <u>394,097</u>

(ii) Interest expense

	Years ended December 31	
	2022	2021
Cybertan Technology Inc.	\$ 7,398	\$ 8,203

(d) As of December 31, 2022 and 2021, guarantee deposits paid (shown as ‘Other non-current assets’) to entities with significant influence to the Group all amounted to \$5,765.

(3) Key management compensation

	Years ended December 31	
	2022	2021
Salaries and other short-term employee benefits	\$ 38,845	\$ 43,502
Post-employment benefits	1,811	1,979
Share-based payments	2,570	-
	<u>\$ 43,226</u>	<u>\$ 45,481</u>

8. PLEDGED ASSETS

The Group’s assets pledged as collateral are as follows:

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Time deposits (shown as ‘Financial assets at amortised cost-current’)	\$ 2,728	\$ 543	Guarantee for business card

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

## (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		
Financial assets mandatorily measured at fair value through profit or loss	\$ 58,853	\$ 29,396
Financial assets at fair value through other comprehensive income		
Designation of equity instruments	108,109	114,588
Financial assets at amortised cost		
Cash and cash equivalents	1,124,401	1,138,191
Financial assets at amortised cost	34,676	26,580
Notes receivable	663	14,013
Accounts receivable (including related party transactions)	911,760	1,132,625
Other receivables (including related party transactions)	18,590	36,983
Guarantee deposits paid	8,707	8,338
	<u>\$ 2,265,759</u>	<u>\$ 2,500,714</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 220	\$ -
Financial liabilities at amortised cost		
Short-term borrowings	1,558,915	1,547,656
Accounts payable (including related party transactions)	947,691	1,126,790
Other payables	322,276	347,178
Long-term borrowings (including current portion)	870,465	756,980
	<u>\$ 3,699,567</u>	<u>\$ 3,778,604</u>
Lease liability	<u>\$ 461,212</u>	<u>\$ 459,176</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, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(12)).

- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, 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
- Foreign exchange risk
- i. The Group operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
  - ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group uses forward foreign exchange contracts or other derivative products, transacted with Company treasury.
  - iii. The Group hedges foreign exchange rate by using forward exchange and cross currency swap contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and (12).
  - iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB, USD, and EUR). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 65,946	30.71	\$ 2,025,202
RMB:NTD	803	4.41	3,541
EUR:NTD	727	32.72	23,787
USD:RMB	21,414	6.96	657,624
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 62,804	30.71	\$ 1,928,711
RMB:NTD	724	4.41	3,193
EUR:NTD	39	32.72	1,276
USD:RMB	24,856	6.96	763,328
December 31, 2021			
Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 63,567	27.68	\$ 1,759,535
RMB:NTD	2,329	4.35	10,131
EUR:NTD	1,365	31.32	42,752
USD:RMB	6,707	6.37	185,650
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 54,247	27.68	\$ 1,501,557
RMB:NTD	2,076	4.35	9,031
EUR:NTD	793	31.32	24,837
USD:RMB	21,986	6.37	608,572

- v. The total exchange (loss) 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 (\$3,674) and \$9,773, respectively.

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

		Year ended December 31, 2022		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 20,252	\$ -
	RMB:NTD	1%	35	-
	EUR:NTD	1%	238	-
	USD:RMB	1%	6,576	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	(\$ 19,287)	\$ -
	RMB:NTD	1%	( 32)	-
	EUR:NTD	1%	( 13)	-
	USD:RMB	1%	( 7,633)	-
		Year ended December 31, 2021		
		Sensitivity analysis		
		Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
	USD:NTD	1%	\$ 17,595	\$ -
	RMB:NTD	1%	101	-
	EUR:NTD	1%	428	-
	USD:RMB	1%	1,857	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
	USD:NTD	1%	(\$ 15,016)	\$ -
	RMB:NTD	1%	( 90)	-
	EUR:NTD	1%	( 248)	-
	USD:RMB	1%	( 6,086)	-

### Price risk

- i. The Group's equity securities and beneficiary certificates, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities and beneficiary certificates, 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 and beneficiary certificates comprise shares issued by the overseas and domestic companies. The prices of equity securities and beneficiary certificates would change due to the change of the future value of investee companies. If the prices of these equity securities and beneficiary certificates had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$589 and \$294, respectively, as a result of gains/losses on equity and beneficiary certificates securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$1,081 and \$1,146, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.
- (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 and at fair value through profit or loss.
  - ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a optimised credit rating are accepted. 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 management. The utilisation of credit limits is regularly monitored.
  - iii. Impairment assessment of credit risk on financial assets at amortised cost is as follows:
    - (i) The Group adopts following assumptions under IFRS 9, 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.

- (ii) In line with credit risk management procedure, when the counterparty is unable to pay the past-due payables, the default has occurred.
- (iii) The Group used the forecast ability to adjust historical and timely information and considered credit rating of issue banks to assess the default possibility of accounts and notes receivable.
- (iv) The Group's financial assets at amortised cost are including time deposits deposited in banks and restricted time deposits. Such banks all have optimised credit rating, no past due has occurred, and no significant changes in the entire economic environment, therefore no credit loss is expected and the impact to the financial statement is remote.
- iv. Impairment assessment of credit risk on accounts and notes receivable is as follows:
- (i) The Group classifies customers' accounts and notes receivable in accordance with credit rating of customer. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- (ii) The Group used the forecast ability to adjust historical and timely information to assess the default possibility of accounts and notes receivable. As of December 31, 2022 and 2021, the provision matrix is as follows:

	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total</u>
<u>December 31, 2022</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 761,252	\$ 136,811	\$ 14,351	\$ 17,318	\$ 929,732
Loss allowance	\$ -	\$ 1	\$ 1	\$ 17,307	\$ 17,309
	<u>Not past due</u>	<u>90 days past due</u>	<u>91-180 days past due</u>	<u>Over 181 days past due</u>	<u>Total of group provision</u>
<u>December 31, 2021</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-1%	
Total book value	\$ 563,206	\$ 442,376	\$ 22,269	\$ 9,063	\$ 1,036,914
Loss allowance	\$ -	\$ 2	\$ 3	\$ 1,306	\$ 1,311
			<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
<u>December 31, 2021</u>					
Expected loss rate			12.86%	0%-3%	
Total book value			\$ 120,752	\$ 1,036,914	\$ 1,157,666
Loss allowance			\$ 9,717	\$ 1,311	\$ 11,028

(iii) Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts and notes receivable are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 11,028	\$ 278
Provision for impairment loss	5,660	10,757
Effect of exchange rate changes	621	( 7)
At December 31	<u>\$ 17,309</u>	<u>\$ 11,028</u>

v. 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.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
- iii. 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.

December 31, 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$1,474,638	\$ 93,752	\$ -	\$ -	\$ -	\$1,568,390
Accounts payable	834,648	113,043	-	-	-	947,691
Other payables	322,276	-	-	-	-	322,276
Long-term borrowings	48,619	263,360	342,079	254,068	-	908,126
Lease liability	48,980	56,371	75,604	229,608	77,515	488,078
<u>Derivative financial liabilities</u>						
Forward foreign exchange transactions and forward exchange swap transaction	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$ 220	\$ -	\$ -	\$ -	\$ -	\$ 220
<u>December 31, 2021</u>						
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$1,180,242	\$ 371,291	\$ -	\$ -	\$ -	\$1,551,533
Accounts payable	998,090	128,700	-	-	-	1,126,790
Other payables	347,178	-	-	-	-	347,178
Long-term borrowings	14,578	120,013	197,409	458,328	-	790,328
Lease liability	17,782	53,347	71,130	213,389	135,987	491,635
<u>Derivative financial liabilities</u>						
Forward foreign exchange transactions and forward exchange swap transaction	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

### (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.

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 derivative instruments and emerging stocks are included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets at amortised cost, other financial assets, short-term borrowings, accounts payable and other payables are approximate to their fair values.

C. 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 are as follows:

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

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 3,227	\$ -	\$ 3,227
Beneficiary certificates	-	-	55,626	55,626
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	108,109	108,109
	<u>\$ -</u>	<u>\$ 3,227</u>	<u>\$ 163,735</u>	<u>\$ 166,962</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	\$ -	\$ 220	\$ -	\$ 220
	<u>\$ -</u>	<u>\$ 220</u>	<u>\$ -</u>	<u>\$ 220</u>
December 31, 2021				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 437	\$ -	\$ 437
Forward foreign exchange contracts	-	53	-	53
Beneficiary certificates	-	-	28,906	28,906
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	114,588	114,588
	<u>\$ -</u>	<u>\$ 490</u>	<u>\$ 143,494</u>	<u>\$ 143,984</u>

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

- i. When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts and foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial instruments. Therefore, the

estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

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

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	2022		
	Beneficiary certificates	Equity securities	Total
At January 1	\$ 28,906	\$ 114,588	\$ 143,494
Additions	31,879	-	31,879
Loss recognised in profit or loss	( 10,274)	-	( 10,274)
Loss recognised in other comprehensive loss	-	( 16,543)	( 16,543)
Net exchange differences	5,115	10,064	15,179
At December 31	<u>\$ 55,626</u>	<u>\$ 108,109</u>	<u>\$ 163,735</u>
	2021		
	Beneficiary certificates	Equity securities	Total
At January 1	\$ -	\$ 114,443	\$ 114,443
Additions	19,973	-	19,973
Gain recognised in profit or loss	9,137	-	9,137
Gain recognised in other comprehensive loss	-	3,102	3,102
Net exchange differences	( 204)	( 2,957)	( 3,161)
At December 31	<u>\$ 28,906</u>	<u>\$ 114,588</u>	<u>\$ 143,494</u>

F. Treasury department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 12,353	Market comparable companies	Discount for lack of marketability P/B ratio	30% 100%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	-	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Venture capital shares	95,756	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value
Limited partnership investment:					
Venture capital limited partnership	55,626	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value
	<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 13,671	Market comparable companies	Discount for lack of marketability P/B ratio	30% 100%	The higher the discount for lack of marketability, the lower the fair value
Unlisted shares	-	Discounted cash flow	Long-term pre-tax operating margin	Not applicable	The higher the long-term pre-tax operating margin, the higher the fair value
Venture capital shares	100,917	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value
Limited partnership investment:					
Venture capital limited partnership	28,906	Net asset value	Not applicable	Not applicable	The higher the net assets value, the higher the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2022				
				Recognised in other comprehensive income		
				Recognised in profit or loss		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
		Input	Change			
Financial assets						
Equity instruments	Discount for lack of marketability		±10%	\$ -	\$ -	\$ 529 (\$ 529)
	P/B ratio		±10%	-	-	1,235 ( 1,235)
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,764 (\$ 1,764)</u>
December 31, 2021						
				Recognised in other comprehensive income		
				Recognised in profit or loss		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
		Input	Change			
Financial assets						
Equity instruments	Discount for lack of marketability		±10%	\$ -	\$ -	\$ 586 (\$ 586)
	P/B ratio		±10%	-	-	1,367 ( 1,367)
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,953 (\$ 1,953)</u>

#### (4) Other

- A. Due to the COVID-19 pandemic, the transportation of the goods in Mainland China had been impacted, raw materials of the suppliers were in shortage, workers had been quarantined in the lockdown and the operating revenue of the Group was therefore affected. However, the Group expects that the impact will be gradually reduced as the pandemic has been stabilised, the suppliers have gradually resumed their production and the Company has rearranged the Group's resources for the operational adjustments and countermeasures. In addition, for the arrangement of goods transportation, in order to reduce the impact of a single port lockdown on the shipping schedule, the Group not only actively coordinates the arrangement of ship shifts and containers with the freight company but also asks the freight company to evaluate other transportation plans.
- B. Since October 26, 2021, the area where the Company's Mainland China trans-investment company is located started to adopt the orderly use of electricity, and the original policy of power rationing is no longer implemented. Accordingly, the operation is no longer currently affected by the power rationing.

### 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: 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 \$300 million or 20% of paid-in capital or more: None.

- F. Disposal of real estate reaching \$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 financial instruments undertaken during the reporting periods: Please refer to Note 6(2) (12).
- J. Significant inter-company transactions during the reporting periods: 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: Please refer to table 6.

B. Significant transactions, either directly or indirectly through a third areas, with investee companies in the Mainland China: Please refer to table 7.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the chief operating decision-maker, which is the General Manager, that are used to make strategic decisions and the Group was identified as a single reportable segment.

(2) Measurement of segment information

The Group's General Manager assesses the performance of the operating segments based on the pre-tax net income (loss).

(3) Information about segment profit or loss, assets and liabilities

	Years ended December 31	
	2022	2021
Revenue from external customers	\$ 4,482,301	\$ 3,929,852
Inter-segment revenue	\$ 2,499,927	\$ 1,301,851
Total segment revenue	\$ 6,982,228	\$ 5,231,703
Segment loss	(\$ 466,109)	(\$ 458,408)
Segment assets	\$ 6,541,050	\$ 6,552,350
Segment liabilities	\$ 4,463,446	\$ 4,589,984

(4) Reconciliation for segment income (loss)

Total measurement of segment income is consistent with the operating income shown in the Group's financial statements. Therefore, no reconciliation was needed.

(5) Information on products and services

Please refer to Note 6 (22) for the related information.

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 is as follows:

	Years ended December 31			
	2022		2021	
	Revenue	Non-current assets	Revenue	Non-current assets
USA	\$ 1,555,082	\$ 94,558	\$ 1,464,527	\$ 72,685
Mainland China	529,494	400,116	844,673	400,368
Others	2,397,725	641,276	1,620,652	612,813
	<u>\$ 4,482,301</u>	<u>\$ 1,135,950</u>	<u>\$ 3,929,852</u>	<u>\$ 1,085,866</u>

(7) 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		Year ended December 31, 2021	
	Revenue		Revenue
E customer	\$ 822,984	E customer	\$ 678,895
N customer	763,667	S customer	583,255
L customer	589,263	B customer	541,568

Microelectronics Technology, Inc. and Subsidiaries  
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
Year ended December 31, 2022

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022			Note
				Number of shares	Book value	Ownership (%)	
Microelectronics Technology, Inc.	Stocks - Taiwan Aerospace Corporation	None	Financial assets at fair value through other comprehensive income	648,576	\$ 12,353	0.48%	\$ 12,353
Sasson International Holding, Inc.	Stocks - Optical Scientific, Inc.	None	Financial assets at fair value through profit or loss	16,023	-	5.02%	-
Sasson International Holding, Inc.	Stocks - Firetide, Inc.	None	Financial assets at fair value through profit or loss	1,333,360	-	2.24%	-
Sasson International Holding, Inc.	Stocks - Taicom Capital Ltd.	None	Financial assets at fair value through other comprehensive income	20,000	95,756	Note	95,756
Sasson International Holding, Inc.	Stocks - New Edge Signal Solutions LCC	None	Financial assets at fair value through other comprehensive income	1,355,663	-	12.50%	-
Sasson International Holding, Inc.	Stocks - Kymeta Corporation	None	Financial assets at fair value through other comprehensive income	205,432	-	0.05%	-
Sasson International Holding, Inc.	Beneficiary certificates - CDIB-Innolux Limited Partnership	None	Financial assets at fair value through profit or loss	-	55,626	6.99%	55,626

Note: Holding of 10,000 ordinary shares and 10,000 preference shares for 11.43% and 16.67% ownership, respectively.

Microelectronics Technology, Inc. and Subsidiaries

Purchases or sales of goods from or to related parties reaching \$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		Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)
Microelectronics Technology, Inc.	Jupiter Technology (wuxi), Inc.	Indirect subsidiary of the Company	Purchases	\$ 1,312,166	38%	60 days	Not applicable	Not applicable	\$ 350,261	(37%)
Jupiter Technology (wuxi), Inc.	Microelectronics Technology, Inc.	Parent Company	Sales	( 1,312,166)	(61%)	60 days	Not applicable	Not applicable	350,261	51%

Microelectronics Technology, Inc. and Subsidiaries

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

Year ended 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	Allowance for doubtful accounts	Expressed in thousands of NTD (Except as otherwise indicated)
					Amount	Action taken			
Jupiter Technology (wuxi), Inc.	Microelectronics Technology, Inc.	Parent company	\$ 350,261	5.07	\$ -	-	230,280	\$ -	-

Microelectronics Technology, Inc. and Subsidiaries

Significant inter-company transactions during the reporting periods  
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)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 29.27%
				General ledger account	Amount		
0	Microelectronics Technology, Inc.	Jupiter Technology (wuxi), Inc.	1	Purchases and processing overhead	\$ 1,312,166	Same as those to the third parties	29.27%
0	Microelectronics Technology, Inc.	Jupiter Technology (wuxi), Inc.	1	Accounts payable	350,261	Payment term is 60 days from invoice	5.36%
0	Microelectronics Technology, Inc.	MTI Laboratory, Inc.	1	Research and development expenses	256,983	Same as those to the third parties	5.73%
0	Microelectronics Technology, Inc.	MTI Laboratory, Inc.	1	Accrued expense	123,921	Based on the mutual agreement	1.90%
0	Microelectronics Technology, Inc.	Radiocomp ApS	1	Research and development expenses	159,333	Same as those to the third parties	3.55%

Note 1: The information of transactions between the Company and the subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationship with counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to other consolidated subsidiaries.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 4: Only transaction amounts over \$10 million were disclosed and if transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it was not required to be disclosed separately.

Microelectronics Technology, Inc. and Subsidiaries

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 profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note
				Balance as at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)				
Microelectronics Technology, Inc.	Sasson International Holding, Inc.	British Virgin Is.	Investment management	\$ 908,778	\$ 908,778	3,920	100	\$ 1,404,799	\$ 16,910	(\$ 158,438)	Note 1
Sasson International Holding, Inc.	Welltop Technology Co., Ltd.	British Virgin Is.	Investment management	240,582	216,845	7,834,000	100	375,005	10,156	10,156	Note 2
Sasson International Holding, Inc.	Jupiter Network Corp.	British Virgin Is.	Investment management	954,215	860,067	31,071,800	100	1,002,758	16,500	16,500	Note 2
Welltop Technology Co., Ltd.	MTI Laboratory, Inc.	U.S.A	Communications	46,065	41,520	1,500,000	100	161,027	8,216	8,216	Note 2
Welltop Technology Co., Ltd.	Radiocomp ApS	Denmark	Communications	144,398	130,151	1,527,944	100	192,729	2,066	2,066	Note 2

Note 1: Subsidiary of the Company.

Note 2: Indirect subsidiary of the Company.

Microelectronics Technology, Inc. and Subsidiaries  
Information on investees in Mainland China  
Year ended December 31, 2022

Table 6

Expressed in thousands of NTD  
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2022	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Note
Jupiter Technology (wuxi), Inc. (Note 1)	The manufacturing and sales of satellite and microwave communication system and related technical and consultation services	952,010	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	952,010	-	952,010	16,500	100	16,500	1,002,716	-	-
		\$		\$	\$	\$	\$		\$	\$	\$	\$
Microelectronics Technology, Inc.		1,073,929	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) of MOEA	1,197,936		1,246,417						

Note 1: It was indirectly invested through Jupiter Network Corp.

Note 2: Investment profit or loss was recognised based on the financial statements that were audited by R.O.C. parent company's CPA.

Note 3: Initial investment amount is evaluated at the spot rate at the period end.

Microelectronics Technology, Inc. and Subsidiaries  
 Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas  
 Year ended December 31, 2022

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing		Interest during the year ended December 31, 2022	Others (Note)
	Amount	%	Amount	%	Balance	%	Balance at December 31, 2022	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate		
Jupiter Technology (wuxi) Inc.	(\$ 1,312,166)	38%	(\$ 714)	0.4%	(\$ 350,261)	37%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,453

Note: It consisted of current liabilities amounting to \$4,453.

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Microelectronics Technology, Inc. and Subsidiaries  
Major shareholders information  
December 31, 2022

Table 8 Expressed in thousands of NTD  
(Except as otherwise indicated)

Shares	No. of shares held	Ownership (%)
Name of major shareholders	54,070,749	22.71%
Cybertan Technology Inc.		

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised 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.

Note 2: If the share capital which was recorded in the financial statements may differ from the actual number of shares issued in dematerialised form because of a different calculation basis. 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 trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

## INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Microelectronics Technology, Inc.

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Microelectronics Technology, Inc. (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 parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

### ***Basis for opinion***

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditor’s 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 in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

Key audit matters for the Company's 2022 parent company only financial statements are stated as follows:

### **Intangible assets - assessment of goodwill impairment**

#### Description

As of December 31, 2022, goodwill amounted to NT\$276,909 thousand, comprising \$143,637 thousand for goodwill of the Company and \$133,272 thousand derived from the investment of subsidiaries which was included in the carrying amount of investment accounted for under equity method presented on the parent company only financial statements. For information on evaluation of goodwill impairment, please refer to Notes 4(10), 5(2) and 6(10) for details. The Company estimates recoverable amount utilizing the future cash flows of goodwill's cash generating unit and appropriate discount rates in order to determine whether goodwill is impaired. The estimation of future cash flows involves various assumptions, which may have significant effects on the estimation of recoverable amount. Thus, it has been identified as a key audit matter.

#### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Interviewed with management in order to obtain an understanding of the procedures in relation to identifying cash-generating units and estimating the future cash flows. Assessed the valuation model has been properly adopted.
2. Interviewed with management in order to obtain an understanding of development plans and schedules of the projects. Compared the financial forecast for the future cash flows are in agreement with the budget of the Group.
3. Assessed the key assumption that management used to estimate future cash flows, including operating revenue growth rate and gross margin, and compared with historical data, economic and industry forecast. Evaluated the parameters used in determining the discount rate, including the risk-free rate of return that was used to calculate cost of equity, industry's risk coefficient and long-term market return.

## **Allowance for inventory valuation losses**

### Description

As of December 31, 2022, the balances of inventories and allowance for inventory valuation losses amounted to NT\$2,124,820 thousand and NT\$59,423 thousand, respectively. Please refer to Notes 4(12), 5(2) and 6(5) for details. Since inventory is material to the financial statements and the determination of net realisable value of the obsolete inventory usually involves management's subjective judgement, therefore, we determined valuation of inventories that are over a certain age and individually identified as obsolete or slow-moving as a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Obtained an understanding of management policies on obsolete or slow-moving inventories, and verified the reasonableness of determining the obsolescence of inventory.
2. Tested the movements of inventories, and sampled individual inventory item numbers to check whether the classification of inventory aging is correct.
3. For obsolete or slow-moving inventories, sampled individual inventory item numbers to check progress of inventory clearance and evaluated the reasonableness of determining the allowance for inventory valuation losses

## ***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 year 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.

---

Li, Tien-Yi

---

Liu, Chien-Yu

For and on behalf of PricewaterhouseCoopers, Taiwan

March 8, 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.

MICROELECTRONICS TECHNOLOGY, INC.  
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	%	
<b>Current assets</b>						
1100	Cash and cash equivalents	6(1)	\$ 912,508	14	\$ 823,494	13
1110	Financial assets at fair value through profit or loss - current	6(2)	3,227	-	490	-
1150	Notes receivable	6(4)	663	-	14,013	-
1170	Accounts receivable, net	6(4)	834,302	13	1,032,852	16
1180	Accounts receivable - related parties	6(4) and 7	26,760	-	32,276	-
1200	Other receivables		1,686	-	4,217	-
1210	Other receivables - related parties	7	239	-	205	-
130X	Inventories	6(5)	2,065,397	32	1,674,985	27
1410	Prepayments		47,060	1	36,028	1
11XX	<b>Total current assets</b>		<u>3,891,842</u>	<u>60</u>	<u>3,618,560</u>	<u>57</u>
<b>Non-current assets</b>						
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	12,353	-	13,671	-
1550	Investments accounted for under equity method	6(6)	1,404,798	22	1,509,143	24
1600	Property, plant and equipment	6(7)	233,326	4	177,033	3
1755	Right-of-use assets	6(8) and 7	333,083	5	388,597	6
1780	Intangible assets	6(9)	162,264	3	163,048	3
1840	Deferred income tax assets		390,571	6	430,687	7
1900	Other non-current assets	7	17,474	-	7,534	-
15XX	<b>Total non-current assets</b>		<u>2,553,869</u>	<u>40</u>	<u>2,689,713</u>	<u>43</u>
1XXX	<b>Total assets</b>		<u>\$ 6,445,711</u>	<u>100</u>	<u>\$ 6,308,273</u>	<u>100</u>

(Continued)

MICROELECTRONICS TECHNOLOGY, INC.  
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	%	
<b>Current liabilities</b>						
2100	Short-term borrowings	6(11)	\$ 1,462,072	23	\$ 1,518,880	24
2120	Financial liabilities at fair value through profit or loss - current	6(12)	220	-	-	-
2130	Current contract liabilities	6(22)	46,080	1	7,597	-
2170	Accounts payable		667,433	10	815,902	13
2180	Accounts payable - related parties	7	354,947	5	162,449	2
2200	Other payables	6(13)	217,089	3	232,388	4
2220	Other payables - related parties	7	124,104	2	111,110	2
2250	Provisions for liabilities - current	6(16)	14,979	-	47,249	1
2280	Current lease liabilities	6(8) and 7	84,238	1	52,980	1
2320	Long-term liabilities, current portion	6(14)	301,312	5	128,543	2
2399	Other current liabilities	7	39,201	1	19,099	-
21XX	<b>Total current liabilities</b>		<u>3,311,675</u>	<u>51</u>	<u>3,096,197</u>	<u>49</u>
<b>Non-current liabilities</b>						
2540	Long-term borrowings	6(14)	569,153	9	628,437	10
2550	Provisions for liabilities - non-current	6(17)	8,027	-	-	-
2570	Deferred income tax liabilities		90,276	1	109,314	2
2580	Non-current lease liabilities	6(8) and 7	287,068	5	341,118	5
2600	Other non-current liabilities	6(15)	101,908	2	170,841	3
25XX	<b>Total non-current liabilities</b>		<u>1,056,432</u>	<u>17</u>	<u>1,249,710</u>	<u>20</u>
2XXX	<b>Total Liabilities</b>		<u>4,368,107</u>	<u>68</u>	<u>4,345,907</u>	<u>69</u>
<b>Equity</b>						
	Share capital	6(18)				
3110	Common stock		2,380,283	37	2,280,283	36
	Capital reserve	6(19)				
3200	Capital surplus		830,132	13	402,937	6
	Retained earnings	6(20)				
3310	Legal reserve		24,972	-	24,972	1
3320	Special reserve		193,426	3	193,426	3
3350	Accumulated deficit		( 1,009,176)	( 16)	( 558,307)	( 9)
	Other equity interest	6(21)				
3400	Other equity interest		( 342,033)	( 5)	( 380,945)	( 6)
3XXX	<b>Total equity</b>		<u>2,077,604</u>	<u>32</u>	<u>1,962,366</u>	<u>31</u>
	Significant contingent liabilities and unrecognised contract commitments	8				
	Significant events after the balance sheet date	10				
3X2X	<b>Total liabilities and equity</b>		<u>\$ 6,445,711</u>	<u>100</u>	<u>\$ 6,308,273</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

**MICROELECTRONICS TECHNOLOGY, INC.**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

(Expressed in thousands of New Taiwan dollars, except loss per share amount)

				Year ended December 31			
Items		Notes		2022		2021	
				AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(22) and 7		\$ 4,406,763	100	\$ 3,606,238	100
5000	Operating costs	6(5) and 7		( 3,772,398)	( 85)	( 3,222,610)	( 89)
5900	Gross profit			<u>634,365</u>	<u>15</u>	<u>383,628</u>	<u>11</u>
	Operating expenses	6(27)(28) and 7					
6100	Selling expenses			( 131,867)	( 3)	( 128,358)	( 4)
6200	General and administrative expenses			( 60,532)	( 1)	( 61,280)	( 2)
6300	Research and development expenses			( 779,037)	( 18)	( 648,522)	( 18)
6450	Loss on expected credit impairment			10,779	-	( 10,757)	-
6000	Total operating expenses			<u>( 960,657)</u>	<u>( 22)</u>	<u>( 848,917)</u>	<u>( 24)</u>
6900	Operating loss			<u>( 326,292)</u>	<u>( 7)</u>	<u>( 465,289)</u>	<u>( 13)</u>
	Non-operating income and expenses						
7100	Interest income	6(23)		2,436	-	778	-
7010	Other income	6(24)		13,158	-	20,446	1
7020	Other gains and losses	6(25) and 7		35,991	1	923	-
7050	Finance costs	6(26)		( 45,803)	( 1)	( 17,990)	( 1)
7070	Share of profit of associates and joint ventures accounted for under equity method	6(6)		( 158,439)	( 4)	5,116	-
7000	Total non-operating income and expenses			<u>( 152,657)</u>	<u>( 4)</u>	<u>9,273</u>	<u>-</u>
7900	<b>Loss before income tax</b>			<u>( 478,949)</u>	<u>( 11)</u>	<u>( 456,016)</u>	<u>( 13)</u>
7950	Income tax (expense) benefit			( 7,462)	-	6,000	-
8200	<b>Loss for the year</b>			<u>( \$ 486,411)</u>	<u>( 11)</u>	<u>( \$ 450,016)</u>	<u>( 13)</u>
	<b>Other comprehensive income (loss)</b>						
	<b>Components of other comprehensive loss that will not be reclassified to profit or loss</b>						
8311	Losses on remeasurements of defined benefit plans	6(15)		\$ 35,542	1	\$ 9,045	1
8316	Unrealised loss from financial assets measured at fair value through other comprehensive income	6(3)(21)		( 1,318)	-	5,011	-
8330	Share of other comprehensive loss of associates and joint ventures accounted for under equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(6)(21)		( 15,225)	-	( 1,909)	-
	<b>Components of other comprehensive income that will be reclassified to profit or loss</b>						
8380	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method, components of other comprehensive income that will be reclassified to profit or loss	6(6)(21)		69,319	1	( 24,119)	1
8399	Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(21)		( 13,864)	-	4,824	-
8300	<b>Total other comprehensive income (loss) for the year</b>			<u>\$ 74,454</u>	<u>2</u>	<u>( \$ 7,148)</u>	<u>2</u>
8500	<b>Total comprehensive loss for the year</b>			<u>( \$ 411,957)</u>	<u>( 9)</u>	<u>( \$ 457,164)</u>	<u>( 11)</u>
	Loss per share ( in dollars )						
9750	Basic			<u>( \$ 2.06)</u>		<u>( \$ 1.97)</u>	
9850	Diluted			<u>( \$ 2.06)</u>		<u>( \$ 1.97)</u>	

The accompanying notes are an integral part of these parent company only financial statements.

**MICROELECTRONICS TECHNOLOGY, INC.**  
**PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**  
(Expressed in thousands of New Taiwan dollars)

Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Retained Earnings			Other equity interest		Total equity
			Legal reserve	Special reserve	Accumulated deficit	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	
<u>2021</u>								
Balance at January 1, 2021	\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	(\$ 117,336)	(\$ 110,123)	(\$ 254,629)	\$ 2,419,530
Loss for the year	-	-	-	-	( 450,016)	-	-	( 450,016)
Other comprehensive income (loss) for the year	-	-	-	-	9,045	( 19,295)	3,102	( 7,148)
Total comprehensive (loss) income	-	-	-	-	( 440,971)	( 19,295)	3,102	( 457,164)
Balance at December 31, 2021	\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	(\$ 558,307)	(\$ 129,418)	(\$ 251,527)	\$ 1,962,366
<u>2022</u>								
Balance at January 1, 2022	\$ 2,280,283	\$ 402,937	\$ 24,972	\$ 193,426	(\$ 558,307)	(\$ 129,418)	(\$ 251,527)	\$ 1,962,366
Loss for the year	-	-	-	-	( 486,411)	-	-	( 486,411)
Other comprehensive income (loss) for the year	-	-	-	-	35,542	55,455	( 16,543)	74,454
Total comprehensive (loss) income	-	-	-	-	( 450,869)	55,455	( 16,543)	( 411,957)
Cash capital increase	100,000	418,700	-	-	-	-	-	518,700
Share-based payment transactions	-	8,495	-	-	-	-	-	8,495
Balance at December 31, 2022	\$ 2,380,283	\$ 830,132	\$ 24,972	\$ 193,426	(\$ 1,009,176)	(\$ 73,963)	(\$ 268,070)	\$ 2,077,604

The accompanying notes are an integral part of these parent company only financial statements.

MICROELECTRONICS TECHNOLOGY, INC.  
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
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Loss before tax		( \$ 478,949 )	( \$ 456,016 )
Adjustments			
Adjustments to reconcile profit (loss)			
(Gain) loss on expected credit impairment		( 10,779 )	10,757
Depreciation	6(7)(8)(27)	107,559	92,339
Amortization	6(9)(27)	19,624	20,079
Net (gain) loss on financial assets at fair value through profit or loss	6(2)(24)	( 2,400 )	2,038
Net loss (gain) on financial liabilities at fair value through profit or loss	6(24)	220	( 876 )
Interest income	6(22)	( 2,436 )	( 778 )
Dividend income	6(23)	( 97 )	( 130 )
Interest expense	6(25)	45,803	17,990
Compensation cost of share-based payment	6(15)	8,495	-
Loss (gain) on disposal of property, plant and equipment	6(24)	50	( 20 )
Share of profit of associates accounted for under the equity method	6(6)	158,439	( 5,116 )
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable		13,351	( 9,932 )
Accounts receivable		209,328	( 218,776 )
Accounts receivable - related parties		5,516	36,786
Other receivables		2,535	14,100
Other receivables - related parties		( 34 )	135
Inventories		( 390,412 )	( 865,119 )
Prepayments		( 11,032 )	15,730
Changes in operating liabilities			
Accounts payable		( 148,469 )	204,787
Accounts payable - related parties		192,498	( 79,690 )
Other current liabilities		20,302	( 8,419 )
Provisions for liabilities		20,775	342
Contract liabilities		38,483	( 73,436 )
Other payables		( 25,586 )	( 10,709 )
Other payables - related parties		12,994	65,422
Accrued pension liabilities		( 33,159 )	( 15,600 )
Cash outflow generated from operations		( 247,381 )	( 1,264,112 )
Interest received		2,432	789
Dividend received		97	130
Interest paid		( 39,569 )	( 17,811 )
Income tax paid		( 45,266 )	-
Net cash flows used in operating activities		( 329,687 )	( 1,281,004 )

(Continued)

MICROELECTRONICS TECHNOLOGY, INC.  
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 INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment		( \$ 117,885 )	( \$ 105,227 )
Proceeds from disposal of property, plant and equipment		3,610	142
Acquisition of intangible assets	6(9)	( 18,840 )	( 17,018 )
Increase in guarantee deposits paid		-	( 3,793 )
Proceeds from disposal of financial assets measured at fair value through profit or loss		( 337 )	-
Net cash flows used in investing activities		( 133,452 )	( 125,896 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		3,136,402	2,679,475
Decrease in short-term borrowings		( 3,193,210 )	( 1,458,188 )
Increase in long-term borrowings		168,347	390,180
Decrease in long-term borrowings		( 55,294 )	( 33,533 )
Repayments of principal portion of lease liabilities		( 22,792 )	( 74,637 )
Cash capital increase	6(17)	518,700	-
Net cash flows from financing activities		552,153	1,503,297
Net increase in cash and cash equivalents		89,014	96,397
Cash and cash equivalents at beginning of year	6(1)	823,494	727,097
Cash and cash equivalents at end of year	6(1)	\$ 912,508	\$ 823,494

The accompanying notes are an integral part of these parent company only financial statements.

MICROELECTRONICS TECHNOLOGY, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANISATION

Microelectronics Technology Inc. (the “Company”) was incorporated as company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in design, manufacture and sales of terrestrial microwave, satellite and photoelectric communication system products, and related customised products.

On January 1, 2011, the Company merged with the subsidiary, Global PCS Inc.. Under the merger, the Company is the surviving company while Global PCS Inc. was the dissolved company.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These financial statements were authorised for issuance by the Board of Directors on March 8, 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 that came into effect as 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 Company’s financial condition and financial performance based on the Company’s assessment.

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

New standards, interpretations and amendments that came into effect as 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, '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 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 the 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 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 and liabilities 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 investment of subsidiaries and associates were accounted for under equity method when the Company prepares the parent company only financial statements. In order for the profit or loss, other comprehensive income or loss and owner’s equity presented on the parent company only financial statements to be consistent with those presented on the consolidated financial statements, the differences resulting from accounting treatments under the parent company only basis and consolidation basis were adjusted in accounts of ‘Investment accounted for under equity method’, ‘Share of profit (loss) of subsidiaries and associates accounted for under equity method’ and ‘Share of other comprehensive income of subsidiaries and associates accounted for under equity method’.
- C. 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 Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the 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 dollars, 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**

- (a) The operating results and financial position of all the Company entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities presented in each balance sheet are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

**(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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(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 liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.
- D. Dividends are recognised as revenue 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.
- 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 plus transaction costs. The Company subsequently measures the financial assets at fair value, 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. Dividends are recognised as revenue 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.

(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.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(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 financial assets at amortised cost, 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) 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. 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 cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

- A. Subsidiaries are all 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. Unrealised gains or losses resulting from inter-company transactions with subsidiaries are eliminated. Necessary adjustments are made to the accounting policies of subsidiaries, to be consistent with the accounting policies of the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movement in other comprehensive income is equals or exceeds its interest in the subsidiary, the Company continues to recognize its share in the subsidiary's loss proportionately.
- D. According to "Regulations Governing the Preparation of Financial Statements by Securities Issuers", profit for the year and other comprehensive income for the year reported in the parent company only financial statements, shall be equal to profit for the year and other comprehensive income attributable to owners of the parent reported in the consolidated financial statements, equity reported in the parent company only financial statements shall be equal to equity attributable to owners of parent reported in the consolidated financial statements.

(14) 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. 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:

Machinery and equipment	3 ~ 6 years
Office equipment	2 ~ 6 years
Transportation equipment	5 years
Leasehold improvements	3 years

(15) Leasing arrangements (lessee) – right-of-use assets/ lease liabilities

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. 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. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate, lease payments are comprised of the fixed payments.

The Company subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising including the amount of the initial measurement of lease liability and any initial direct costs incurred by the lessee.

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. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Intangible assets

- A. Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.
- B. Goodwill arises in a business combination accounted for by applying the acquisition method and subsequently measured at the amount of cost less accumulated impairment loss.
- C. Acquired special technologies are amortised on a straight-line basis over their estimated useful lives of 5 years.

(17) Impairment of non-financial assets

- A. 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. Except for goodwill, when the circumstances or reasons for recognizing 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.
- B. The recoverable amount of goodwill will be assessed periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(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) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services.  
B. The short-term notes without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.  
B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Derecognition of financial liabilities

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

(22) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Provisions

Provision-warranties are recognised when the Company 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, which is discounted using a pre-tax discount rate that

reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(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 the 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 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 defined benefit net 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 government bonds (at the balance sheet date) 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 the defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as other equity.

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.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received 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, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that

are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(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 Company 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 goodwill or 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 provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. 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 recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. Deferred tax assets are recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

(27) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(28) Dividends

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

(29) Revenue recognition

A. Sales of goods

- (a) The Company manufactures and sells terrestrial microwave, satellite, and related customized products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and 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 customer 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) Revenue from these sales is recognised based on the price specified in the contract. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. The sales usually are made with a credit term of 30 to 90 days, which is consistent with market practice. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, the Company does not adjust the transaction price to reflect the time value of money.
- (c) The Company's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.
- (d) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Technical services on product development

- (a) The Company provides technical services on product development. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual costs spent relative to the total expected cost. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

- (b) The Company's estimate about revenue, costs and progress towards complete satisfaction of a performance obligation is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

C. Incremental costs of obtaining a contract

Given that the contractual period lasts less than one year, the Company recognises the incremental costs of obtaining a contract as an expense (mainly derived from sales commissions) when incurred although the Company expects to recover those costs.

(30) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the company will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the company recognises expenses for the related costs for which the grants are intended to compensate.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these 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. The related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of tangible and intangible assets (including goodwill)

The Company assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Company strategy might cause material impairment on assets in the future.

The Company estimates recoverable amount utilizing the future cash flows of goodwill's cash generating unit and appropriate discount rates in order to determine whether goodwill is impaired. Please refer to Note 6(9) (10) for the information on goodwill impairment.

As of December 31, 2022, the Company had property, plant and equipment in the amount of \$233,326, intangible assets including goodwill in the amount of \$276,909 (including goodwill generated from invested in the subsidiaries and was shown as investments accounted for using

equity method in parent company only financial statements in the amount of \$133,272) and computer software in the amount of \$18,627.

**B. Realisability of deferred tax assets**

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred tax assets.

As of December 31, 2022, the Company recognised deferred tax assets amounting to \$390,571.

**C. 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. Due to the rapid technology innovation, 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.

As of December 31, 2022, the carrying amount of inventories was \$2,065,397.

**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	\$ 132	\$ 120
Checking accounts and demand deposits	857,476	760,779
Time deposits	<u>54,900</u>	<u>62,595</u>
	<u>\$ 912,508</u>	<u>\$ 823,494</u>

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.

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	<u>\$ 3,227</u>	<u>\$ 490</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, 2022</u>	<u>Year ended December 31, 2021</u>
Financial assets mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 2,737	(\$ 2,038)
Option	( 337)	-
	<u>\$ 2,400</u>	<u>(\$ 2,038)</u>

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

	Unit: In thousands			
	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
<u>Derivative instruments</u>	<u>Contract amount</u>	<u>Contract period</u>	<u>Contract amount</u>	<u>Contract period</u>
	(Notional principal)		(Notional principal)	
Current items:				
Foreign exchange swap transactions	USD 3,000	2022.11.10~ 2023.1.17	USD 3,000	2021.11.11~ 2022.01.18
Forward foreign exchange contracts	USD -		USD 1,000	2021.12.06~ 2022.01.04

The Company entered into foreign exchange swap contracts to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items :		
Equity instruments		
Unlisted stocks	\$ 25,000	\$ 25,000
Valuation adjustments	( 12,647)	( 11,329)
	<u>\$ 12,353</u>	<u>\$ 13,671</u>

A. The Company has elected to classify equity instrument investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$12,353 and \$13,671 as at December 31, 2022 and 2021, respectively.

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:

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
<u>Equity instruments at fair value through other comprehensive income</u>		
Fair value change recognised in other comprehensive (loss) income	(\$ <u>1,318</u> )	\$ <u>5,011</u>

(4) Notes and accounts receivable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Notes receivable	\$ 663	\$ 14,013
Less: Allowance for uncollectible accounts	<u>-</u>	<u>-</u>
	<u>\$ 663</u>	<u>\$ 14,013</u>
Accounts receivable	\$ 834,578	\$ 1,043,880
Accounts receivable - related party	26,760	32,276
Less: Allowance for uncollectible accounts	( <u>276</u> )	( <u>11,028</u> )
	<u>\$ 861,062</u>	<u>\$ 1,065,128</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>	
	<u>Accounts receivable</u>	<u>Notes receivable</u>	<u>Accounts receivable</u>	<u>Notes receivable</u>
Not past due	\$ 709,920	\$ 663	\$ 505,708	\$ 14,013
Up to 90 days	136,781	-	424,764	-
91 to 180 days	14,351	-	58,892	-
Over 180 days	286	-	86,792	-
	<u>\$ 861,338</u>	<u>\$ 663</u>	<u>\$ 1,076,156</u>	<u>\$ 14,013</u>

The above ageing analysis was based on past due date. Overdue receivables of \$115,232 and \$438,431 have been recovered after the end of December 31, 2022 and 2021, respectively.

B. As of December 31, 2022 and 2021, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2021, the balance of receivables from contracts with customers amounted to \$804,173.

C. As of December 31, 2022 and 2021, without taking into account other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's notes receivable were \$663 and \$14,013, respectively. As of December 31, 2022 and 2021, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$861,062 and \$1,065,128, respectively.

D. Information relating to credit risk of accounts and notes receivable is provided in Note 11(2).

(5) Inventories

	December 31, 2022		
	Cost	Allowance for inventory	Book value
		valuation losses	
Raw materials	\$ 1,264,983	(\$ 33,774)	\$ 1,231,209
Work in progress	177,439	( 16,549)	160,890
Finished goods	682,218	( 9,100)	673,118
Inventory in transit	180	-	180
	<u>\$ 2,124,820</u>	<u>(\$ 59,423)</u>	<u>\$ 2,065,397</u>

	December 31, 2021		
	Cost	Allowance for inventory	Book value
		valuation losses	
Raw materials	\$ 1,400,777	(\$ 20,013)	\$ 1,380,764
Work in progress	230,535	( 13,389)	217,146
Finished goods	84,152	( 9,380)	74,772
Inventory in transit	2,303	-	2,303
	<u>\$ 1,717,767</u>	<u>(\$ 42,782)</u>	<u>\$ 1,674,985</u>

The cost of inventories recognised expense for the year:

	Years ended December 31,	
	2022	2021
Cost of goods sold	\$ 3,745,016	\$ 3,145,644
Loss on decline in market value	27,382	76,966
Recognised as selling and R&D expenses	9,115	24,398
	<u>\$ 3,781,513</u>	<u>\$ 3,247,008</u>

(6) Investments accounted for using equity method

	December 31, 2022	December 31, 2021
	2022	2021
Subsidiary-Sasson International Holding Inc.	<u>\$ 1,404,798</u>	<u>\$ 1,509,143</u>
At January 1	\$ 1,509,143	\$ 1,530,055
Share of profit or loss of investments accounted for using equity method	16,910	( 6,878)
Unrealized (loss) gain	( 175,349)	11,994
Changes in other equity item-unrealized gain (loss) on financial assets	( 15,225)	( 1,909)
Currency exchange	69,319	( 24,119)
At December 31	<u>\$ 1,404,798</u>	<u>\$ 1,509,143</u>

For information on the Company's subsidiary – Sasson International Holding Inc., please refer to Note 4 (3) in the Company's consolidated financial statements for the year ended December 31, 2022.

(7) Property, plant and equipment

2022

	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1						
Cost	\$ 788,967	\$ 67,787	\$ 389	\$ 20,317	\$ 13,549	\$ 891,009
Accumulated depreciation and impairment	( 642,620)	( 59,505)	( 389)	( 11,462)	-	( 713,976)
	<u>\$ 146,347</u>	<u>\$ 8,282</u>	<u>\$ -</u>	<u>\$ 8,855</u>	<u>\$ 13,549</u>	<u>\$ 177,033</u>
At January 1	\$ 146,347	\$ 8,282	\$ -	\$ 8,855	\$ 13,549	\$ 177,033
Additions	89,825	2,472	-	4,975	14,726	111,998
Disposals	( 3,660)	-	-	-	-	( 3,660)
Reclassifications	4,927	-	-	-	4,927	-
Depreciation expense	( 41,209)	( 5,085)	-	( 5,751)	-	( 52,045)
At December 31	<u>\$ 196,230</u>	<u>\$ 5,669</u>	<u>\$ -</u>	<u>\$ 8,079</u>	<u>\$ 23,348</u>	<u>\$ 233,326</u>
At December 31						
Cost	\$ 870,802	\$ 70,191	\$ 389	\$ 25,293	\$ 23,348	\$ 990,023
Accumulated depreciation and impairment	( 674,572)	( 64,522)	( 389)	( 17,214)	-	( 756,697)
	<u>\$ 196,230</u>	<u>\$ 5,669</u>	<u>\$ -</u>	<u>\$ 8,079</u>	<u>\$ 23,348</u>	<u>\$ 233,326</u>

2021

	Machinery and equipment	Office equipment	Transportation equipment	Leasehold improvements	Unfinished construction and equipment under acceptance	Total
At January 1						
Cost	\$ 719,710	\$ 63,220	\$ 389	\$ 13,540	\$ -	\$ 796,859
Accumulated depreciation and impairment	( 615,624)	( 53,775)	( 389)	( 7,620)	-	( 677,408)
	<u>\$ 104,086</u>	<u>\$ 9,445</u>	<u>\$ -</u>	<u>\$ 5,920</u>	<u>\$ -</u>	<u>\$ 119,451</u>
At January 1	\$ 104,086	\$ 9,445	\$ -	\$ 5,920	\$ -	\$ 119,451
Additions	56,586	4,568	-	6,777	28,165	96,096
Disposals	( 122)	-	-	-	-	( 122)
Reclassifications	14,616	-	-	-	( 14,616)	-
Depreciation expense	( 28,819)	( 5,731)	-	( 3,842)	-	( 38,392)
At December 31	<u>\$ 146,347</u>	<u>\$ 8,282</u>	<u>\$ -</u>	<u>\$ 8,855</u>	<u>\$ 13,549</u>	<u>\$ 177,033</u>
At December 31						
Cost	\$ 788,967	\$ 67,787	\$ 389	\$ 20,317	\$ 13,549	\$ 891,009
Accumulated depreciation and impairment	( 642,620)	( 59,505)	( 389)	( 11,462)	-	( 713,976)
	<u>\$ 146,347</u>	<u>\$ 8,282</u>	<u>\$ -</u>	<u>\$ 8,855</u>	<u>\$ 13,549</u>	<u>\$ 177,033</u>

(8) Leasing arrangements — lessee

A. The Company leases buildings. Rental contracts are typically made for 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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>
Buildings	<u>\$ 333,083</u>	<u>\$ 388,597</u>
	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Buildings	<u>\$ 55,514</u>	<u>\$ 53,947</u>

C. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 7,398	\$ 8,203
Expense on short-term lease contracts	11,726	23,568
Expense on leases of low-value assets	208	209

D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$0 and \$23,510, respectively.

E. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases were \$42,124 and \$106,617, respectively.

F. Extension and termination options

In determining the lease term, the Company takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(9) Intangible assets

		2022			
		Goodwill	Acquired special technology	Computer software	Total
At January 1					
Cost	\$	143,637	\$ 404,895	\$ 384,164	\$ 932,696
Accumulated amortisation		-	( 404,895)	( 364,753)	( 769,648)
	\$	<u>143,637</u>	<u>-</u>	<u>19,411</u>	<u>163,048</u>
At January 1					
Cost	\$	143,637	-	\$ 19,411	\$ 163,048
Additions		-	-	18,840	18,840
Amortisation charge		-	-	( 19,624)	( 19,624)
At December 31	\$	<u>143,637</u>	<u>-</u>	<u>18,627</u>	<u>162,264</u>
At December 31					
Cost	\$	143,637	\$ 404,895	\$ 403,004	\$ 951,536
Accumulated amortisation		-	( 404,895)	( 384,377)	( 789,272)
	\$	<u>143,637</u>	<u>-</u>	<u>18,627</u>	<u>162,264</u>
		2021			
		Goodwill	Acquired special technology	Computer software	Total
At January 1					
Cost	\$	143,637	\$ 404,895	\$ 367,146	\$ 915,678
Accumulated amortisation		-	( 404,895)	( 344,674)	( 749,569)
	\$	<u>143,637</u>	<u>-</u>	<u>22,472</u>	<u>166,109</u>
At January 1					
Cost	\$	143,637	-	\$ 22,472	\$ 166,109
Additions		-	-	17,018	17,018
Amortisation charge		-	-	( 20,079)	( 20,079)
At December 31	\$	<u>143,637</u>	<u>-</u>	<u>19,411</u>	<u>163,048</u>
At December 31					
Cost	\$	143,637	\$ 404,895	\$ 384,164	\$ 932,696
Accumulated amortisation		-	( 404,895)	( 364,753)	( 769,648)
	\$	<u>143,637</u>	<u>-</u>	<u>19,411</u>	<u>163,048</u>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2022	2021
Operating costs	\$ 6,470	\$ 6,379
Research and development expenses	13,154	13,700
	<u>\$ 19,624</u>	<u>\$ 20,079</u>

(10) Impairment of non-financial assets

Goodwill is allocated to the Company's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The recoverable amount of all cash-generating units calculated using the value-in-use exceeded their carrying amount, so goodwill was not impaired. The key assumptions used for value-in-use calculations are as follows:

	Years ended December 31,					
	2022			2021		
	Up to 1 year	2 ~ 5 years	Over 6 years	Up to 1 year	2 ~ 5 years	Over 6 years
Operating revenue growth rate	33%	30%~5%	0%	97%	5%	0%
Gross margin	22%	20%	20%	16%	16%	16%
Discount rate	11.82%	11.82%	11.82%	14.03%	14.03%	14.03%

A. Operating revenue growth rate: took into consideration the estimated operation and sales plans.

B. Gross margin: calculated based on the historical data and took into consideration the estimated operation and sales plans.

C. Discount rate: the discount rates used were pre-tax and reflected specific risks relating to the relevant operating segments.

(11) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2022</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 952,000	1.61%~2.64%	None
Borrowings for material purchase	479,362	4.85%~6%	None
Export financing	30,710	5.69%	None
	<u>\$ 1,462,072</u>		

<u>Type of borrowings</u>	<u>December 31, 2021</u>	<u>Interest rate range</u>	<u>Collateral</u>
Bank borrowings			
Unsecured borrowings	\$ 1,124,766	0.74%~1.25%	None
Borrowings for material purchase	311,074	0.70%~0.89%	None
Export financing	83,040	0.70%	None
	<u>\$ 1,518,880</u>		

For the years ended December 31, 2022 and 2021, the Company recognized interest expense in profit or loss amounting to \$27,566 and \$4,483, respectively.

(12) Financial liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current items:		
Financial liabilities held for trading		
Non-hedging derivatives	<u>\$ 220</u>	<u>\$ -</u>

A. For the years ended December 31, 2022 and 2021, the Company recognised net (loss) gain on financial liabilities held for trading amounting to (\$220) and \$876, respectively.

B. Explanations of the transactions and contract information in respect of derivative financial liabilities that the Company does not adopt hedge accounting are as follows:

<u>Non-derivative financial Liabilities for hedging</u>	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>
Current items:				
Forward foreign exchange contracts	USD 5,000	2022.12.28~ 2023.2.1	-	-

Unit: In thousands

C. The Company entered into foreign exchange swap contracts to sell forward contracts to hedge exchange rate risk of export proceeds. However, these forward contracts are not accounted for under hedge accounting.

(13) Other payables

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Employee bonus payable	\$ 126,771	\$ 132,354
Payables for machinery and equipment	21,489	17,436
Technical service expense payable	9,654	11,910
Accrued export expenses	8,424	17,626
Insurance expense payable	7,232	7,086
Payables for consulting service fees	5,132	6,718
Payables on miscellaneous purchases	10,435	17,313
Others	27,952	21,945
	<u>\$ 217,089</u>	<u>\$ 232,388</u>

(14) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2022</u>
Long-term bank borrowings:				
Land Bank of Taiwan	Borrowing period is from February 5, 2021 to February 5, 2026; interest is repayable monthly; principal is repayable monthly from March 15, 2022.	1.425%	None.	\$ 161,662
The Shanghai Commercial & Savings Bank, Ltd.	Borrowing period is from March 31, 2020 to March 15, 2025; interest is repayable monthly; principal is repayable monthly from April 15, 2023.	1.375%	None.	293,822
Mega bank	Borrowing period is from December 23, 2019 to September 15, 2026; interest is repayable monthly; principal is repayable monthly from December 15, 2022.	1.570%	None.	311,434
Other borrowings				
Chailease Finance Co., Ltd.	Borrowing period is from June 28, 2022 to June 27, 2024; interest is repayable monthly; principal is repayable monthly from July 28, 2022.	4.165%	None.	103,547
				<u>870,465</u>
Less: Current portion				( <u>301,312</u> )
				<u>\$ 569,153</u>

Note: The Company issued promissory notes of \$154,344 as security for the inventory sale and repurchase arrangement. The coupon rate is 2%.

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2021</u>
Long-term bank borrowings:				
Land Bank of Taiwan	Borrowing period is from February 5, 2021 to February 5, 2026; interest is repayable monthly; principal is repayable monthly from March 15, 2022.	0.800%	None.	\$ 214,080
The Shanghai Commercial & Savings Bank, Ltd.	Borrowing period is from March 31, 2020 to March 15, 2025; interest is repayable monthly; principal is repayable monthly from April 15, 2022.	0.750%	None.	297,351
Mega bank	Borrowing period is from December 23, 2019 to September 15, 2026; interest is repayable monthly; principal is repayable monthly from December 15, 2022.	0.945%	None.	
				245,549
				<u>756,980</u>
Less: Current portion				( <u>128,543</u> )
				<u>\$ 628,437</u>

- A. For years ended December 31, 2022 and 2021, the Company recognized interest expense in profit or loss amounting to \$10,839 and \$5,304, respectively, due to the long-term borrowings.
- B. On January 1, 2019, Ministry of Economic Affairs, R.O.C. (“MOEA”) implemented the “Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan” and companies are subsidized with preferential interest loans, 0.5% of loan interest is subsidized by the National Development Fund, Executive Yuan, for qualified investment projects. The Company has obtained the qualification from the MOEA, and signed loan agreements with financial institutions during December 2019 to March 2022 with the line of credit amounted to \$1.09 billion and terms from five to six years. As of December 31, 2022 and 2021, the Company has drawn down NT\$217 million and NT\$281 million, respectively. Funding from these borrowings were used to invest in machineries, equipment and broaden the Company’s working capital.

(15) 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 Law. 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 would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method; to the employees expected to be qualify for retirement in the following year, the Company will make contributions for the deficit by next March.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 225,716	\$ 277,742
Fair value of plan assets	( 138,788)	( 122,113)
Net defined benefit liability	86,928	155,629
Accumulated unadjusted amount	-	-
Net liabilities recognised in the balance sheet	<u>\$ 86,928</u>	<u>\$ 155,629</u>

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

	2022		
	Present value of define benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 277,742)	\$ 122,113	(\$ 155,629)
Current service cost	( 720)	-	( 720)
Interest (expense) income	( 1,666)	733	( 933)
	( 280,128)	122,846	( 157,282)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	8,994	8,994
Change in demographic assumptions	-	-	-
Change in financial assumptions	11,099	-	11,099
Experience adjustments	15,449	-	15,449
	26,548	8,994	35,542
Pension fund contribution	-	16,988	16,988
Paid pension	27,864	( 10,040)	17,824
At December 31	(\$ 225,716)	\$ 138,788	(\$ 86,928)

	2021		
	Present value of define benefit obligations	Fair value of plan assets	Net defined benefit liability
At January 1	(\$ 287,207)	\$ 106,949	(\$ 180,258)
Current service cost	( 829)	-	( 829)
Interest (expense) income	( 862)	321	( 541)
	( 288,898)	107,270	( 181,628)
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	623	623
Change in demographic assumptions	( 262)	-	( 262)
Change in financial assumptions	7,513	-	7,513
Experience adjustments	1,171	-	1,171
	8,422	623	9,045
Pension fund contribution	-	16,954	16,954
Paid pension	2,734	( 2,734)	-
At December 31	(\$ 277,742)	\$ 122,113	(\$ 155,629)

(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 securitization 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:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Discount rate	<u>1.20%</u>	<u>0.60%</u>
Future salary increases	<u>2.00%</u>	<u>2.00%</u>

Future mortality rate was estimated based on the 6th and 5th Taiwan Standard Ordinary Experience Mortality Table.

Sensitivity analysis of the effect on present value of defined benefit obligation due from the changes of main actuarial assumptions was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 1%</u>	<u>Decrease 1%</u>	<u>Increase 1%</u>	<u>Decrease 1%</u>
December 31, 2022				
Effect on present value of defined benefit obligation	( <u>\$ 17,584</u> )	<u>\$ 18,113</u>	<u>\$ 15,673</u>	( <u>\$ 15,315</u> )
December 31, 2021				
Effect on present value of defined benefit obligation	( <u>\$ 23,356</u> )	<u>\$ 24,096</u>	<u>\$ 20,924</u>	( <u>\$ 20,424</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 were consistent with previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2023 amount to \$3,239.

(g) As of December 31, 2022, the weighted average duration of the retirement plan is 8 years.

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 for the years ended December 31, 2022 and 2021 were \$22,457 and \$23,323, respectively.

(16) Share-based payment

A. For the years ended December 31, 2022, the Company’s share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Cash capital increase reserved for employee preemption	2022.02.10	694	NA	Vested immediately

B. The fair value of stock options granted on grant date is measured using the Black-Scholes optionpricing model or other. Relevant information is as follows:

Type of arrangement	Grant date	Stock price	Exercise price	Expected price volatility	Expected option life	Expected dividends	Risk-free interest rate	Fair value per unit
Cash capital increase reserved for employee preemption in 2022	2022.02.10	64.2 dollars	\$ 52 (dollars)	41.66%	0.022 years	0%	0.35%	\$ 12.24 (dollars)

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

	December 31, 2022	December 31, 2021
Equity-settled	\$ 8,495	\$ -

(17) Provisions

A. Provision for warranty

	2022	2021
Balance at January 1	\$ 2,232	\$ 1,890
Additional provisions	23,209	2,694
Used during the year	(2,435)	(2,352)
Balance at December 31	\$ 23,006	\$ 2,232

The Company gives warranties on sales-related products. Provision for warranty is estimated based on historical warranty data of uninterruptible power supply and solar energy products.

B. Provision for income tax in the United States

The Company recognised provision for contingent income tax liability in 2021 for the products sold under the incoterms DDP in the previous year. The US Internal Revenue Service preliminarily determined that it suspects that the Company traded within the US. Although the Company claimed that those were international trades, considering the tax negotiation had been completed, provision for income tax liability amounting to \$45,017. In December 31, 2022, provision for income tax liability was repaid at full amount, so the remaining balance was \$0.

C. Analysis of total provisions:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current	\$ 14,979	\$ 47,249
Non-current	\$ 8,027	\$ -

(18) Share capital

As of December 31, 2022, the Company's authorised capital was \$7,000,000, consisting of 0.7 billion shares of ordinary stock (including 50 million shares reserved for employee stock options and convertible bonds issued by the Company), and the paid-in capital was \$2,380,283 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	(Unit: In thousand shares)	
	<u>2022</u>	<u>2021</u>
At January 1	228,028	228,028
Cash capital increase	10,000	-
At December 31	<u>238,028</u>	<u>228,028</u>

On November 5, 2021, the Board of Directors of the Company resolved to increase capital amounting to \$520 million by issuing 10,000 thousand shares at \$52 (in dollars) per share. The effective date of the capital increase was on March 8, 2022. The registration for the issuance of new shares has been completed on March 16, 2022.

(19) 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. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) 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 year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. After setting aside or reversal of a special reserve in accordance with related laws, the Company shall appropriate dividends to preferred stock. The Board of Directors should present the distribution of the remaining earnings along with accumulated unappropriated earnings for the approval of the shareholders to distribute dividends to shareholders.
- B. As the Company is in the growth stage, considered entire environment and nature of industry as well as future capital needs and long-term financial plans in order to subsequent operation and stable development. Based on the Company's future budget of capital expenditure and demand of capital, the Company appropriated no less than 30% of distributable earnings to shareholders' dividends, but if the distributable earnings is lower than 5% of paid-in capital, no dividends will be distributed. Cash dividend has a first priority when distributing shareholders' dividends, and the ratio is 30~100% of current total dividends. Remaining dividend can be distributed in the form of stocks. The appropriation of retained earnings will be proposed by the Board of Directors every year, and will be approved by the 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. On June 14, 2022, the shareholders during their meeting resolved not to distribute dividends from 2021 earnings.
- F. The Company incurred operating losses for the years ended December 31, 2022 and 2021, and thus had no earnings for distribution.

(21) Other equity items

	2022		
	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Total
At January 1	(\$ 251,527)	(\$ 129,418)	(\$ 380,945)
Valuation adjustments	( 1,318)	-	( 1,318)
Effects of associate accounted for under equity method	( 15,225)	69,319	54,094
Tax effects of associate accounted for under equity method	-	( 13,864)	( 13,864)
At December 31	<u>(\$ 268,070)</u>	<u>(\$ 73,963)</u>	<u>(\$ 342,033)</u>

	2021		
	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Financial statements translation differences of foreign operations	Total
At January 1	(\$ 254,629)	(\$ 110,123)	(\$ 364,752)
Valuation adjustments	5,011	-	5,011
Effects of associate accounted for under equity method	( 1,909)	( 24,119)	( 26,028)
Tax effects of associate accounted for under equity method	-	4,824	4,824
At December 31	<u>(\$ 251,527)</u>	<u>(\$ 129,418)</u>	<u>(\$ 380,945)</u>

(22) Operating revenue

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Revenue from contracts with customers	<u>\$ 4,406,763</u>	<u>\$ 3,606,238</u>

A. Disaggregation of revenue from contracts with customers

The Company derives revenue in the following major product lines and geographical regions:

	2022			
	USA	Mainland China	Other	Total
Revenue from external customer contracts	<u>\$ 1,552,997</u>	<u>\$ 453,260</u>	<u>\$ 2,400,506</u>	<u>\$ 4,406,763</u>

	2021			
	USA	Mainland China	Other	Total
Revenue from external customer contracts	\$ 1,397,147	\$ 703,262	\$ 1,505,829	\$ 3,606,238

B. Contract liabilities from customers

(a) The Company has recognised the following revenue-related contract liabilities:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Contract liabilities:			
Contract liabilities-			
Products sales contracts	\$ 46,080	\$ 7,597	\$ 81,033

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

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Revenue recognised that was included in the contract liability balance at the beginning of the period	\$ 4,081	\$ 51,921

Changes in contract liabilities are mainly from the timing difference between performance obligations satisfied and customers' payment.

(23) Interest income

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$ 2,436	\$ 778

(24) Other income

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Dividend income	\$ 97	\$ 130
Other income, others	13,061	20,316
	<u>\$ 13,158</u>	<u>\$ 20,446</u>

A. For the years ended December 31, 2022 and 2021, the Company recognised government grant income of (\$478) and \$8,796, respectively, for the subsidiaries from the Ministry of Economic Affairs under the 'Low Earth Orbit (LEO) Radio Frequency Front End (RFFE) Solution Development Plan'.

B. For the year ended December 31, 2022, as the Group adopted the “The Youth's Employment Ultimate Program” of the Ministry of Labor, the Group recognised program funds of government subsidies as subsidy income amounting to \$1,380.

(25) Other gains and losses

	Years ended December 31,	
	2022	2021
(Losses) gains on disposals of property, plant and equipment	(\$ 50)	\$ 20
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	2,180	( 1,162)
Currency exchange gains	34,968	3,113
Other gains and losses	( 1,107)	( 1,048)
	<u>\$ 35,991</u>	<u>\$ 923</u>

(26) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense		
Interest expense on borrowings	\$ 38,405	\$ 9,787
Interest expense on lease liabilities	7,398	8,203
	<u>\$ 45,803</u>	<u>\$ 17,990</u>

(27) Expenses by nature

	Years ended December 31,	
	2022	2021
Employee benefit expense	\$ 607,419	\$ 587,995
Depreciation charges on property, plant and equipment	52,045	38,392
Depreciation charges on right-of use asset	55,514	53,947
Amortisation	19,624	20,079
	<u>\$ 734,602</u>	<u>\$ 700,413</u>

(28) Employee benefit expense

	Years ended December 31,	
	2022	2021
Salary expenses	\$ 514,691	\$ 502,286
Labour and health insurance fees	48,830	47,713
Directors' remuneration	2,222	1,831
Pension costs	24,110	24,693
Other personnel expenses	17,566	11,472
	<u>\$ 607,419</u>	<u>\$ 587,995</u>

A. According to the Articles of Incorporation of the Company, the ratio of distributable profit of the current year shall not be lower than 7% for employees' compensation in the form of stocks/cash, and employees must be working for the Company. The current year's earnings, if any, shall not be higher than 1% for directors' remuneration. Appropriation of employees' compensation and directors' remuneration shall be submitted to the shareholders' meeting. If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated to employees' compensation and directors' remuneration based on the abovementioned ratios.

B. For the years ended December 31, 2022 and 2021, employees' and compensation directors' remuneration were accrued both amounted to \$0.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 7% and 1% of distributable profit for the years ended December 31, 2022 and 2021, respectively. However, there were no amounts accrued for both periods as the Company incurred losses before tax.

For 2021, the employees' compensation and directors' remuneration resolved by the Board of Directors both amounted to \$0, which were in agreement with those amounts recognised in the 2021 financial statements.

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

(29) Tax

A. Income tax benefit

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ -	\$ -
Tax of foreign source income withheld at source	248	(23,624)
Total current tax	248	(23,624)
Deferred tax:		
Origination and reversal of temporary differences	(12,738)	3,103
Impact of tax losses	19,952	14,521
Total deferred tax	7,214	17,624
Income tax expense (benefit)	\$ 7,462	(\$ 6,000)

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

	Years ended December 31,	
	2022	2021
Currency translation differences of foreign operations	\$ 13,864	(\$ 4,824)

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	(\$ 95,790)	(\$ 91,203)
Effects from items disallowed by tax regulation	83,052	-
Change in assessment of realisation of deferred tax assets	19,952	108,827
Tax of foreign source income withheld at source	248	(23,624)
Income tax expense (benefit)	\$ 7,462	(\$ 6,000)

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

	2022			
	<u>At January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>At December 31</u>
Deferred tax assets:				
-Temporary differences:				
Allowance for inventory valuation losses	\$ 8,556	\$ 3,329	\$ -	\$ 11,885
Unrealised warranty cost of after-sale service	446	4,155	-	4,601
Unrealised pension	31,126	( 13,740)	-	17,386
Exchange differences on foreign financial statements	11,757	-	( 11,757)	-
Others	2,151	( 2,151)	-	-
-Tax losses	<u>376,651</u>	<u>( 19,952)</u>	<u>-</u>	<u>356,699</u>
Subtotal	<u>\$ 430,687</u>	<u>(\$ 28,359)</u>	<u>(\$ 11,757)</u>	<u>\$ 390,571</u>
Deferred income tax liabilities:				
Unrealised gain on long-term investments	(\$ 97,492)	\$ 31,687	\$ -	(\$ 65,805)
Unrealised exchange gain	( 11,724)	( 7,950)	-	( 19,674)
Unrealised gain from doubtful accounts	-	( 2,156)	-	( 2,156)
Exchange differences on foreign financial statements	-	-	( 2,107)	( 2,107)
Others	( 98)	( 436)	-	( 534)
Subtotal	<u>(\$ 109,314)</u>	<u>\$ 21,145</u>	<u>(\$ 2,107)</u>	<u>(\$ 90,276)</u>
Total	<u>\$ 321,373</u>	<u>(\$ 7,214)</u>	<u>(\$ 13,864)</u>	<u>\$ 300,295</u>

2021

	<u>At January 1</u>	<u>Recognised in profit or loss</u>	<u>Recognised in other comprehensive income</u>	<u>At December 31</u>
Deferred tax assets:				
-Temporary differences:				
Allowance for inventory valuation losses	\$ 6,679	\$ 1,877	\$ -	\$ 8,556
Unrealised warranty cost of after-sale service	378	68	-	446
Unrealised pension	36,055	( 4,929)	-	31,126
Exchange differences on foreign financial statements	6,933	-	4,824	11,757
Others	50	2,101	-	2,151
-Tax losses	<u>391,172</u>	<u>( 14,521)</u>	<u>-</u>	<u>376,651</u>
Subtotal	<u>\$ 441,267</u>	<u>(\$ 15,404)</u>	<u>\$ 4,824</u>	<u>\$ 430,687</u>
Deferred income tax liabilities:				
Unrealised gain on long-term investments	(\$ 96,469)	(\$ 1,023)	\$ -	(\$ 97,492)
Unrealised exchange gain	( 10,294)	( 1,430)	-	( 11,724)
Others	<u>( 331)</u>	<u>233</u>	<u>-</u>	<u>( 98)</u>
Subtotal	<u>(\$ 107,094)</u>	<u>(\$ 2,220)</u>	<u>\$ -</u>	<u>(\$ 109,314)</u>
Total	<u>\$ 334,173</u>	<u>(\$ 17,624)</u>	<u>\$ 4,824</u>	<u>\$ 321,373</u>

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2022					
<u>Year incurred</u>	<u>Amount filed/ Assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>	
2013	\$ 1,086,632	\$ 1,086,632	\$ 1,086,632	2023	
2014	407,486	407,486	34,566	2024	
2015	240,322	210,609	-	2025	
2019	103,522	103,552	-	2029	
2020	218,752	218,752	-	2030	
2021	462,497	462,497	-	2031	
2022	415,165	415,165	-	2032	
		<u>\$ 2,904,693</u>	<u>\$ 1,121,198</u>		

December 31, 2021

<u>Year incurred</u>	<u>Amount filed/ Assessed</u>	<u>Unused amount</u>	<u>Unrecognised deferred tax assets</u>	<u>Expiry year</u>
2012	\$ 1,356,066	\$ 1,356,066	\$ 1,356,066	2022
2013	1,086,632	1,086,632	598,039	2023
2014	407,486	407,486	-	2024
2015	240,322	210,609	-	2025
2019	103,522	103,522	-	2029
2020	218,752	218,752	-	2030
2021	454,293	454,293	-	2031
		<u>\$ 3,837,360</u>	<u>\$ 1,954,105</u>	

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

(30) Earnings (losses) per share

	<u>Year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic/Diluted losses per share</u>			
Loss attributable to the parent	(\$ 486,411)	236,220	(\$ 2.06)

	<u>Year ended December 31, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Losses per share (in dollars)</u>
<u>Basic/Diluted losses per share</u>			
Loss attributable to the parent	(\$ 450,016)	228,028	(\$ 1.97)

(31) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 111,998	\$ 96,096
Add: Opening balance of payable on equipment	17,436	25,429
Ending balance of prepayment for equipment	11,078	1,138
Less: Ending balance of payable on equipment	( 21,489)	( 17,436)
Operating balance of prepayment for equipment	( 1,138)	-
Cash paid during the year	<u>\$ 117,885</u>	<u>\$ 105,227</u>

(32) Changes in liabilities from financing activities

	Payments of lease liabilities	Short-term borrowings	Long-term borrowings	Total
January 1, 2022	\$ 394,098	\$ 1,518,880	\$ 756,980	\$ 2,669,958
Changes in cash flow from financing activities	( 22,792)	( 56,808)	113,053	33,453
Changes in other non-cash items	-	-	432	432
December 31, 2022	<u>\$ 371,306</u>	<u>\$ 1,462,072</u>	<u>\$ 870,465</u>	<u>\$ 2,703,843</u>
	Payments of lease liabilities	Short-term borrowings	Long-term borrowings	Total
January 1, 2021	\$ 445,225	\$ 297,593	\$ 391,429	\$ 1,134,247
Changes in cash flow from financing activities	( 74,637)	1,221,287	356,647	1,503,297
Changes in other non-cash items	23,510	-	8,904	32,414
December 31, 2021	<u>\$ 394,098</u>	<u>\$ 1,518,880</u>	<u>\$ 756,980</u>	<u>\$ 2,669,958</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Sasson International Holding, Inc.	The Company's directly owned subsidiary
Welltop Technology Co., Ltd.	The Company's indirectly owned subsidiary
MTI Laboratory, Inc.	The Company's indirectly owned subsidiary
RadioComp ApS	The Company's indirectly owned subsidiary
Jupiter Network Corp.	The Company's indirectly owned subsidiary
Jupiter Technology (Wuxi) Inc.	The Company's indirectly owned subsidiary
Cybertan Technology Inc.	Entities with significant influence to the Company
IQE Taiwan Corporation	Substantial related party

### (2) Significant related party transactions and balances

#### A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales of goods:		
Entities with significant influence to the Company	\$ 112,763	\$ 55,296

Goods are sold based on the price lists in force and terms that would be available to third parties. The credit term for the related party is 30 days after invoice date, and the credit term for the general customers is 30 to 90 days after invoice date or monthly billings.

#### B. Purchases

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
Jupiter Technology (Wuxi) Inc.	\$ 1,312,166	\$ 182,602
Entities with significant influence to the Company	20,560	2,423
	<u>\$ 1,332,726</u>	<u>\$ 185,025</u>

Goods are purchased based on the price lists in force and terms that would be available to third parties. The debt term for the related party is 60 days after invoice date, and the debt term for the general customers is 30 to 90 days after invoice date or monthly billings.

C. Receivables from related parties

	Years ended December 31,	
	2022	2021
Accounts receivable:		
Entities with significant influence to the Company	\$ 26,760	\$ 32,276
Other receivables:		
Entities with significant influence to the Company	239	205
Total	<u>\$ 26,999</u>	<u>\$ 32,481</u>

D. Payables to related parties

	Years ended December 31,	
	2022	2021
Accounts payable:		
Jupiter Technology (Wuxi) Inc.	\$ 350,261	\$ 160,989
Entities with significant influence to the Company	4,686	1,460
	<u>\$ 354,947</u>	<u>\$ 162,449</u>
Other payables:		
MTI Laboratory, Inc.	123,921	89,343
Radiocamp Aps	-	21,767
Jupiter Technology (Wuxi) Inc.	183	-
Subtotal	<u>124,104</u>	<u>111,110</u>
Total	<u>\$ 479,051</u>	<u>\$ 273,559</u>

E. Other current liabilities:

	December 31, 2022	December 31, 2021
Jupiter Technology (Wuxi) Inc.	<u>\$ 4,453</u>	<u>\$ 8,252</u>

F. Research and development expenses:

	Year ended December 31, 2022	Year ended December 31, 2021
MTI Laboratory, Inc.	\$ 256,983	\$ 168,414
Radiocamp Aps	159,333	143,252
	<u>\$ 416,316</u>	<u>\$ 311,666</u>

G. Property transactions:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Disposal of equipment				
Subsidiaries	\$ -	\$ -	\$ 142	\$ 20
Purchase of equipment				
Subsidiaries	(\$ 714)	\$ -	\$ -	\$ -

H. Lease transactions – lessee

(a) The Company leases buildings from Cybertan Technology Inc.. Rental contracts are typically made for periods of 10 years. Rents are paid at the end of year.

(b) Lease liabilities

(i) Outstanding balance:

	December 31, 2022	December 31, 2021
Cybertan Technology Inc.	\$ 371,306	\$ 394,098

(ii) Interest expense

	Year ended December 31, 2022	Year ended December 31, 2021
Cybertan Technology Inc	\$ 7,398	\$ 8,203

(c) As of December 31, 2022 and 2021, guarantee deposits paid (shown as ‘Other non-current assets’) to entities with significant influence to the Company all amounted to \$ \$5,765 and \$5,765, respectively.

(3) Key management compensation

	Years ended December 31,	
	2022	2021
Salaries and other short-term employee benefits	\$ 21,931	\$ 26,008
Post-employment benefits	1,811	1,979
Share-based payments	2,570	-
	\$ 26,312	\$ 27,987

8. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

9. SIGNIFICANT DISASTER LOSS

None.

10. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 11. OTHERS

### (1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

### (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		
Financial assets mandatorily measured at fair value through profit or loss	\$ 3,227	\$ 490
Designation of equity instrument	12,353	13,671
Financial assets at amortised cost/Loans and receivables		
Cash and cash equivalents	912,508	823,494
Notes receivable	663	14,013
Accounts receivable	861,062	1,065,128
Other receivables	1,925	4,422
Guarantee deposits paid	6,396	6,396
	<u>\$ 1,798,134</u>	<u>\$ 1,927,614</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at fair value through profit or loss		
Financial liabilities held for trading	\$ 220	\$ -
Financial liabilities at amortised cost		
Short-term borrowings	1,462,072	1,518,880
Accounts payable	1,022,380	978,351
Other payables	341,193	343,498
Long-term borrowings (including current portion)	870,465	756,980
	<u>\$ 3,696,330</u>	<u>\$ 3,597,709</u>
Lease liability	<u>\$ 371,306</u>	<u>\$ 394,098</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, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance. The Company uses derivative financial instruments to hedge certain risk exposures (see Notes 6(2) and 6(12)).

(b) Risk management is carried out by a central treasury department (Company treasury) under

policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, 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

##### Foreign exchange risk

- i. The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD, EUR and RMB. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require the company to manage their foreign exchange risk against their functional currency. The company is required to hedge their entire foreign exchange risk exposure with the company treasury. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Company uses forward foreign exchange contracts, transacted with Company treasury.
- iii. The Company hedges foreign exchange rate by using forward exchange and cross currency swap contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Notes 6(2) and (12).
- iv. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2022			
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 65,946	30.71	\$ 2,025,202
RMB:NTD	803	4.41	3,541
EUR:NTD	727	32.72	23,787
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 62,804	30.71	\$ 1,928,711
RMB:NTD	724	4.41	3,193
EUR:NTD	39	32.72	1,276

December 31, 2021			
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency : functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 63,567	27.68	\$ 1,759,535
RMB:NTD	2,329	4.35	10,131
EUR:NTD	1,365	31.32	42,752
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 54,247	27.68	\$ 1,501,557
RMB:NTD	2,076	4.35	9,031
EUR:NTD	793	31.32	24,837

- v. The total exchange (loss) 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 \$ 34,968 and \$3,113, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Year ended December 31, 2022				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	20,252	\$ -
RMB:NTD	1%		35	-
EUR:NTD	1%		238	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	19,287)	\$ -
RMB:NTD	1%	(	32)	-
EUR:NTD	1%	(	13)	-

Year ended December 31, 2021				
Sensitivity analysis				
	Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency : functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$	17,595	\$ -
RMB:NTD	1%		101	-
EUR:NTD	1%		428	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	(\$	15,016)	\$ -
RMB:NTD	1%	(	90)	-
EUR:NTD	1%	(	248)	-

#### 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 shares issued by the overseas and domestic companies. 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 1% with all other variables held constant, post-tax profit for the years ended December 31, 2022 and 2021 would have increased/decreased by \$124 and \$137, respectively, as a result of equity investment at fair value through other comprehensive income.

(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, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Company manages their credit risk taking into consideration the company's concern. For banks and financial institutions, only independently rated parties with a optimised credit rating are accepted. 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 management. The utilisation of credit limits is regularly monitored.
- iii. Impairment assessment of credit risk on financial assets at amortised cost is as follows:
  - (i) The Company adopts following assumptions under IFRS 9, 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.
  - (ii) In line with credit risk management procedure, when the counterparty is unable to pay the past-due payables, the default has occurred.
  - (iii) The Company used the forecast ability to adjust historical and timely information and considered credit rating of issue banks to assess the default possibility of accounts and notes receivable.
  - (iv) The Company's financial assets at amortised cost are including time deposits deposited in banks and restricted time deposits. Such banks all have optimised credit rating, no past due has occurred, and no significant changes in the entire economic environment, therefore no credit loss is expected and the impact to the financial statement is remote.

iv. Impairment assessment of credit risk on accounts and notes receivable is as follows:

- (i) The Company classifies customers' accounts and notes receivable in accordance with credit rating of customer. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- (ii) The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts and notes receivable. As of December 31, 2022 and 2021, the provision matrix is as follows:

	<u>Not past due</u>	<u>90 days past due</u>	<u>90-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2022</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-100%	
Total book value	\$ 710,583	\$ 136,781	\$ 14,351	\$ 286	\$ 862,001
Loss allowance	\$ -	\$ 1	\$ 1	\$ 274	\$ 276

	<u>Not past due</u>	<u>90 days past due</u>	<u>90-180 days past due</u>	<u>Over 180 days past due</u>	<u>Total</u>
<u>December 31, 2021</u>					
Expected loss rate	0%-1%	0%-1%	0%-1%	0%-100%	
Total book value	\$ 519,721	\$ 424,764	\$ 15,869	\$ 9,063	\$ 969,417
Loss allowance	\$ -	\$ 2	\$ 3	\$ 1,306	\$ 1,311

		<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
<u>December 31, 2021</u>				
Expected loss rate		12.86%	0%-3%	
Total book value		\$ 120,752	\$ 969,417	\$ 1,090,169
Loss allowance		\$ 9,717	\$ 1,311	\$ 11,028

- (iii) Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts and notes receivable are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 11,028	\$ 278
Reversal of impairment loss	( 10,779)	10,757
Effect of exchange rate changes	27	( 7)
At December 31	<u>\$ 276</u>	<u>\$ 11,028</u>

- v. 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.
- (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.
  - ii. Company treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.
  - iii. The table below analyses the Company'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.

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
December 31, 2022						
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 1,376,797	\$ 93,752	\$ -	\$ -	\$ -	\$1,470,549
Accounts payable (including related party)	909,337	113,043	-	-	-	1,022,380
Other payables (including related party)	341,193	-	-	-	-	341,193
Long-term borrowings	48,619	263,360	342,079	254,068	-	908,126
Lease liabilities	45,284	45,284	60,378	181,134	60,378	392,458
<u>Derivative financial liabilities</u>						
Foreign exchange swap contracts	\$ 220	\$ -	\$ -	\$ -	\$ -	\$ 220

December 31, 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<u>Non-derivative financial liabilities</u>						
Short-term borrowings	\$ 1,151,467	\$ 371,291	\$ -	\$ -	\$ -	\$1,522,758
Accounts payable (including related party)	849,651	128,700	-	-	-	978,351
Other payables (including related party)	343,498	-	-	-	-	343,498
Long-term borrowings	14,578	120,013	197,409	458,328	-	790,328
Lease liabilities	15,095	45,284	60,378	181,134	120,756	422,646

(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.

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 derivative instruments and emerging stocks are included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in equity investment without active market is included in Level 3.

B. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, financial assets at amortised cost, other financial assets, short-term borrowings, accounts payable and other payables are approximate to their fair values.

C. 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 are as follows:

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

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 3,227	\$ -	\$ 3,227
Foreard foreign exchange contracts	-	-	-	-
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	12,353	12,353
	<u>\$ -</u>	<u>\$ 3,227</u>	<u>\$ 12,353</u>	<u>\$ 15,580</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap contracts	<u>\$ -</u>	<u>\$ 220</u>	<u>\$ -</u>	<u>\$ 220</u>
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 437	\$ -	\$ 437
Foreard foreign exchange contracts	-	53	-	53
Financial assets at fair value through other comprehensive income				
Equity securities	-	-	13,671	13,671
	<u>\$ -</u>	<u>\$ 490</u>	<u>\$ 13,671</u>	<u>\$ 14,161</u>
<b>Liabilities</b>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap contracts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

- (b) The methods and assumptions the Company used to measure fair value are as follows:
- i. When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts and foreign exchange swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
  - ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is

necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

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

E. The following chart is the movement of Level 3 for the years ended December 31, 2022 and 2021:

	<u>2022</u>
	<u>Equity securities</u>
At January 1	\$ 13,671
Income recognised in other comprehensive income	( 1,318)
At December 31	<u>\$ 12,353</u>
	<u>2021</u>
	<u>Equity securities</u>
At January 1	\$ 8,660
Income recognised in other comprehensive income	5,011
At December 31	<u>\$ 13,671</u>

F. Treasury department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price. s used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at <u>December 31, 2022</u>	Valuation <u>technique</u>	Significant unobservable <u>input</u>	Range (weighted average)	Relationship of <u>inputs to fair value</u>
Non-derivative equity instrument:					
	\$ 12,353				
Unlisted shares		Market comparable companies	Discount for lack of marketability P/B ratio	30%  100%	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 13,671	Market comparable companies	Discount for lack of marketability P/B ratio	30%  100%	The higher the discount for lack of marketability, the lower the fair value

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2022				
				Recognised in other		
		Recognised in profit or loss		comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Input	Change					
Financial assets						
Discount for lack of marketability	±10%	\$ -	\$ -	\$ 529	(\$ 529)	
Equity instruments						
P/B ratio	±10%	-	-	1,235	(1,235)	
		\$ -	\$ -	\$ 1,764	(\$ 1,764)	
		December 31, 2021				
				Recognised in other		
		Recognised in profit or loss		comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Input	Change					
Financial assets						
Discount for lack of marketability	±10%	\$ -	\$ -	\$ 586	(\$ 586)	
Equity instruments						
P/B ratio	±10%	-	-	1,367	(1,367)	
		\$ -	\$ -	\$ 1,953	(\$ 1,953)	

#### (4) Other

A. Due to the impact of the COVID-19 pandemic in 2022, there were supply problems in raw materials and shortage of workers in the production line of the suppliers in Mainland China and the operating revenue of the Company was therefore affected. However, the Company expects that the impact will be gradually be reduced as the pandemic has been stabilised, the suppliers have gradually resumed their production and the Company has rearranged the Company's resources for the operational adjustments and countermeasures.

- B. Since October 26, 2021, the area where the Company's Mainland China trans-investment company is located started to adopt the orderly use of electricity, and the original policy of power rationing is no longer implemented. Accordingly, the operation is no longer currently affected by the power rationing. During the current year, a budget for purchasing diesel generator and solar power-generating equipment has been provided to support the demand for electricity of production capacity.

## 12. 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: 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 \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$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 financial instruments undertaken during the reporting periods: Please refer to Note 6(2) (12).
- J. Significant inter-company transactions during the reporting periods: 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: Please refer to table 6.
- B. Significant transactions, either directly or indirectly through a third areas, with investee companies in the Mainland China: Please refer to table 7.

### (4) Major shareholders information

Major shareholders information: Please refer to table 8.

## 13. SEGMENT INFORMATION

Not applicable.

Microelectronics Technology, Inc.

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)  
Year ended December 31, 2022

Table 1

Expressed in thousands of NTD  
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022			Note
				Number of shares	Book value	Ownership (%)	
Microelectronics Technology, Inc.	Stocks - TAIWAN AEROSPACE CORPORATION	None	Financial assets at fair value through other comprehensive income	648,576	\$ 12,353	0.48	12,353
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Optical Scientific, Inc.	None	Financial assets at fair value through profit or loss	16,023	-	5.02	-
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Fretide, Inc.	None	Financial assets at fair value through profit or loss	1,333,360	-	2.24	-
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Tatcom Capital Ltd.	None	Financial assets at fair value through other comprehensive income	20,000	95,756	Note	95,756
SASSON INTERNATIONAL HOLDING, INC.	Stocks - New Edge Signal Solutions LCC	None	Financial assets at fair value through other comprehensive income	1,355,663	-	12.5	-
SASSON INTERNATIONAL HOLDING, INC.	Stocks - Kymeta Corporation	None	Financial assets at fair value through other comprehensive income	205,432	-	0.05	-
SASSON INTERNATIONAL HOLDING, INC.	Stocks - CDIB-Innolux Limited Partnership	None	Financial assets at fair value through income	-	55,626	6.99	55,626

Note: Holding of 10,000 ordinary shares and 10,000 preference shares for 11.43% and 16.67% ownership, respectively.

Microelectronics Technology, Inc.

Purchases or sales of goods from or to related parties reaching \$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	Purchases (sales)	Amount	Percentage of total purchases (sales)	Differences in transaction terms compared to third party transactions				Notes/accounts receivable (payable)	
						Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXI) INC	Indirect subsidiary of the Company	Purchases	\$ 1,312,166	38%	60 days	Not applicable	Not applicable	\$ 350,261	(37%)	
JUPITER TECHNOLOGY (WUXI) INC	Microelectronics Technology, Inc.	Indirect subsidiary of the Company	Sales	( 1,312,166)	(61%)	60 days	Not applicable	Not applicable	350,261	51%	

Microelectronics Technology, Inc.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

Year ended 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	Allowance for doubtful accounts	Expressed in thousands of NTD (Except as otherwise indicated)
					Amount	Action taken			
JUPITER TECHNOLOGY (WUXI)	Microelectronics Technology, Inc.	Parent company	\$ 350,261	5.07	\$ -	-	230,280	\$ -	-

Microelectronics Technology, Inc.

Significant inter-company transactions during the reporting periods

Year ended December 31, 2022

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount		
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXD) INC.	1	Purchases and processing overhead	\$ 1,312,166	Same as those to the third parties	29.27%
0	Microelectronics Technology, Inc.	JUPITER TECHNOLOGY (WUXD) INC.	1	Accounts payable	350,261	Payment term is 60 days from invoice date	5.36%
0	Microelectronics Technology, Inc.	MTI Laboratory, INC.	1	Research and development expenses	256,983	Same as those to the third parties	5.73%
0	Microelectronics Technology, Inc.	MTI Laboratory, INC.	1	Other payable	123,921	Based on the mutual agreement	1.90%
0	Microelectronics Technology, Inc.	Radiocomp ApS	1	Research and development expenses	159,333	Same as those to the third parties	3.55%

Table 4

Expressed in thousands of NTD  
(Except as otherwise indicated)

Note 1: The information of transactions between the Company and the subsidiaries should be noted in "Number" column.

(1) Number 0 represents the Company.

(2) The consolidated subsidiaries are numbered in order from number 1.

Note 2: The transaction relationship with counterparties are as follows:

(1) The Company to the consolidated subsidiary.

(2) The consolidated subsidiaries to the Company.

(3) The consolidated subsidiaries to other consolidated subsidiaries.

Note 3: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note 4: Only transaction amounts over 10 million were disclosed and if transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it was not required to be disclosed separately.

Microelectronics Technology, Inc.  
Information on investees  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 5

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Investment income (loss) recognised by the Company for the year ended December 31, 2022	Note	
				Balance at December 31, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Microelectronics Technology, Inc.	SASSON INTERNATIONAL HOLDING, INC.	British Virgin IS.	Investment management	\$ 908,778	\$ 908,778	3,920	100	\$ 1,404,798	\$ 16,910	158,438	Note 1
SASSON INTERNATIONAL HOLDING, INC.	Welltop Technology Co.,Ltd.	British Virgin IS.	Investment management	240,582	216,845	7,834,000	100	375,005	10,156	10,156	Note 2
SASSON INTERNATIONAL HOLDING, INC.	Jupiter Network Corp.	British Virgin IS.	Investment management	954,215	860,067	31,071,800	100	1,002,758	16,500	16,500	Note 2
Welltop Technology Co.,Ltd.	MTI Laboratory, Inc.	U.S.A	Communications	46,065	41,520	1,500,000	100	161,027	8,216	8,216	Note 2
Welltop Technology Co.,Ltd.	Radiocomp ApS	DENMARK	Communications	144,398	130,151	1,527,944	100	192,729	2,066	2,066	Note 2

Note 1: Subsidiary of the Company.

Note 2: Indirect subsidiary of the Company.

Microelectronics Technology, Inc.  
Information on investees in Mainland China  
Year ended December 31, 2022

Expressed in thousands of NTD  
(Except as otherwise indicated)

Table 6

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 2)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Note
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Remitted to Mainland China to Taiwan							
JUPITER TECHNOLOGY (WUXI) INC (Note 1)	The manufactures and sales of satellite and microwave communication system and related technical and consultation services	\$ 952,010	Through investing in an existing company in the third area, which then invested in the investee in Mainland China.	\$ 952,010	\$ -	\$ 952,010	\$ 16,500	100	\$ 16,500	\$ 1,002,716	\$ -	-
Company name		December 31, 2021		December 31, 2021								
Microelectronics Technology, Inc.		\$ 1,073,929	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)		\$ 1,197,936		\$ 1,246,563					

Note 1: It was indirectly invested through Jupiter Network Corp.  
Note 2: Investment profit or loss was recognised based on the financial statements that were audited by R.O.C. parent company's CPA.  
Note 3: Initial investment amount is evaluated at the spot rate at the period end.

Microelectronics Technology, Inc.

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

Year ended December 31, 2022

Table 7

Expressed in thousands of NTD  
(Except as otherwise indicated)

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing		Interest during the year ended December 31, 2022	Others (Note)
	Amount	%	Amount	%	Balance	%	Balance at December 31, 2022	Maximum balance during the year ended December 31, 2022	Balance at December 31, 2022	Interest rate		
Investee in Mainland China												
JUPITER TECHNOLOGY (WUXI) INC	\$ 1,312,166	38%	(\$ 714)	0.4%	(\$ 350,261)	37%	\$ -	- \$	- \$	- \$	- \$	4,453

Note: It consisted of current liabilities amounting to \$4,453.

Microelectronics Technology, Inc.  
 Major shareholders information  
 Year ended December 31, 2022

Expressed in thousands of NTD  
 (Except as otherwise indicated)

Table 8

Name of major shareholders	Shares	No. of shares held	Ownership (%)
Cybertan Technology Inc.		54,070,749	22.71%

Note 1: The major shareholders information was from the data that the Company issued common shares (including treasury shares) and preference shares in dematerialised 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 may differ from the actual number of shares issued in dematerialised form because of a different calculation basis.

Note 2: If the aforementioned data contains shares which were kept at the trust by the shareholders, the data disclosed was the settlor's separate account for the fund 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 trusted shares, at the same time, persons who have power to allocate the trust assets. For the information of reported share equity of insider, please refer to Market Observation Post System.

MICROELECTRONICS TECHNOLOGY, INC.  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 1

Item	Description		Amount
Cash on hand and revolving funds -NTD	NTD		\$ 30
-USD	USD	3 dollars , exchange rate 30.71	<u>102</u>
			<u>132</u>
Checking accounts-NTD			<u>19,062</u>
Demand deposits -NTD			286,294
-EUR	EUR	727 dollars , exchange rate 32.72	23,778
-USD	USD	17,015 dollars , exchange rate 30.71	522,534
- Others			<u>5,808</u>
			<u>838,414</u>
Time deposits(Note)-NTD			<u>54,900</u>
			<u>\$ 912,508</u>

(Note) Expiration date : 2023/01/13~2023/02/07, Rate : 0.85%~1.035%.

MICROELECTRONICS TECHNOLOGY, INC.  
STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 2

<u>Customer name</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
Normal customers:			
Customer E		\$ 56,428	
Customer N		202,875	
Customer M		142,106	
Customer B		119,106	
Others		314,063	None of the individual customer's owing balance exceeding 5% of the ending balance of this account. Aging over one year amounted to \$275
		<u>834,578</u>	
Less: Bad provision		( 276)	
		<u>834,302</u>	
Related parties:			
CyberTAN Technology Inc.		<u>26,760</u>	
Total		<u>\$ 861,062</u>	

MICROELECTRONICS TECHNOLOGY, INC.  
STATEMENT OF INVENTORIES  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 3

Item	Amount		Note
	Cost	Net Realizable Value	
Raw material	\$ 1,264,983	\$ 1,305,502	
Work in progress	177,439	215,518	
Finished goods	682,218	763,720	
Inventory in transit	180	-	
	2,124,820	\$ 2,284,740	
Less : allowance for inventory valuation losses	( 59,423)		
	\$ 2,065,397		

MICROELECTRONICS TECHNOLOGY, INC.  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 4

Investee	Balance at January 1, 2022		Increase	Share of profit of associates accounted for under equity	Unrealized gain	Currency translation	Balance at December 31, 2022		Valuation Method		
	Percentage of ownership	Amount					Percentage of ownership	Amount	Net Equity	Collateral	
Sasson International Holding Inc.	100.00%	\$ 1,509,143	(\$ 15,225)	\$ 16,910	(\$ 175,349)	\$ 69,319	100.00%	\$ 1,404,798	\$ 1,590,452	Equity Method	None

MICROELECTRONICS TECHNOLOGY, INC.  
STATEMENT OF SHORT-TERM BANK LOANS  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 5

Description	Creditor	Ending Balance	Period	Range of Interest	Loan	Collateral	Note
Purchasing Unsecured	The Shanghai Commercial	\$ 170,568	180 days	4.85%~5.08%	\$ 245,680	None	
Unsecured borrowings	The Shanghai Commercial Land Bank of Taiwan	75,000	270 days	1.61%		None	
Purchasing Unsecured borrowings	Land Bank of Taiwan	210,000	90 days	2.13%	250,000	None	
Purchasing Unsecured borrowings	Mega International Commercial Bank	36,726	90 days	5.98%		None	
Purchasing	Mega International Commercial Bank	247,000	90 days	2.08%		None	
Export financing	Mega International Commercial Bank	178,031	90 days	5.87%~5.94%	460,650	None	
Purchasing	Chang Hwa Commercial Bank, Ltd.	30,710	90 days	5.69%		None	
Unsecured borrowings	Chang Hwa Commercial Bank, Ltd.	94,037	90 days	5.9%~6%		None	
Unsecured borrowings	Taishin International Bank	50,000	180 days	1.74%	150,000	None	
Unsecured borrowings	CTBC Bank Co., Ltd.	270,000	90 days	2.22%~2.35%	300,000	None	
		<u>100,000</u>	90 days	2.64%	150,000	None	
		<u>\$ 1,462,072</u>					

MICROELECTRONICS TECHNOLOGY, INC.  
STATEMENT OF ACCOUNTS PAYABLE  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 6

Supplier	Amount	Note
General Supplier:		
Company B	\$ 67,087	
Company J	46,980	
Company S	45,407	
Company H	41,291	
Company C	39,922	
		None of the individual supplier's balance exceeding 5% of the ending balance of this account
Other	426,746	
	<u>667,433</u>	
Related parties:		
Jupiter Technology(Wuxi)Co.,Ltd	350,261	
CyberTAN Technology Inc.	4,686	
	<u>354,947</u>	
	<u>\$ 1,022,380</u>	

MICROELECTRONICS TECHNOLOGY, INC.  
STATEMENT OF OTHER PAYABLES  
DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 7

Item	Amount	Note
Other payables :		
Salaries and employee benefit payable	\$ 126,771	
Payables for machinery and equipment	21,489	
Payable on miscellaneous purchases	10,435	
Technical service expense payable	9,654	
Accrued export expenses	8,424	
Insurance expenses payable	7,232	
Payables for consulting service fees	5,132	
		None of the individual item's balance exceeding 5% of the ending balance of this account
Other	27,952	
	<u>217,089</u>	
Related parties:		
Technical service payable	123,921	
		None of the individual item's balance exceeding 5% of the ending balance of this account
Other	183	
	<u>\$ 341,193</u>	

MICROELECTRONICS TECHNOLOGY, INC.  
STATEMENT OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 8

<u>Item</u>	<u>Quantity(in thousands)</u>	<u>Amount</u>	<u>Note</u>
Satellite communication product	7,771	\$ 2,432,074	
Terrestrial microwave product	75,915	1,980,471	
Total operating revenue		<u>4,412,545</u>	
Less: Sales returns		( 2,989)	
Sales discount and allowance		( 2,793)	
Operating revenue, net		<u>\$ 4,406,763</u>	

MICROELECTRONICS TECHNOLOGY, INC.  
STATEMENT OF COSTS OF REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 9

Item	Amount
Raw material at January 1, 2022	\$ 1,400,777
Add : Raw material purchase	1,662,656
Less : Scrap of raw material	( 3,352)
Raw material sold	( 534)
Raw material at December 31, 2022	( 1,264,983)
Consumption of raw material for the year	1,794,564
Direct labor	183,193
Manufacturing expenses	278,627
Manufacturing costs of the year	2,256,384
Add : Work in progress at January 1, 2022	230,535
Work in progress purchase	33,114
Less : Scrap of work in progress	( 5,729)
Work in process at December 31, 2022	( 177,439)
Cost of finished goods	2,336,865
Add : Finished goods at January 1, 2022	84,152
Finished goods purchase	1,974,923
Transferred from expenses	20,761
Less : Scrap of finished goods	( 1,660)
Transfer to expenses and others	( 11,550)
Finished goods at December 31, 2022	( 682,218)
Cost of goods sold	3,721,273
Reversal of provisions	23,209
Loss on decline in market value	27,382
Raw material sold	534
Operating cost	<u>\$ 3,772,398</u>

MICROELECTRONICS TECHNOLOGY, INC.  
STATEMENT OF MANUFACTURING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 10

Item	Description	Amount	Note
Indirect labor cost		\$ 77,775	
Depreciation charges		78,088	
Utilities expense		20,542	
Rent expenses		5,262	
Other expenses		96,960	None of the individual item exceeds 5% of this account
		<u>\$ 278,627</u>	

MICROELECTRONICS TECHNOLOGY, INC.  
STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 11

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Selling expenses:		
Salaries and wages	\$ 45,579	
Shipping expenses	27,826	
Commission	9,779	
Management fee	6,352	
Consulting fee	6,105	
Others	36,226	None of the individual item exceeds 5% of this account
	<u>\$ 131,867</u>	
General and administrative expenses:		
Salaries and wages	\$ 35,399	
Services fees	5,830	
Equity-related expenses	4,751	
Rental expenses	4,015	
Labor and health insurance	3,645	
Other personnel expenses	3,862	
Others	3,030	None of the individual item exceeds 5% of this account
	<u>\$ 60,532</u>	
Research and development expense:		
Technical supporting expenses	\$ 476,381	
Salaries and wages	186,406	
Others	116,250	None of the individual item exceeds 5% of this account
	<u>\$ 779,037</u>	

**MICROELECTRONICS TECHNOLOGY, INC.**  
**LABOR, DEPRECIATION AND AMORTISATION BY FUNCTION**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(In Thousands of New Taiwan Dollars)

Table 12

By nature	By function	Year ended December 31, 2022			Year ended December 31, 2021		
		Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefit expense							
Wages and salaries		\$ 247,307	\$ 267,384	\$ 514,691	\$ 235,985	\$ 266,301	\$ 502,286
Labor and health insurance fees		23,609	25,221	48,830	22,707	25,006	47,713
Directors' compensation		-	2,222	2,222	-	1,831	1,831
Pension costs		11,657	12,453	24,110	11,751	12,942	24,693
Others employee benefit expense		9,871	7,695	17,566	5,156	6,316	11,472
Depreciation		78,088	29,471	107,559	66,661	25,678	92,339
Amortization		6,470	13,154	19,624	6,379	13,700	20,079

Note:

- A. As of December 31, 2022 and 2021, the Company had 609 and 640 employees, respectively excluding 5 and 5 directors, respectively.
- B. For companies whose shares were listed on the Taiwan Stock Exchange or listed on the Taiwan Over-The-Counter Securities Exchange, following information should be disclosed:
- (a) The average employee benefit expense of current year was \$1,002 thousand ((Total employee benefit expense of current year - Total directors' compensation of current year) / (Number of employees of current year - Number of non-employee directors of current year)).  
The average employee benefit expense of prior year was \$923 thousand ((Total employee benefit expense of prior year - Total directors' compensation of prior year) / (Number of employees of prior year - Number of non-employee directors of prior year)).
- (b) The average wages and salaries of current year was \$852 thousand (Total wages and salaries of current year / (Number of employees of current year - Number of non-employee directors of current year)).  
The average wages and salaries of prior year was \$791 thousand (Total wages and salaries of prior year / (Number of employees of prior year - Number of non-employee directors of prior year)).
- (c) Changes on average wages and salaries adjustment 8% ((Average wages and salaries of current year - Average wages and salaries of prior year) / Average wages and salaries of prior year).

MICROELECTRONICS TECHNOLOGY, INC.  
LABOR, DEPRECIATION AND AMORTISATION BY FUNCTION (Cont.)  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(In Thousands of New Taiwan Dollars)

Table 12

- (d) The Company has no supervisors' remuneration for the years ended December 31, 2022 and 2021. (Since the Company sets up the audit committee, it has no supervisors' it has no supervisors' remuneration).
- (e) The Company's compensation policy: The remuneration for the directors and managers shall be recommended by reference to the general pay levels of the industry and according to their performance of business, assumption of risk and degree of contribution, etc. The compensation for employees shall be evaluated according to their position, education and work background as well as acknowledged seniority of professional etc. The variable compensation is distributed according to the operation of the Company and individual performance to timely motivate morale and retain outstanding employees. The annual salary adjustment is formulated year by year by reference to the Consumer Price Index in domestic, pay increase in the industry, employees' performance and salary level, etc.