# TYNTEK Corporation

# 2022 Annual Report

To search for the annual report: (1) Market Observation Post System: HTTP://MOPS.TWSE.COM.TW
(2) Company website: WWW.TYNTEK.COM.TW

May 10, 2023

(English translation of consolidated financial statements originally issued in Chinese is unaudited and for information purpose only; The Chinese version shall prevail.)

**I. Names, positions, contact numbers and e-mail addresses of spokesperson and acting spokesperson:**

Name of Spokesperson: Mei-Ling Chiu
Title: Assistant Vice President of Finance Division
Tel: (037)582997 ext 10162
E-mail: lin@serv.tyntek.com.tw
Name of Deputy Spokesperson:Hsiao-Ping Li
Title: Manager of Finance Division
Tel: (037)582997 ext 10170
E-mail: jamie@serv.tyntek.com.tw

**II. Address and Tel of Headquarter, branch and plants:**

Address of Headquarter: No. 15, Kezhong Rd., Zhunan Township, Miaoli County,
Address of Branch: No. 1387 and 1389, Ren-Ai Rd., Zhunan Science Park, Zhunan Township, Miaoli County
Address of Ren-Ai Plant: No. 1387 and 1389, Ren-Ai Rd., Zhunan Township, Miaoli County
Address of Kezhong Plant: No. 15, Kezhong Rd., Zhunan Township, Miaoli County,
Tel of Headquarter: (037)582-997
Tel of Branch: (037)582-997997

**III. Name, Address, Website and Telephone Number of Stock Transfer Agent & Registrar:**

Name: Stock Affairs Agency Department, Fubon Securities Co., Ltd
Address: 2F, No. 17, Xuchang St., Zhongzheng District, Taipei Ctiy
Website: www.fbs.com.tw
Tel: (02)2361-1300

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

Name of CPAs: Su-Li Fang, Ming-Hui Chen
Name of accounting firm: Deloitte Taiwan
Address: 20F, No. 100, Song-Ren Rd., Neighborhood 8, Xitcun Village, Xinyi Rd., Taipei City
Website: www.deloitte.com.tw
Tel: (02)2725-9988

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

**VI. Company website: WWW.TYNTEK.COM.TW**

# Table of Content

# One. Report to Shareholders

Good day, ladies and gentlemen,

Your coming to the shareholders meeting is highly appreciated, and I would like to express the highest appreciation to your support and encouragement, on behalf of the Company. Hereby the 2022 business results and strategies for the future development are reported as the following:

**I. Implementation results of the 2022 business plan**

Looking back on 2022, the global economy was affected by the Russia-Ukraine war, geopolitics, COVID-19 lockdowns in China, and the interest rate hike in the US to suppress inflation. Therefore, raw material and transportation costs have been volatile, resulting in the 2022 operating revenue to decline by 23.51% from 2021; due to the slowdown in demands for terminal applications such as backlights, smart wearables, optical couplers, medical, and automotive, the net operating profit decreased by NT$273,110 thousand from 2022. Looking to the future, the Company will continue its dedication in the business development based on the initial commitment by providing products and services satisfying customer demands, thereby generating profits and achieving continuous growth for the Company. Business performance and operations of the Company in 2022 are compared with the ones in 2021 as described in the following respectively:

(I) Implementation results of the 2022 business plan

Unit: NTD thousand

| Item | 2021 | 2022 | Percentage | difference % |
|---|---|---|---|---|
| Net sales amount | 3,163,375 | 2,419,509 | (743,866) | -23.51 |
| Net operating (loss) profit | 310,547 | 37,437 | (273,110) | -87.94 |
| Non-operating income and (expense) | 510,543 | (201,445) | (711,988) | -139.46 |
| Net (loss) profit before tax | 821,090 | (164,008) | (985,098) | -119.97 |
| Income tax expense | 94,958 | 20,415 | (74,543) | -78.50 |
| Net (loss) profit of the period | 726,132 | (184,423) | (910,555) | -125.40 |
| Basic earnings (loss) per share after tax (NT$) | 2.41 | (0.60) | (3.01) | -124.90 |

(II) Implementation of budget

| Name of Product | Planned quantity | Actual quantity | Unit |
|---|---|---|---|
| Compound semiconductor components | 14,910 | 7,839 | KK |
| Si component | 18,020 | 10,654 | KK |
| | 193,150 | 168,163 | PCS |

(III) Financial Revenue/Expenditure and Profitability Analysis

| item | | 2021 | 2022 |
|---|---|---|---|
| Financial structure (%) | Debt to total assets ratio | 28.79 | 26.42 |
| | Long-term capital to property, plant & equipment ratio | 307.84 | 247.46 |
| Debt servicing capability (%) | Current ratio | 339.97 | 357.14 |
| | Quick ratio | 263.53 | 262.74 |
| Profitability (%) | Return on asset | 11.86 | -2.97 |
| | Return on shareholders' equity | 17.20 | -4.34 |
| | Net profit margin | 22.95 | -7.62 |
| | Earnings per share (EPS) (NT$) | 2.41 | (0.60) |

(IV) R&D Status

The Company has always focused on the product R&D capability and with the continuous efforts over the past years, we have been able to develop and launch numerous outstanding new products, and have also been able to gain support from government agencies. In addition to stabilizing the existing Asian market, it is also actively expanding the European and North American markets to further extend the market share. To have better forward-looking and marketable products, the Company has been sparing no efforts in optical communication sensing components, the long wavelength sensing used in display components and consumer products, development of avalanche diodes, and automotive optical coupling components (for the high speed industrial control of new energies), medical (blood oxygen), wearables and sensing components of precision control, and certain outcomes have been fruited. In addition, the Company is also active in the investment of relevant product application fields. With the rapid growth of the optoelectronic market, the application scope of various products continues to expand, and the market demand is increasing. To satisfy the market demand, the Company will continue to focus on the development of the following products:

A. High density semiconductor passive components
B. 6” wafer and high-sensitivity sensing PD
C. 6” wafer and high precision and power components
D. High power AlGaInP light emitting diodes
E. High speed communication photodiodes
F. Multiband photo detectors
G. DUV sensors
H. Substrates with electrostatic protection components
I. Flip-chip Zener diodes
J. Photo diode integrated circuit (PDIC)
K. Low-capacitance transient voltage suppressors (TVS)
L. High speed optical communication laser diodes
M. Vertical cavity surface emitting laser (VCSEL) diodes
N. New generation semiconductor material components
O. Long wavelength sensing components
P. Infrared diodes for high-speed industrial control
Q. Point light source infrared diode

**II. Summary of the 2023 business plan**

(I) Operating Guideline

To achieve the business objectives of the present year, the Company will continue to make further improvement on the competitiveness in the marketing, R&D, manufacturing and management aspects. The key operating guidelines of 2023 are as below:

1. Cope with the overseas market growth, and actively expand the market share in the regions of Europe, U.S. And Japan.
2. Enhance customized new product development, and improve profitability.
3. Enhance material development source to diversify risks.
4. Continue to increase production efficiency and to improve product quality in order to reduce cost.
5. Continue to promote digital computerization and to increase work efficiency. Increase capital expenditures, continue to invest resources to promote ESG, improve the utilization efficiency of energy and water resource, increase smart production, to achieve the goals of improving economic efficiency and environmental sustainable development, and create a win-win situation for customers, investors, and TYNTEK.
6. Increase the sales weight of Si component products, thereby enhancing the profitability.
7. Cope with market development demands for semiconductor lighting, and actively expand integrated power and protection components.
8. Strengthen 6” wafer production capacity and enhance product technologies.

(II) Sales forecast and basis

The forecast sales quantity of the Company is determined based on the environment of the industry and the supply and demand condition of the market along with the consideration of own production capacity and business development. The Company firmly believes that a complete production line is the essential factor supporting the sustainable operation of the Company. Based on such principle, the Company will continue to develop new products and to improve product quality, thereby achieving the goals of increasing customer satisfaction and maintaining excellent relationship with suppliers with best effort.

Forecasted sales volume of TYNTEK in 2023

| Name of Product | Volume | Unit |
|---|---|---|
| Compound semiconductor components | 8,153 | KK |
| Si component | 13,295 | KK |
| | 151,236 | PCS |

(III) Important Production and Sale Policies

For the year of 2023, the Company will actively develop new products, new customer sources and will also adjust product structure in order to improve the overall gross margin with best effort, In addition, the Company will also research and develop various products satisfying the market trend, thereby increasing the Company's own technical level and understanding customer demands and market development trend effectively. Furthermore, the Company will also seek cooperation with the upstream raw material suppliers in order to ensure raw material quality and sufficient supply sources while maintaining long term cooperation relationship with customers. Moreover, to cope with the expansion of business, the Company will actively engage in the construction of complete international sales channels and logistics management. The Company also aims to enhance the professional training of engineers, to improve the technical support of products and after-sale service standards, to expand overseas markets continuously and to secure the domestic market, thereby increasing the market share of the Company's products.

**III. The company's future development strategy, and the effect of external competition, the legal environment, and the overall business environment**

(I) Future Development Strategy

1. Short-term strategies:

(1) Based on the currently existing business, continue to dedicate in the development of high frequency/high power products and various Si sensors and protection components. In addition, for different markets, develop sales methods suitable to the local markets.

(2)Continue to promote the rationalization and flexibility of production process, in order to achieve harmony between production and sales, as well as to achieve most optimal operating economic scale; implement quality management thoroughly and achieve the goal of Quality First with best effort. Increase automatic production efficiency and product yield rate, engineering research and development process systematization, thereby improving overall management quality.

(3) To respond to market demands in new application fields, the Company continues to expand 5" and 6" wafer production capacities and efficiency.

(4) Coping with the slowdown of the pandemic, facing inflation, geopolitics, and information security issues, we will improve the control and responsive strategies for various emerging risks, with flexible adjustments.

2. Long-term plans:

(1) In addition to continue to improve quality and to maintain excellent cooperation relationship with domestic and foreign giants in the industry, the Company aims to expand the market share as well as to establish complete sales channels globally and diverse business strategies.

(2) Integrate various products of the Company and subsidiaries, and establish the operational development model with horizontal expansion and vertical integration, thereby increasing the overall competitiveness of the Company.

(3) Continue research and development, maintain the leading position in manufacturing technologies, and improve OEM capability, thereby exploiting the Company's advantage in the mass production economic scale.

(II) Effect of external competition, the legal environment, and the overall business environment:

1. External competition environment:

The year of 2021 gradually shook off COVID-19 and the industry slowly recovered. However, energy prices soared and raw materials prices rose due to the Russia-Ukraine war in the first half of 2022. This combined with lockdowns in China and inflation had an adverse impact on the demand for large-scale LED lighting projects and backlights. That said, the lockdowns in many regions of China disrupted the LED supply and resulted in order transfers. Furthermore, new use cases continued to expand the market size. The increasing demand for mini/micro LEDs, horticulture lighting, auto LEDs and invisible light (primarily ultraviolet and infrared) and red LEDs has been driving the steady growth of the Taiwanese LED industry. That said, Chinese manufacturers are still planning to add capacities and extend footprint. Once these new capacities and enhanced technical capabilities come online, the manufacturers in our country will be affected to a certain degree.

2. Legal environment:

Climate change and infectious diseases have been threatening the society and economic developments over recent years. Sustainable development and net zero have become a global pursuit. In addition to carbon reduction, the transformation towards net zero is considered new growth engines in all countries. Going forward, companies will be faced with the challenge of increasingly strict carbon control around the wold and need to reduce carbon to keep up with the trend in international trade. It is also necessary to continue promoting international cooperation for export orders.

3. Overall business environment:

In 2022, the global economy was riddled with uncertainties. The Russian-Ukraine war, lockdowns in China, intensifying of the U.S.-China technology co-competition and excess inventory in the channel were all adverse factors. In addition, high inflation affected consumer spending. The global economic forecasts were revised downward. Given the pessimistic outlook for the economy, end product sales were affected and the LED demand was weak.

To develop forward-looking and marketable products, the Company has been dedicated in the research and development of high power IR LED and Si components for automotive, medical and wearable devices, and precision control during recent years. The Company is also active in the development of relevant use cases. Given the rapid growth of the optoelectronic market, various products are finding ways to new applications. To satisfy the market demand, the Company will continue to develop niche products with high potential. We seek to further differentiate products for smart living by creating a wide range of sensor solutions and contributing to a sustainable future.

TYNTEK Corporation

Chairman: Lee, Biing-Jye

Manager: Will Chou

Head of Accounting:Hsiao-Ping Li

# Two. Company Profile

(I) Date of establishment: April 4, 1987

(II) Company history

(1) Mergers and acquisitions in the last financial year up until the publication date of annual report: None.

(2) Impacts following a major transfer of shareholding by directors, independent directors, or shareholders with more than 10% ownership interest, or change of management team or any event capable of affecting shareholders' interests: None.

(3) Other information:

| | |
|---|---|
| April 1987: | TYNTEK Corporation was founded by Chairman Bosco Foo, President Raymond Sheu, and a team of professional talents with a share capital of Nine Million New Taiwan Dollars. The Company also signed a collaborative project with Industrial Technology Research Institute Industrial Material Lab for IR9400 and the scaling of LED single crystal and epitaxy productions. |
| November 1987: | The Park Administration approved the Company's investment projects. |
| September 1988: | Relocated to No. 16, Gongye East 4th Road, Hsinchu Science Park. |
| December 1988: | Constructed new plant at No. 16, Gongye East 4th Road, Hsinchu Science Park. |
| July 1989: | Obtained work commencement permit and received Park Registration (including plant registration and profit-seeking business registration) from Science Park Administration. |
| August 1989: | Raised capital, acquired equipment, commenced operations, and made trial sales on a small scale. |
| January 1990: | Launched GaP and GaAsP crystals in red, orange, and yellow-green colors. |
| January 1993: | Signed multiple technology transfer contracts with Industrial Technology Research Institute. |
| August 1994: | High-performance and high-efficiency AlGaAs: the Si IR LED epitaxy mass production plan received innovative project subsidy from the Park Administration. |
| September 1994: | Launched AlGaAs-based high luminance red LED crystal. |
| January 1995: | Continued expansion of primary production equipment, resulting in a significant increase in operations and profitability. |
| June 1995: | One director and one supervisor were added to the management team. |
| January 1996: | Received approval from Park Administration to acquire factory premise at 1F, No. 10, Gongye East 4th Road, Hsinchu Science Park, for new plant construction. |
| June 1996: | Received approval from Securities and Exchange Commission, Ministry of Finance, for public offering. |
| October 1996: | Purchased land and factory premise located in Zhunan Township, Miaoli County, for new plant construction and production capacity expansion. |
| December 1996: | Completed construction of plant at No. 10 Gongye East 4th Road, and commenced production of photo diodes and phototransistors. |
| February 1997: | Awarded patent for "structural improvement of low-noise phototransistor array." |
| April 1997: | President Raymond Sheu was elected Vice Chairman by the board of directors, whereas Vice President C.H. Wu was promoted to President. |
| July 1997: | Passed ISO 9001 certification. |
| November 1998: | Shares were listed for trading on Taipei Exchange (TPEX) |
| September 2000: | Shares were listed for trading on Taiwan Stock Exchange Corporation (TWSE) |
| December 2001: | Completed silicon component plant expansion project at Zhunan Branch to increase production capacity of phototransistors and photo diodes. Commenced R&D for active optical communication components. |
| May 2002: | Vice President J.R. Deng was promoted to President. |
| November 2002: | Signed a contract with E-wintek Corp. to develop GPRS/GPS wireless communication products and established an EMS (electrical machine service) Division. |
| November 2003: | Passed QS9000 certification for quality system. |

| | |
|---|---|
| December 2004: | Received certification for ISO14001 - Environmental Management System and OHSAS18001 - Occupational Health and Safety Management System. |
| December 2005: | Signed a contract for “AC LED joint-development” with the Photovoltaic Laboratory of ITRI. |
| July 2006: | Divested Tyntek’s ITS Product Division into a new separate subsidiary named Tynsolar Corporation to assume businesses (including assets, liabilities, and operations) from TYNTEK Corporation. (July 31, 2006 was set as the baseline date for divestment during the shareholder meeting held on June 1, 2006) |
| November 2006: | Received the “Glittering Black Horse Award” for outstanding smoke-free work environment. |
| November 2007: | Received autonomous healthy workplace accreditation – smoke hazard prevention label. |
| December 2007: | Received QC 080000 IECQ HSPM certification. |
| December 2007: | Received Green Partner certification from SONY. |
| November 2008: | Subsidiary - Tynsolar Corporation was listed for trading on TPEX. |
| April 2009: | Received certification for ISO14064-1:2006 - Greenhouse Gas Inventory. |
| November 2009: | Won the Safety and Health Role Model Award from the Industrial Development Bureau, Ministry of Economic Affairs. |
| January 2010: | Passed certification for ISO14001 and OHSAS18001. |
| January 2010: | Passed certification for TOSHMS. |
| June 2010: | President J.R. Deng was promoted CEO, while Vice President Will Chou was promoted President. |
| November 2010: | Passed certification for ISO14001:2004 and OHSAS18001:2007. |
| March 2011: | Received certification for ISO14064-1:2006 - Greenhouse Gas Inventory. |
| January 2012: | Passed certification for TOSHMS:2007. |
| December 2012: | Awarded the MOE’s ABOE Energy Label. |
| December 2013: | Received certification for ISO14064-1:2006 - Greenhouse Gas Inventory. |
| January 2014: | Passed certification for ISO14001:2004, OHSAS18001:2007, and CNS15506:2011. |
| September 2014: | Reduced share capital against cumulative losses; paid-up capital was reduced to NT$2,392,453 thousand. |
| October 2014: | Retired 3,313,485 common shares held as treasury stock; paid-up capital was reduced to NT$2,359,318 thousand. |
| October 2014: | Received certification for ISO14064-1:2006 - Greenhouse Gas Inventory. |
| March 2015: | Issued 40,000,000 new shares for cash, and issued the Company's 8th domestic secured convertible bonds totaling NT$300 million. |
| September 2015: | Invested USD 1,500,000 into Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. through TEK Holding Co., Ltd. and KEYWAY INTERNATIONAL L.L.C. |
| October 2015: | Invested NTD 8,500,000 into Shu Chi Co., Ltd., an equity-accounted investment. |
| January 2016: | Received certification for Badge of Accredited Healthy Workplace. |
| May 2016: | Awarded utility model patent in the Mainland - light-emitting diode and pattern formation device. |
| October 2016: | Received certification for ISO14064-3:2006 - Greenhouse Gas Inventory. |
| December 2016: | Passed certification for ISO14001:2004, OHSAS18001:2007, and CNS15506:2011. |
| May 2017: | Acquired factory premise in Jhunan Science Park with a tender bid of NT$640,000 thousand for capacity expansion and to improve production capacity and technology for 6-inch wafers. |
| October 2017: | Received certification for ISO14064-3:2006 - Greenhouse Gas Inventory. |
| December 2017: | Passed certification for ISO14001(2015), OHSAS18001(2007), and CNS15506:2011. |
| June 2018: | Received certification for ISO14064-3:2006 - Greenhouse Gas Inventory. |
| December 2018: | Passed certification for ISO14001(2015), OHSAS18001(2007), and CNS15506:2011. |
| December 2018: | Collaborated with ITRI on a chiller pump optimization project. |
| May 2019: | Received counseling from Industrial Development Bureau to convert existing safety and |

| | |
|---|---|
| | health management system to ISO45001. |
| August 2019: | The board of directors passed a resolution to relocate the Company to No. 15, Kezhong Road, Zhunan Township, Miaoli County (Jhunan Science Park). |
| October 2019: | Responded to the invitation of Miaoli County Fire Bureau and participated in the planning and execution of "chemical hazard rescue" drill. |
| November 2019: | Received commendation from Industrial Development Bureau for assistance in risk technology. |
| December 2019: | Passed certification for ISO 14001:2015, ISO 45001:2018, and CNS45001:2018. |
| May 2020: | Awarded invention patent for the production of wide bandgap oxide epitaxy film. |
| July 2020: | Passed certification for IECQ QC080000:2017. |
| November 2020: | Passed certification for IATF16949:2016 and ISO9001:2015. |
| November 2020: | Awarded invention patent for LED lighting module. |
| December 2020: | Passed certification for ISO 14001:2015, ISO 45001:2018, and CNS45001:2018. |
| June 2021: | Received certification for ISO14064-1:2006 - Greenhouse Gas Inventory. |
| August 2021: | Passed certification for IECQ QC080000:2017. |
| October 2021: | Passed certification for IATF16949:2016 and ISO9001:2015. |
| December 2021: | Passed certification for ISO 14001:2015, ISO 45001:2018, and CNS45001:2018. |
| June 2022: | Received certification for ISO14064-1:2006 - Greenhouse Gas Inventory. |
| December 2022: | Passed certification for ISO 14001:2015, ISO 45001:2018, and CNS45001:2018. |
| February 2023: | President Will Chou was promoted to CSO, while Special Assistant to President Li, Rong-Huan was promoted to President. |

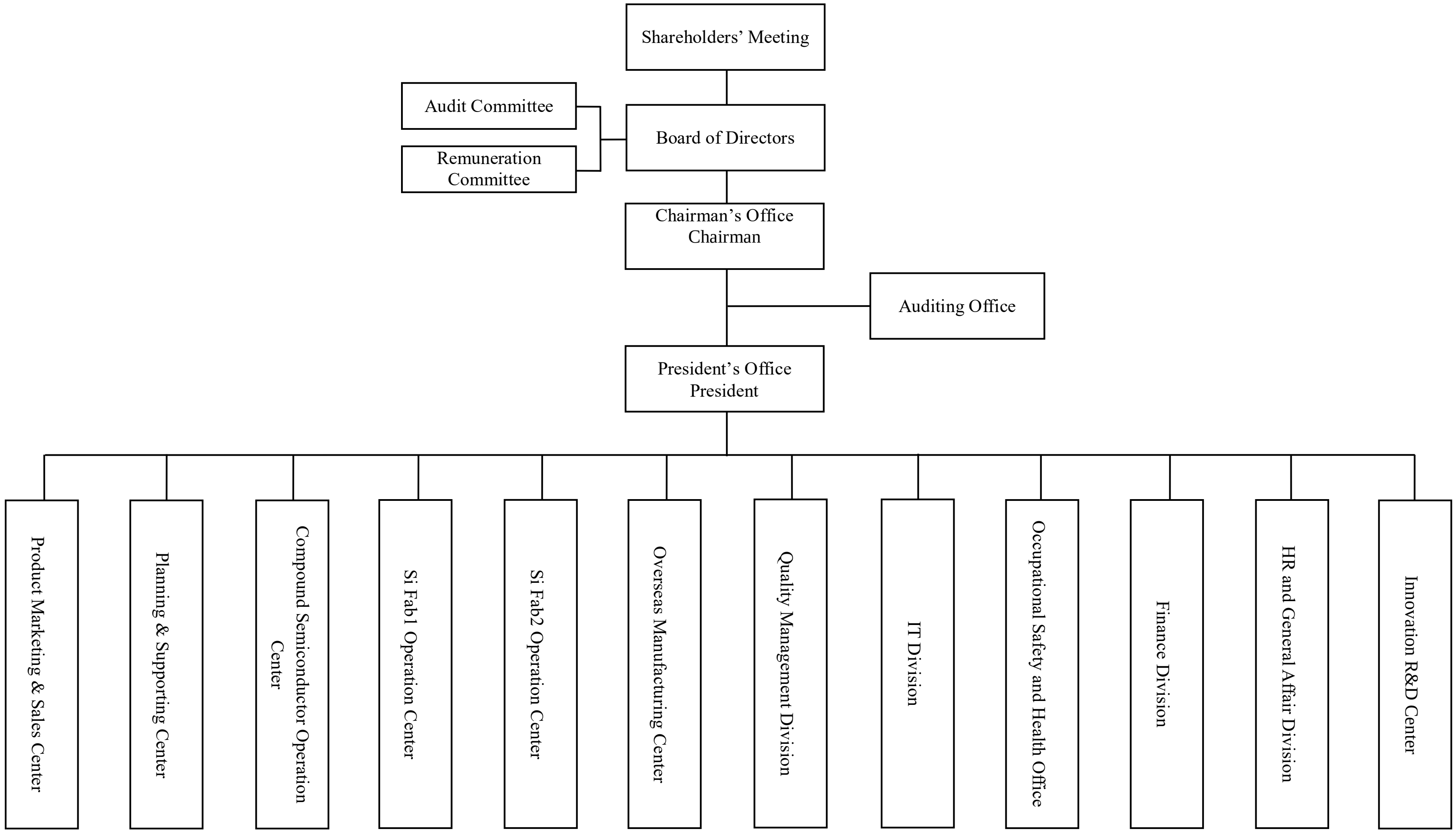
# Three. Corporate Governance Report

## I. Organization

(I) Organizational structure

1. Organizational structure

**Organizational Chart of TYNTEK Corporation**



2. Responsibilities of main departments

(1) President's Office

- Establishment of corporate strategies, and research, planning, execution, and consultation of special projects.
- Planning, enforcement, and tracking of operational matters and procedures.
- Establishment of operational goals.

(2) Occupational Safety and Health Office

- Industrial safety and health affairs.

(3) Auditing Office

- Inspects and evaluates robustness of the internal control system, and provides analyses, assessments, and recommendations.
- Introduces solutions that facilitate effective management and control, and improve operating efficiency at reasonable cost.

(4) Innovation R&D Center

- Research, development, and design of new products.
- Improves product features, reduces production cost, and raises product yield.
- Acquisition of patents for new products.
- Technology licensing for new products.

(5) Product Marketing & Sales Center

- Establishment of product marketing strategies and market development.
- Gathering and analysis of market/industry information.
- Product after-sale service.

(6) Planning & Supporting Center

- Accurate assessment of demands for raw materials and supplies.
- Arrangement and control of production schedule.
- Exploration and development of product applications.
- Procurement and warehousing related matters.
- Responsible for the planning, maintenance, and maintenance of water purification system, air conditioning system, chiller system, and air compressor.
- Planning, management, and maintenance of water, power, and gas systems.
- Coordination and execution of repairs.

(7) Compound Semiconductor Operation Center

- Research, development, engineering, and improvement of compound semiconductor components and light-emitting components and optical communication components.
- Production of compound semiconductor components and light-emitting components and optical communication components.
- Improvement of production procedures.
- Equipment maintenance-related matters.

(8) Si Fab1 Operation Center

- Research, development, engineering, and improvement of Si components.
- Production of Si components.
- Improvement of production procedures.
- Equipment maintenance-related matters.

(9) Si Fab2 Operation Center

- Research, development, engineering, and improvement of Si components.
- Production of Si components.
- Improvement of production procedures.
- Equipment maintenance-related matters.

(10) Overseas Manufacturing Center

- Development of new businesses in the Mainland and research and development of green products.

(11) Quality Management Division

- Establishment of quality control systems and policies.
- Inspection of raw materials, supplies, and finished goods.

(12) Finance Division

- Cash disbursement and funding related matters.
- Accounting and bookkeeping related matters.
- Tax calculation and filing.

(13) HR and General Affair Division

- Personnel recruitment, training, performance management, promotion, reward, and discipline.
- Management and planning of daily administrative affairs.

(14) IT Division

- Planning, creation, and management of the management information system (MIS).
- Spearheads in the planning and implementation of the Company’s electronic communication system.
- Introduction of computer systems to assist various activities.

(II) Background information of directors, independent directors, the President, vice presidents, assistant vice presidents, and heads of departments and branch offices

1. Directors' and independents' background

(1) Directors' and independents' background

March 31, 2023; Unit: shares, %

| Title | Nationality or place of registration | Name | Gender/Age | Date elected (appointed) | Tenure | Date first elected | Shareholding when elected | | Current shareholding | | Current shareholding of spouses and children of minor age | | Shareholding by nominee Arrangement | | Main career (academic) achievements | Concurrent duties in the Company and in other companies | Spouse or relatives of second degree or closer acting as manager, director or supervisor | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | Shareholding percentage (%) | Shares | Shareholding percentage (%) | Shares | Shareholding percentage (%) | Shares | Shareholding percentage (%) | | | Title | Name | Relationship |
| Chairman | The Republic of China | Liang Dian Investment Co., Ltd. | - | 2021.07.02 | 3 years | 2021.07.02 | 10,000 | 0.003 | 50,000 | 0.017 | 0 | 0 | 0 | 0 | - | - | None | None | None |
| | The Republic of China | Representative Lee, Biing-Jye | Male 61-70 years old | 2021.07.02 | 3 years | 2021.07.02 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | PhD, Institute of Chemical Engineering, National Tsing Hua University<br>Chairman, Ennostar Inc.<br>Chairman and Chief Strategy Officer, Epistar Corp. | Chairman of the Company<br>Chairman and President, Ennostar Inc.; and (Note 1) | None | None | None |
| Director | The Republic of China | Wei Ban Investment Corporation | - | 2021.07.02 | 3 years | 2021.07.02 | 10,000 | 0.003 | 50,000 | 0.017 | 0 | 0 | 0 | 0 | - | - | None | None | None |
| | The Republic of China | Representative Huang, Deng-Huei | Male 61-70 years old | 2021.07.02 | 3 years | 2021.07.02 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Bachelor, Department of Chemistry, Chung Yuan Christian University.<br>President, Kai Ding Tech Corporation<br>President, Lextar Electronics Corp.<br>Vice President, Ennostar Inc. | Director, Lextar Electronics Corp.,<br>Chairman, WellyHertz Electronics Corp. | None | None | None |
| Director | The Republic of China | Ennostar Inc. | - | 2021.07.02 | 3 years | 2021.07.02 | 8,935,000 | 2.972 | 23,799,000 | 7.916 | 0 | 0 | 0 | 0 | - | - | None | None | None |
| | The Republic of China | Representative Li, Rong-Huan | Male 51-60 years old | 2021.07.02 | 3 years | 2021.07.02 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Bachelor, Department of Chemical Engineering, Tamkang University<br>Special Assistant, TYNTEK Corporation<br>President, Opto Tech Corporation | President of the Company,<br>Supervisor Representative of Long Benefit Investment Co., Ltd.;<br>Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. - President | None | None | None |
| Director | The Republic of China | Will Chou | Male 61-70 years old | 2021.07.02 | 3 years | 2021.07.02 | 166,813 | 0.055 | 166,813 | 0.055 | 0 | 0 | 0 | 0 | Bachelor, Department of Physics, Tamkang University<br>President, TYNTEK Corporation<br>Vice President, TYNTEK Corporation<br>Vice President, Vitelic (Hong Kong) Limited | Chairman concurrent CSO and (Note 2) of the Company | None | None | None |
| Independent Director | The Republic of China | Liu, Yin-Fei | Female 51-60 years old | 2021.07.02 | 3 years | 2021.07.02 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | EMBA, National Cheng Chi University<br>Partner/ Senior Consultant, PwC Taiwan /Senior Consultant<br>Independent Director, Waffer Technology Corp.<br>Independent Director, Edison Opto Corp. | Senior Consultant of PwC Taiwan, Independent Director, Waffer Technology Corp., and Independent Director, Edison Opto Corp. | None | None | None |

| Title | Nationality or place of registration | Name | Gender/Age | Date elected (appointed) | Tenure | Date first elected | Shareholding when elected | | Current shareholding | | Current shareholding of spouses and children of minor age | | Shareholding by nominee Arrangement | | Main career (academic) achievements | Concurrent duties in the Company and in other companies | Spouse or relatives of second degree or closer acting as manager, director or supervisor | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Shares | Shareholding percentage (%) | Shares | Shareholding percentage (%) | Shares | Shareholding percentage (%) | Shares | Shareholding percentage (%) | | | Title | Name | Relationship |
| Independent Director | The Republic of China | Chiang, Huei-Chung | Male 61-70 years old | 2021.07.02 | 3 years | 2021.07.02 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master and PhD in Chemical Engineering, Northwestern University, the U.S.<br>Department of Chemical Engineering, National Tsing Hua University<br>President, Thintec Materials Corporation.<br>Independent Director, HannStar Display Corporation<br>Supervisor, Epistar Corporation<br>Supervisor, Asia Polymer Corporation.<br>Supervisor, Synnex Technology International Corporation | Special Assistant to Chairman, MiTAC-SYNNEX Group; Director Representive, UPC Technology Corporation; Independent Director, ProLight Opto Technology Corporation; Remuneration Committee Member, HannStar Display Corporation | None | None | None |
| Independent Director | The Republic of China | Hsieh, Chia-Ying | Male 41-50 | 2021.07.02 | 3 years | 2021.07.02 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master, Business Administration College, National Taiwan University<br>Independent Director, Sunplus Innovation Technology Inc.<br>Independent Director, Lotes Co., Ltd.<br>Director, Leltek Inc.<br>Executive Director, Total Fortune Capital<br>Director, QSAN Technology, Inc. | CIO of Chanful Captial Co., Ltd;<br>Director Representative, Leltek Inc.,<br>Director, QSAN Technology, Inc. ,<br>Director of Lotes Co., Ltd., and Independent Director of Sunplus Innovation Technology Inc. | None | None | None |

Note 1: Chairman representatives: TEK Holding Co., Ltd.; KEYWAY INTERNATIONAL L.L.C., GaN Force Corporation, Harvestar Investment Corp., and Calystar Investment Corp.; Liangtai Investment Co., Ltd.; Liangxin Investment Co., Ltd.; Liangwei Investment Co., Ltd.
Chairman: Epistar JV Holding (BVI) Co., Ltd.
Director Representatives: Long Benefit Investment Co., Ltd. Unikorn Semiconductor Corp.; Formolight Technologies Inc., and Kai-Fa-Chang Lighting (Xiamen) Ltd.; GCS Holdings, Inc

Note 2: Chairman representative: Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. Director Representative: Fujian Zhaoyuan Photoelectric Co., Ltd.

Note 3: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, additional explanation will be provided on the reasons, rationality, and necessity of such an arrangement and any response measures taken: None.

**Table 1: Major shareholders of corporate shareholders**

| Name of institutional shareholder | Major shareholders of institutional shareholders | Shareholding percentage (%) |
|---|---|---|
| Liang Dian Investment Co., Ltd. | Epistar Corporation | 100 |
| Wei Ban Investment Corporation | Lextar Electronics Corporation | 100 |
| Ennostar Inc. (Note) | AU Optronics Corp | 3.84 |
| | Li Investment Co., Ltd. | 3.02 |
| | Kang Li Investment Co., Ltd. | 2.40 |
| | Vanguard Emerging Market Equity Index Fund Special Account, under custody of JPMorgan Chase Bank Taipei Branch | 1.32 |
| | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 1.22 |
| | Taiwan Life Insurance Co., Ltd. | 1.06 |
| | Tai Power Enterprise Corporation | 1.03 |
| | United Microelectronics Corp | 0.78 |
| | Account Specific to Public Islam Asian Strategy, under custody of Citi | 0.77 |
| | Tseng, Wan-Ting | 0.76 |

Note: Data recorded on the shareholder roster on the book-closure date, June 22, 2022.

**Table 2: Major shareholders of major corporate shareholders listed in Table 1**

| Name of corporate | Major shareholders of the corporate | Shareholding percentage (%) |
|---|---|---|
| Epistar Corporation | Ennostar Inc. | 100 |
| Lextar Electronics Corporation | Ennostar Inc. | 100 |
| AU Optronics Corp (Note 1) | Qisda Corporation | 6.90 |
| | Yuanta Taiwan High Dividend Securities Investment Trust Fund under CTBC’s Custody | 4.71 |
| | Trusted property account of the employee shareholding trust management committee, AU Optronics Corp, custody of SinoPac Commercial Bank | 4.62 |
| | Quanta Computer Incorporated | 4.61 |
| | Global Depository Receipt Account of AU Optronics Corp, trusted to Citibank | 2.52 |
| | Cathay Life Insurance Co., Ltd. | 1.50 |
| | New system labor pension fund | 1.27 |
| | Vanguard Emerging Markets Stock Index Fund, A Series Of Vanguard International Equity Index Funds under custody of JPMorgan Chase Bank Taipei Branch | 0.91 |
| | Yuanta Taiwan Excellence 50 Securities Investment Trust Fund under CTBC’s Custody | 0.88 |
| | Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under custody of JPMorgan Chase Bank Taipei Branch | 0.86 |
| Li Investment Co., Ltd. | AU Optronics Corp | 100 |
| Kang Li Investment Co., Ltd. | AU Optronics Corp | 100 |
| Tai Power Enterprise Corporation (Note 2) | UNIMODE INVESTMENT CO.,LTD | 90.821 |
| | TAIWAN EVERVALIANT CORP. | 9.116 |
| | Chen, Chin-Chih | 0.034 |

| Name of corporate | Major shareholders of the corporate | Shareholding percentage (%) |
|---|---|---|
| | Chen, Li | 0.021 |
| | Su, Wen-Chung | 0.002 |
| | Wang, Hsiu-Wen | 0.002 |
| | Lin, De-Ming | 0.002 |
| | Lin, An-Zhou | 0.002 |
| United Microelectronics Corp (Note 3) | Global Depository Receipt Account of UMC, under custody of JPMorgan Chase Bank Taipei Branch | 4.90 |
| | Hsun Chieh Investment Corporation | 3.54 |
| | Fubon Life Insurance Co., Ltd. | 2.42 |
| | Silicon Integrated Systems Corp. | 2.29 |
| | Taiwan Life Insurance Co., Ltd. | 1.76 |
| | Trusted account of the employee shareholding of UMC under custody of CTBC | 1.55 |
| | New system labor pension fund | 1.50 |
| | Yann Yuan Investment Co., Ltd. | 1.28 |
| | China Life Insurance Co., Ltd. | 1.17 |
| | JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds | 1.11 |

Note 1: Data recorded on the shareholder roster on the book-closure date, October 7, 2022.

Note 2: Reference to the 2021 annual report of Wan Hai Lines, Ltd., data as of March 28, 2022.

Note 3: Data recorded on the shareholder roster on the book-closure date, March 29, 2022.

(2) Information disclosure for directors' qualifications and independent directors' independence:

| Qualifications / Name | Professional qualifications and experience | Independence status (Note) | Number of positions as independent director in other public companies |
|---|---|---|---|
| Chairman Liang Dian Investment Co., Ltd. Representative: Lee, Biing-Jye | Ph. D degree in Chemical Engineering research fellow of ITRI; expert of both laser diodes epitaxy, and developed patents. He has abundant experience in the optoelectronic industry, and is good at resource integration and operational judgment, as well as leadership and crisis management, with excellent ability of planning corporate visions and operation. A famous figure in the industry. | Not applicable | None |
| Director Wei Ban Investment Corporation Representative: Huang, Deng-Huei | With more than 20 year experience in LED industry; served as President of LightHouse Technology Co., Ltd., President of Lextar Electronics Corporation, and Vice President of Ennostar Inc. Currently serving as Director, Lextar Electronics Corp. and Hexawave, Inc., Chairman of WellyHertz Electronics Corp; good at operation and management, possessing leadership and decision-making ability, with abundant experience in the industry. | Not applicable | None |
| Director Ennostar Inc. Li, Rong-Huan | Used to be a president in a public company withe experience of operation and management, focusing on the development and manufacture of Si sensor components that are applied in different fields such as range finding, health, and industrial control. Currently, he concurrently serves the President of the Company. He possesses the professional ability of training effective operating teams, and operational judgment. | Not applicable | None |
| Director Will Chou | Major in Physics, and serving as the Vice Chairman concurrent CSO of the Company; he has cultivated the fields of LED and Si component sensing for many years, and currently serves as Director of Taiwan Optoelectronic Semiconductor Industry Association. He is good at optimization of manufacturing technology and transformation and expansion of plants, R&D team management; he is also skilled in optoelectronics industry, with strong leadership and professional abilities. | Not applicable | None |
| Independent Director Liu, Yin-Fei | Holder of CPA qualification and Senior Exam of Civil Service; served as Senior Consultant of PwC Taiwan for many years; currently serves as Independent Director of Waffer Technology Corp., and Edison Opto Corp. She has solid background of commerce, finance, and accounting, and professional abilities of finance and accounting. Currently she is the convener of the Audit Committee, and member of the Remuneration Committee. Note: There is no circumstance under Article 30 of the Company Act | 1. Pursuant to the Company's Articles of Incorporation and Corporate Governance Best Practice Principles, the candidate nomination system is adopted for the directors' election. When nominating and selecting the board members, the written statement, working experience, and current position of each independent director is obtained; during the term of office, they've confirmed themselves, their spouses and relatives within second degree kinship in writing that they have no director or indirect interest relationship with the Company, so they are relatively independent of the Company. 2. Conforming to Note:A-D | Two |
| Independent Director Chiang, Huei-Chung | Master and PhD in Chemical Engineering, Northwestern University, the U.S., Department of Chemical Engineering, National Tsing Hua University; served as President of Thintec Materials Corporation, Independent Director, HannStar Display Corporation, Supervisor of Epistar, Asia Polymer Corporation, Synnex Technology International; currently serving concurrently as Special Assistant to Chairman, MiTAC-SYNNEX Group; DirectorUPC Technology Corporation; Independent Director. Good at industry knowledge, law, and risk management, and detecting and reviewing audit matters. Currently the member of the Audit Committee and convener of the Remuneration Committee. Note: There is no circumstance under Article 30 of the Company Act | 1. Pursuant to the Company's Articles of Incorporation and Corporate Governance Best Practice Principles, the candidate nomination system is adopted for the directors' election. When nominating and selecting the board members, the written statement, working experience, and current position of each independent director is obtained; during the term of office, they've confirmed themselves, their spouses and relatives within second degree kinship in writing that they have no director or indirect interest relationship with the Company, so they are relatively independent of the Company. 2. Conforming to Note:A-D | One |
| Independent Director Hsieh, Chia-Ying | Graduated from the Institute of Business Administration and Department of Electronic Engineering, National Taiwan University; served as CIO of Chanful Captial Co., Ltd and Independent Director of Lotes Co., Ltd. for many years; currently serves as Director of Lotes Co., Ltd., Leltek Inc., Director, QSAN Technology, Inc., and Independent Director of Sunplus Innovation Technology Inc. He has many years of practical experience in investment management, commerce and financial management, and risk management capabilities. Currently the member of the Audit and Remuneration Committees. Note: There is no circumstance under Article 30 of the Company Act | 1. Pursuant to the Company's Articles of Incorporation and Corporate Governance Best Practice Principles, the candidate nomination system is adopted for the directors' election. When nominating and selecting the board members, the written statement, working experience, and current position of each independent director is obtained; during the term of office, they've confirmed themselves, their spouses and relatives within second degree kinship in writing that they have no director or indirect interest relationship with the Company, so they are relatively independent of the Company. 2. Conforming to Note:A-D | One |

Note. The independence status is as the follows:

A— The independent directors, their spouse, relatives within the second degree of kinship serving as director, supervisor, or employee of the company or any of its affiliates

B— Not holding the Company's share, nor their spouse, the person's spouse, relatives within the second degree of kinship, or held by the person under others' names

C— Not servicing as director, supervisor, or employee of the company having special relationship with the Company

D— Not providing commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years or receiving corresponding compensation

(3) Board diversity and independence

Board diversity

The Company's 13th board of directors comprises 7 seats, including 3 independent directors. For the implementation and achievement of the Company's board of directors' diversity goals, (gender) the proportion of female members is 14%, which has not yet reached one-third of all members, so there is still space for growth expected; 28.6% of the members, or less than one-third, are the Company’s employees, also in line with the diversification policy. In terms of age, 41-50 years old accounting for 14%, 51-60 years old accounting for 29%, and 61-70 years old accounting for 57%. The board members have rich experience in industry knowledge, operation and management, as well as other related industry abilities, strongly complementary to the financial and accounting abilities and risk management expertise of independent directors.

All members possess the following knowledge, skills, and characters needed to exercise their duties:

| Diversity criteria / Name of director | Basic composition | | | | | | | | | Industry experience/professional capabilities | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nationality | Gender | Concurrent position as company employee | Age distribution | | | Terms and years as independent director | | | | | | | | | | |
| | | | | 41-50 years old | 51-60 years old | 61-70 years old | Below 3 years | 3 to 9 years | 9 year and above | Leadership and decision making | Marketing professional service | Photoelectric industry knowledge | Law and risk management | Professional skills | Risk management | Law and public administration | Accounting and finance |
| Liang Dian Investment Co., Ltd. Representative: Lee, Biing-Jye | The Republic of China | Male | | - | | V | - | - | - | V | V | V | O | V | V | V | O |
| Will Chou | The Republic of China | Male | V | - | | V | - | - | - | V | V | V | O | V | V | V | - |
| Ennostar Inc. Co., Ltd. Li, Rong-Huan | The Republic of China | Male | V | | V | - | - | - | - | V | V | V | O | V | O | V | - |
| Wei Ban Investment Corporation Representative: Huang, Deng-Huei | The Republic of China | Male | - | - | | V | - | - | - | O | V | V | O | V | V | V | O |
| Independent Director Liu, Yin-Fei | The Republic of China | Female | - | - | V | | V | - | - | V | - | V | O | O | V | O | V |
| Independent Director Chiang, Huei-Chung | The Republic of China | Male | - | | - | V | V | - | - | V | V | V | O | O | V | V | O |
| Independent Director Hsieh, Chia-Ying | The Republic of China | Male | - | V | - | - | V | - | - | O | O | V | O | O | V | O | V |

(v: possessing the ability; o: possessing the partial ability)

(iI) Independence of the board of directors

The board of directors composition include four general directors (including three corporate representatives and one natural person elected) and three independent directors, for total seven directors. The independent directors account for 43% of the total board members. Three independent directors (Ms. Liu, Yin-Fei, Mr. Chiang, Huei-Chung, and Mr. Hsieh, Chia-Ying) also serve as members of the Company’s Audit Committee and Remuneration Committee. As per requirements of the competent authorities, the Company has obtained the written statement of each independent directors confirming themselves, their spouses and the relatives within second degree of kinship are not holding the Company’s share or held by the person under others' names, are not the director or employees of the companies have special relationship with the Company (subparagraph 5-8, Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies), nor receiving compensation by providing commercial, legal, financial, accounting or related services to the Company or any affiliate of the Company.

The Company's board of directors values independent opinions, and the Company had all directors re-elected in the shareholders' meeting in 2021, and all board members of the of directors were refreshed. None of the independent director has been with the Company for three years, and none of them hold shares in the Company. It is true that they are highly independent members. The Company's board of directors emphasizes independent operation and transparency, and the three independent directors comply with relevant laws and regulations, supplemented with the powers of the Audit Committee, to review the Company's internal control or risk attention, and pay attention to the independence of CPAs and the fair presentation of the financial statements. The Company is committed to continuously assessing the independence of directors during their directorship every year, understanding and tracking the independence and eligibility of independent directors. The Company has established a performance evaluation system for the board of directors. Independent directors demonstrate the independence of exercising their powers, and the independent functions; all of which have met expectations.

Please refer to TYNTEK’s website for all the directors’ resumes and their relationship with each other.

2. Background information of the President, vice presidents, assistant vice presidents and heads of various departments and branches

March 31, 2023 Unit: shares; %

| Title | Nationality | Name | Gender | Date elected (appointed) | Shareholding | | Shareholding of spouses and children of minor age | | Shareholding by nominee Arrangement | | Main career (academic) achievements | Concurrent positions in other companies | Spouse or relatives of second degree or closer acting as managers | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares | Shareholding percentage (%) | Shares | Shareholding percentage (%) | Shares | Shareholding percentage (%) | | | Title | Name | Relations |
| Chief Strategy Officer (CSO) (Note 3) | The Republic of China | Will Chou | Male | 2023..02.22 | 166,813 | 0.055 | 0 | 0 | 0 | 0 | Department of Physics, Tamkang University President, TYNTEK Vice President, TYNTEK Vice President, Vitelic (Hong Kong) Limited | Note 1 | None | None | None |
| President (Note 3) | The Republic of China | Li, Rong-Huan | Male | 2023.02.22 | 0 | 0 | 0 | 0 | 0 | 0 | Department of Chemical Engineering, Tamkang University Special Assistant, TYNTEK President, Opto Tech Corporation | Supervisor Representative of Long Benefit Investment Co., Ltd.; Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. - President | None | None | None |
| Vice President | The Republic of China | Chao-Kun Peng | Male | 2010.07.01 | 10,020 | 0.003 | 0 | 0 | 0 | 0 | Graduated from United College of Technology Industrial Technology Research Institute - Researcher | None | None | None | None |
| Vice President | The Republic of China | Te-Cheng Lin | Male | 2010.07.01 | 466 | 0.000 | 0 | 0 | 0 | 0 | Postgraduate Institute of Chung Hua University Tacheng Turbines - Engineer | None | None | None | None |
| Vice President | The Republic of China | Shao-Rong Lu | Male | 2014.08.12 | 25,330 | 0.008 | 0 | 0 | 0 | 0 | Graduated from Ta Hwa Institute of Technology Industrial Technology Research Institute - Researcher | None | None | None | None |
| Assistant Vice President of Finance Division | The Republic of China | Mei-Ling Chiu | Female | 2010.07.01 | 14 | 0.000 | 0 | 0 | 0 | 0 | Postgraduate Study of Business, Columbia Southern University TYNTEK - Assistant Vice President of Finance Division | Note 2 | None | None | None |
| Finance Division - Head of Accounting | The Republic of China | Hsiao-Ping Li | Female | 2014.02.14 | 5,827 | 0.002 | 0 | 0 | 0 | 0 | Graduated from Providence University TYNTEK Finance Division - Manager | Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. - Supervisor Representative | None | None | None |

Note 1: Chairman representative: Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. Director Representative: Fujian Zhaoyuan Photoelectric Co., Ltd.

Note 2: Director Representative: Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd.; Long Benefit Investment Co., Ltd.; Hsinjing Holding Co., Ltd.; CORETECH OPTICAL CO., LTD

Note 3: On February 22, 2023, President Will Chou was promoted to CSO, while Special Assistant to President Li, Rong-Huan was promoted to President.

Note 4: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, additional explanation will be provided on the reasons, rationality, and necessity of such an arrangement and any response measures taken: None.

## (III) Compensation paid to non-independent directors, independent directors, the President, and vice presidents in the last year

### 1. Compensation to non-independent and independent directors

December 31, 2022 Unit: NTD thousands; %

| Title (Note 1) | Name | Remuneration of directors | | | | | | | | Sum of A, B, C and D as a percentage of net income (Note 8) | | Compensation received as employee | | | | | | | | The sum of A, B, C, D, E, F and G as a percentage of after tax profit (Note 8) | | Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 9) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Base compensation (A) (Note 2) | | Severance payment and pension (B) | | Director remuneration (C)(Note 3) | | Fees for services rendered (D) (Note 4) | | | | Salaries, bonuses, special allowances etc. (E) (Note 5) | | Severance payment and pension (B) | | Employee profit-sharing compensation (G)(Note 6) | | | | | | |
| | | | | | | | | | | | | | | | | The Company | | All companies included in the financial statements (Note 7) | | | | |
| | | The Company | All companies included in the financial statements (Note 7) | The Company | All companies included in the financial statements (Note 7) | The Company | All companies included in the financial statements (Note 7) | The Company | All companies included in the financial statements (Note 7) | The Company | All companies included in the financial statements (Note 7) | The Company | All companies included in the financial statements (Note 7) | The Company | All companies included in the financial statements (Note 7) | Amount paid in cash | Amount paid in shares | Amount paid in cash | Amount paid in shares | The Company | All companies included in the financial statements (Note 7) | |
| Chairman | Liang Dian Investment Co., Ltd. Representative: Lee, Biing-Jye | 1,200 | 1,200 | 0 | 0 | 0 | 0 | 60 | 60 | 1,260 -0.69% | 1,260 -0.69% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,260 -0.69% | 1,260 -0.69% | None |
| Director | Wei Ban Investment Corporation Representative: Huang, Deng-Huei | 600 | 600 | 0 | 0 | 0 | 0 | 60 | 60 | 660 -0.36% | 660 -0.36% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 660 -0.36% | 660 -0.36% | None |
| Director | Ennostar Inc. Representative: Li, Rong-Huan | 600 | 600 | 0 | 0 | 0 | 0 | 60 | 60 | 660 -0.36% | 660 -0.36% | 3,898 | 3,898 | 108 | 108 | 0 | 0 | 0 | 0 | 4,666 -2.57% | 4,666 -2.57% | None |
| Director | Will Chou | 600 | 991 | 0 | 0 | 0 | 0 | 60 | 60 | 660 -0.36% | 1,051 -0.58% | 4,171 | 4,171 | 518 | 518 | 0 | 0 | 0 | 0 | 5,349 -2.95% | 5,740 -3.16% | None |
| Independent Director | Liu, Yin-Fei | 720 | 720 | 0 | 0 | 0 | 0 | 60 | 60 | 780 -0.43% | 780 -0.43% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 780 -0.43% | 780 -0.43% | None |
| Independent Director | Chiang, Huei-Chung | 660 | 660 | 0 | 0 | 0 | 0 | 60 | 60 | 720 -0.40% | 720 -0.40% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 720 -0.40% | 720 -0.40% | None |
| Independent Director | Hsieh, Chia-Ying | 660 | 660 | 0 | 0 | 0 | 0 | 60 | 60 | 720 -0.40% | 720 -0.40% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 720 -0.40% | 720 -0.40% | None |

1. Directors' compensation mentioned above includes travel allowances paid to independent directors for assuming concurrent roles as Remuneration Committee and Audit Committee members.
2. Policy, system, standards, and structure by which independent director compensation is paid, and association between the amount paid and independent directors' responsibilities, risks and time committed: Independent directors are compensated according to the levels and values of their participation in business operations, which are assessed based on the Board of Directors Performance Assessment Policy after taking into account the presence of moral hazard or any other risk event that may adversely affect the Company's images. The amount of compensation is determined based on individual directors' participation and contribution and overall performance of the Company, and is reviewed in a timely manner to comply with prevailing laws, and reported to the board of directors for discussion and resolution after reviewed by the Remuneration Committee.
3. In addition to what is disclosed in the above table, please specify the amount of remuneration received by directors in the most recent fiscal year for providing services (e.g., for serving as a non-employee consultant to the parent company /any consolidated entities / invested enterprises): None

Note 1: The 13th directors, Lighting Investment Corp., Wellybond Corporation, Ennostar Inc., Will Chou, Liu, Yin-Fei, Chiang, Huei-Chung, and Hsieh, Chia-Ying were elected in the shareholders' meeting on July 2, 2021 and took offices.

Note 2: Refers to director's compensation in 2022 (including salary, allowance, severance pay, various bonuses and incentives etc).

Note 3: Base on the directors' remuneration amount approved to be distributed by the board of directors on February 22, 2023

Note 4: Refers to compensation paid for services rendered in 2022 (including travel, special allowances, subsidies, accommodation, corporate vehicle, and in-kind benefits).

Note 5: Refers to any salaries, allowances, severance pay, bonuses, incentives, travel allowances, special allowances, subsidies, accommodation, vehicles, in-kind benefits etc. that the director received in 2022 for assuming the role of a company employee (such as President, vice president, manager, or other employee).

(In addition, where salary expense is recognized according to IFRS2 - "Share-based Payment," the amount of which includes employee warrants, restricted employee shares, and subscription to cash issues. )

Note 6: Referring to these directors who concurrently serve as employees (including concurrently serving as president, vice president, other managerial officers and employees) and revive employees' remuneration (including shares and cash) in 2022. Base on the employee's remuneration amount to be distributed by the board of directors on February 22, 2023.

Note 7: Referring to all companies covered by the consolidated financial statements (including the Company), and represents total amount of compensation paid by all companies above to the Company's directors.

Note 8: The net income after tax refers to the net loss after tax of NT$181,505 thousand in the Company's 2022 parent-only statement

Note 9: The amount of compensation a director receives from business investments other than subsidiaries refers to any benefit, remuneration (including remuneration received as an employee, director, and supervisor), and professional service fee that the Company's director receives for serving as director, supervisor, or manager in business investments other than subsidiaries.

Note 10: The amount of pension actually paid to the Company's directors 2022 amounted to NT$0. The amount of severance pay and pension contribution expensed during the year was NT$626 thousand.

2. Compensation to the President and vice presidents

December 31, 2022 Unit: NTD thousands; %

| Title | Name | Salary (A) (Note 1) | | Retirement pay and pension (B) (Note 7) | | Bonuses and allowances (C) (Note 2) | | Employee remuneration (D) (Note 3) | | | | Sum of A+B+C+D and ratio to net income (Note 5) | | Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 6) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies included in the financial statements (Note 4) | The Company | All companies included in the financial statements (Note 4) | The Company | All companies included in the financial statements (Note 4) | The Company | | All companies included in the financial statements (Note 4) | | The Company | All companies included in the financial statements (Note 4) | |
| | | | | | | | | Amount paid in cash | Amount paid in shares | Amount paid in cash | Amount paid in shares | | | |
| President | Will Chou | 2,735 | 2,735 | 518 | 518 | 1,436 | 1,436 | 0 | 0 | 0 | 0 | 4,689<br>-2.58% | 4,689<br>-2.58% | None |
| Special Assistant of President | Li, Rong-Huan | 2,650 | 2,650 | 108 | 108 | 1,248 | 1,248 | 0 | 0 | 0 | 0 | 4,006<br>-2.21% | 4,006<br>-2.21% | None |
| Vice President | Chao-Kun Peng | 1,770 | 1,770 | 265 | 265 | 530 | 530 | 0 | 0 | 0 | 0 | 2,565<br>-1.41% | 2,565<br>-1.41% | None |
| Vice President | Te-Cheng Lin | 1,681 | 1,681 | 354 | 354 | 440 | 440 | 0 | 0 | 0 | 0 | 2,475<br>-1.36% | 2,475<br>-1.36% | None |
| Vice President | Shao-Rong Lu | 1,618 | 1,618 | 243 | 243 | 597 | 597 | 0 | 0 | 0 | 0 | 2,458<br>-1.35% | 2,458<br>-1.35% | None |
| Vice President | Tai-Hsiang Hu (Note 8) | 1,376 | 1,700 | 290 | 290 | 52 | 52 | 0 | 0 | 0 | 0 | 1,718<br>-0.95% | 2,042<br>-1.13% | None |

December 31, 2022 Unit: NTD thousands; %

| Title | Name | Salary (A) (Note 1) | | Retirement pay and pension (B) (Note 7) | | Bonuses and allowances (C) (Note 2) | | Employee remuneration (D) (Note 3) | | | | Sum of A+B+C+D and ratio to net income (Note 5) | | Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 6) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies included in the financial statements (Note 4) | The Company | All companies included in the financial statements (Note 4) | The Company | All companies included in the financial statements (Note 4) | The Company | | All companies included in the financial statements (Note 4) | | The Company | All companies included in the financial statements (Note 4) | |
| | | | | | | | | Amount paid in cash | Amount paid in shares | Amount paid in cash | Amount paid in shares | | | |
| President | Will Chou | 11,830 | 12,154 | 1,778 | 1,778 | 4,303 | 4,303 | 0 | 0 | 0 | 0 | 17,911<br>-9.87% | 18,235<br>10.05% | None |
| Special Assistant of President | Li, Rong-Huan | | | | | | | | | | | | | |
| Vice President | Chao-Kun Peng | | | | | | | | | | | | | |
| Vice President | Te-Cheng Lin | | | | | | | | | | | | | |
| Vice President | Shao-Rong Lu | | | | | | | | | | | | | |
| Vice President | Tai-Hsiang Hu (Note 8) | | | | | | | | | | | | | |

Compensation bracket table

| Range of remuneration to the Company's President and vice presidents | Name of President/Vice President | |
|---|---|---|
| | The Company | All consolidated entities E |
| Below NT$ 1,000,000 | — | — |
| NT$ 1,000,000 (inclusive) - NT$ 2,000,000 (non-inclusive) | Tai-Hsiang Hu | — |
| NT$ 2,000,000 (inclusive) - NT$ 3,500,000 (non-inclusive) | Chao-Kun Peng, Te-Cheng Lin and Shao-Rong Lu | Chao-Kun Peng, Te-Cheng Lin, Shao-Rong Lu and Tai-Hsiang Hu |
| NT$ 3,500,000 (inclusive) - NT$ 5,000,000 (non-inclusive) | Will Chou and Rong-Huan Li | Will Chou and Rong-Huan Li |
| Total | 6 | 6 |

Note 1:Refers to salaries, allowances, and severance pay made to the President and vice presidents in 2022.

Note 2: Refers to other compensations such as bonus, incentive, travel allowance, special allowance, subsidy, accommodation, corporate vehicle or other in-kind benefits made to the President and vice presidents in 2022. (In addition, where salary expense is recognized according to IFRS2 - "Share-based Payment," the amount of which includes employee warrants, restricted employee shares, and subscription to cash issues. )

Note 3: Referring to the employees' remuneration amount approved by the Board o f Directors to be distributed to the president and vice presidents in 2022 (shares and cash included). Base on the employee's remuneration amount to be distributed by the board of directors on February 22, 2023.

Note 4: Compensation is presented in aggregate of all amounts paid by all companies covered by the consolidated financial statements (including the Company) to the Company's President and vice presidents.

Note 5: The net income after tax refers to the net loss after tax of NT$181,505 thousand in the Company's 2022 parent-only statement.

Note 6: The amount of compensation the President and vice presidents receive from business investments other than subsidiaries refers to any benefit, remuneration (including remuneration received as an employee, director, and supervisor), and professional service fee that the Company's President and vice presidents receive for serving as director, supervisor, or manager in business investments other than subsidiaries.

Note 7: The amount of pension actually paid to the Company's President and vice presidents in 2022 amounted to NT$1,822 thousand. The amount of pension contribution expensed during the year was NT$1,778 thousand

Note 8: Vice President, Tai-Hsiang Hu, retired on October 25, 2022.

3. Names of managers who received employee remuneration, and the amount entitled

The Company recorded a net loss after tax for 2022, and the board of directors approved not to distribute, and thus it is not applicable.

4. Remuneration to the Five Highest Remunerated Management Personnel

December 31, 2022 Unit: NTD thousands; %

| Title | Name | Salary (A) (Note 2) | | Severance payment and pension (B) (Note 8) | | Rewards and special disbursements (C) (Note 3) | | Employee profit-sharing compensation (D) (Note 4) | | | | Sum of A+B+C+D and ratio to net income (%) (Note 6) | | Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 7) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | The Company | | All companies included in the financial statements (Note 5) | | | | |
| | | The Company | All companies included in the financial statements (Note 5) | The Company | All companies included in the financial statements (Note 5) | The Company | All companies included in the financial statements (Note 5) | Amount paid in cash | Amount paid in shares | Amount paid in cash | Amount paid in shares | The Company | All consolidated entities (Note 5) | |
| President | Will Chou | 2,735 | 2,735 | 518 | 518 | 1,436 | 1,436 | 0 | 0 | 0 | 0 | 4,689<br>-2.58% | 4,689<br>-2.58% | None |
| Special Assistant of President | Li, Rong-Huan | 2,650 | 2,650 | 108 | 108 | 1,248 | 1,248 | 0 | 0 | 0 | 0 | 4,006<br>-2.21% | 4,006<br>-2.21% | None |
| Vice President | Chao-Kun Peng | 1,770 | 1,770 | 265 | 265 | 530 | 530 | 0 | 0 | 0 | 0 | 2,565<br>-1.41% | 2,565<br>-1.41% | None |
| Vice President | Shao-Rong Lu | 1,681 | 1,681 | 354 | 354 | 440 | 440 | 0 | 0 | 0 | 0 | 2,475<br>-1.36% | 2,475<br>-1.36% | None |
| Vice President | Te-Cheng Lin | 1,618 | 1,618 | 243 | 243 | 597 | 597 | 0 | 0 | 0 | 0 | 2,458<br>-1.35% | 2,458<br>-1.35% | None |

Note 1: The officer refers to the managerial officer; "Managerial officers" means those falling within the applicable scope defined in 27 March 2003 Order No. Tai-Cai-Zheng-III-0920001301 of the former Securities and Futures Commission, Ministry of Finance.

Note 2: This refers to the salary, duty allowances, and severance pay of each of the five highest remunerated management personnel in 2022.

Note 3: Refers to other compensations such as bonus, incentive, travel allowance, special allowance, subsidy, accommodation, corporate vehicle or other in-kind benefits made to the President and vice presidents in 2022. (In addition, where salary expense is recognized according to IFRS2 - "Share-based Payment," the amount of which includes employee warrants, restricted employee shares, and subscription to cash issues. )

Note 4: Referring to the employees' remuneration amount approved by the Board of Directors to be distributed to the five highest remunerated management personnel in 2022 (shares and cash included). Base on the employee's remuneration amount to be distributed by the board of directors on February 22, 2023.

Note 5: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents total amount of compensation paid by all companies above to the Company's five highest remunerated management personnel.

Note 6: The net income after tax refers to the net loss after tax of NT$181,505 thousand in the Company's 2022 parent-only statement

Note 7: Referring to the amount of compensation paid to the five highest remunerated management personnel receive from business investments other than subsidiaries refers to any benefit, remuneration (including remuneration received as an employee, director, and supervisor), and professional service fee that the Company's five highest remunerated management personnel receive for serving as director, supervisor, or manager in business investments other than subsidiaries.

Note 8: Refers to the retirement pay and pension expenses provided or contributed, for NT$1,488 thousand.

(IV) Amount of compensation paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's non-independent directors, independent directors, President, and vice presidents, and their respective proportions to standalone net income, as well as the policies, standards, and packages by which they were paid, the procedures through which compensations were determined, and their association with business performance and future risks

1. Remuneration paid to the Company's non-independent directors, independent directors, President, and vice presidents, and percentage relative to standalone net income, are shown below:

| Title | 2021 | | | | 2022 | | | | Description |
|---|---|---|---|---|---|---|---|---|---|
| | Total compensation | | Total as a percentage of net income (%) | | Total compensation | | Total as a percentage of net income (%) | | |
| | The Company | All companies included in the consolidated financial statements | The Company | All companies included in the consolidated financial statements | The Company | All companies included in the consolidated financial statements | The Company | All companies included in the consolidated financial statements | The Company's net lost after tax for 2022 was NT$181,505 thousand and the net profit after tax of NT$724,850 thousand for 2021, respectively. |
| Non-independent directors | 31,013 | 31,723 | 4.28 | 4.38 | 11,935 | 12,326 | -6.58 | -6.79 | |
| Independent Director | 5,229 | 5,229 | 0.72 | 0.72 | 2,220 | 2,220 | -1.22 | -1.22 | |
| President and vice presidents (Note) | 33,433 | 34,009 | 4.61 | 4.69 | 17,911 | 18,235 | -9.87 | 10.05 | |

Note: The Company recorded a net loss after tax for 2022, and the board of directors approved not to distribute the employees' remuneration on February 22, 2023.

2. Compensation policies, standards, packages and procedures, and association with future risks and business performance:

Remuneration policies, standards, and packages:

(1) According to Article 15 of the Company's Articles of Incorporation, directors' remuneration shall be paid regardless of the Company making profit or loss. Article 18 of the Articles of Incorporation stipulates that no more than 5% shall be appropriated directors' remuneration of . The Company regularly evaluates the remuneration of directors pursuant to the "Rules for Performance Evaluation of Board of Directors." The relevant performance appraisal and the reasonableness of the remunerations are reviewed by the Remuneration Committee and the Board of Directors.

(2) For the Company's managerial officers' remunerations, according to the "Regulations of Remuneration Management," it is specified various work allowances and bonuses, to show compassion, and reward employees for their hard works. Relevant bonuses are also paid depend on the Company's annual operating performance, financial status, operating status, and personal work performance. In addition, if the Company makes profits in the current year, pursuant to Article 18 of the Company's Articles of Incorporation, 5% to 15% should be appropriated as employees' remuneration. Pursuant to the "Regulations for Management of Managerial Officers' Performance," the Company implements the performance evaluation and the results are used as a reference for the issuance of managerial officers' bonuses. The managerial officers' performance evaluation items are divided into 1. financial indicators: based on the Company's management statement of income, allocation of contribution from each business group department to the Company's profits, while taking the achievement rate of the managerial officer's goals into account; 2. non-financial indicators: including two major aspects, namely the practice of the Company's core values and operational management capabilities, as well as participation in sustainable operations, to calculate the remuneration for the operating performance, while reviewing the remuneration system according to the actual operating conditions and relevant laws and regulations, when appropriate.

(3) The compensation mix paid by the Company complies with the determinations of the Remuneration Committee, includes cash compensations, warrants, share-based profit sharing, retirement benefits, severance pay, allowances of all kinds, and any substantive incentives. This definition should be consistent with the scope of directors' and managers' compensation stated in "Regulations Governing Information to be Published in Annual Reports of Public Companies."

Procedure for determining remuneration:

(1) To regularly evaluate the remunerations of directors and managerial officers, the Company's "Rules for Performance Evaluation of Board of Directors" and the "Regulations for Management of Managerial Officers' Performance" applicable to managerial officers are adopted as the basis for the evaluation, and the results are used as the reference. In addition, the chairman and president's remunerations are determined by linking to the Company's operating performance indicators, and submitted to the board of directors for approval. To fully demonstrate the achievement of the operating performance indicators, the

chairman's performance measurement criteria are based on the Company's annual operating indicators related to operations, governance, and financial results. For the performance of the president, the scope of performance measurement and assessment includes: operational safety management, supervision for the implementation of financial plans, revenue management, enhancement of internal control, implementation of quality assurance and management, among other major tasks related to various performance objectives.

(2) The relevant performance assessment and remuneration reasonableness of the Company's directors and managerial officers are regularly evaluated and reviewed by the Remuneration Committee and the board of directors every year. On top of referring to the individual's performance achievement rate and contribution to the Company, the Company's overall operating performance, the future risks and development trends of the industry are also considered, and the remuneration system depending on the actual operating conditions and relevant laws and regulations when appropriate. Moreover, upon the comprehensive considerations of the current corporate governance trends, reasonable remuneration will be given to achieve a balance between the Company's sustainable operation and risk control. The actual amount paid for the directors' and managerial officers' remunerations of 2022 are determined by the board of directors after the deliberation of the Remuneration Committee.

<u>Linkage to operating performance and future risk exposure.:</u>

(1) The review of the payment standards and systems related to the Company's remuneration policy is based on the Company's overall operating status as the main consideration, while depending on the performance achievement rate and contribution, to determine the payment standards, for improving the effectiveness of the whole organizational team of the board of directors and management departments. Meanwhile, the remuneration standard of the industry is referred to, to ensure that the Company's management' remuneration is competitive in the industry, to retain excellent management talents.

(2) The performance goals of the Company's managerial officers are integrated with "risk control," to ensure that possible risks within the scope of duties are managed and prevented, and the results of ratings are given based on actual performance, linking all relevant human resources and related remuneration policies. The important decisions of the Company's management are made after balancing various risk factors. The performance of relevant decisions is reflected in the Company's profits, and thus the remuneration of the management is related to the performance of risk control.

## II. Corporate governance

(I) Functionality of the board of directors and performance evaluation

The board of directors of the 13th Term held total 6 (A) meetings in 2022; below are directors' (including independent directors') attendance records:

| Title | Name | Attendance in person (B) | Proxy attendance | In-person attendance rate (%)[B/A] | Remarks |
|---|---|---|---|---|---|
| Chairman | Liang Dian Investment Co., Ltd. Representative: Lee, Biing-Jye | 6 | 0 | 100 | — |
| Director | Wei Ban Investment Corporation Representative: Huang, Deng-Huei | 6 | 0 | 100 | — |
| Director | Ennostar Inc. Representative: Li, Rong-Huan | 6 | 0 | 100 | — |
| Director | Will Chou | 6 | 0 | 100 | — |
| Independent Director | Liu, Yin-Fei | 6 | 0 | 100 | — |
| Independent Director | Chiang, Huei-Chung | 6 | 0 | 100 | — |
| Independent Director | Hsieh, Chia-Ying | 6 | 0 | 100 | — |

Other mandatory disclosures:

I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed motions, independent directors' opinions and how the Company has responded to such opinions:

(I) Any matter under Article 14-3 of the Securities and Exchange Act:The Company has set up an Audit Committee, and thus the Article 14-3 is not applicable. For the description of matters under Article 14-5 of the Securities and Exchange Act, please refer to Table 1 of the Operation of the Audit Committee.

(II) Any other documented objections or reservations raised by independent director against board resolution in relation to matters other than those described above: No objection or reservation was raised.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process:

1. Motion: distribution of employees' remunerations to managerial officers; performance evaluations of managerial officers; salary adjustment for managerial officers, and payment of quarterly bonuses, year-end bonus, and physical examination of employees.

Voting process: Stakeholders of this particular motion included Director Will Chou and Li, Rong-Huan, Head of Finance Mei-Ling Chiu, and Head of Accounting Hsiao-Ping Li; all of whom had recused from voting, and the motion was passed as proposed without objection from attending directors and independent directors upon inquiry by the chairperson.

Reason of recusal: Will Chou, Li, Rong-Huan, Mei-Ling Chiu, Hsiao-Ping Li are all the Company's managerial officers.

2. Motion: Proposal to re-appoint the director and managerial officer of the subsidiary, Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd.

Voting process: Stakeholder of this particular motion was Director Li, Rong-Huan, who had recused from voting, and the motion was passed as proposed without objection but consents from remaining attending directors and independent directors upon inquiry by the chairperson.

Reason of recusal: Director, Li, Rong-Huan is the director and managerial officer to be appointed to the said subsidiary

III. Cycle, duration, scope, method and detail of board performance self (peer) evaluation, and overall execution are explained in the following chart:

**Execution of board performance evaluation**

| Assessment cycle | Assessment duration | Scope of assessment | Assessment method | Assessment details |
|---|---|---|---|---|
| Once a year | Performance of the board of directors between January 1, 2022 and December 31, 2022, was assessed | The entire board | Board of Directors Internal self-evaluation | Performance assessment of the board of directors covers the five main aspects below<br>1. Level of participation in the Company's operations.<br>2. Improvement of board decision quality.<br>3. Composition of the board of directors.<br>4. Election and ongoing education of directors.<br>5. Internal control. |
| | | Individual | Director self- | Directors' individual performance assessment covers the following |

| | | | | |
|---|---|---|---|---|
| | | director members | assessment | six main aspects<br>1. Comprehension of the Company's targets and missions.<br>2. Directors' duty awareness.<br>3. Level of participation in the Company's operations.<br>4. Management and communication of internal relations.<br>5. Professionalism and ongoing education of directors.<br>6. Internal control.<br>Comprehensive comment: the board members are professional and rigorous. |
| | | Functional committees | Director self-assessment | Assessment of functional committee performance covers the following five main aspects<br>1. Level of participation in the Company's operations.<br>2. Awareness towards duties of the functional committee.<br>3. Improvements to the quality of decisions made by functional committees.<br>4. Composition of the functional committee and selection of committee members.<br>5. Internal control. |

IV. Enhancements to the functionality of board of directors in the current and most recent year, and progress of such enhancements:

1. In 2022 and up until the publication date of annual report, all decisions that have to be supported by the Audit Committee or resolved by the board of directors under The Company Act or Articles 14-3 and 14-5 of the Securities and Exchange Act have been agreed by the Audit Committee, submitted for board of directors' resolution, and executed accordingly.
2. The Company amended its "Rules of Procedure for Board of Directors Meetings" during the 11th meeting of the 13th board held on February 22, 2023 to conform with the amended version of "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" published by the authority on August 5, 2022
3. The Company amended its "Corporate Governance Best-Practice Principles" during the 6th meeting of the 11th meeting of the 13th board held on February 22, 2023 to conform to the amended version of "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" published by the authority on December 23, 2022. This amendment was reported during the 2023 shareholder meeting.
4. The Company has established the “Rules of Procedure for Board of Directors Meetings” and uploads the directors’ attendance to the board meetings at MOPS, and discloses the material resolutions on the website:
5. The dedicated ESG unit was established in 2022 to promote and deepen the sustainable development of TYNTEK. The implementation progress and results are reported to the board of directors every quarter, and the board of directors provides necessary instructions.

(II) Key Tasks and Operation of the Audit Committee:

The Audit Committee aims to assist the board of directors in supervising the quality and integrity of the Company's accounting, auditing, financial reporting, and financial control processes.

The matters to be deliberated under the Audit Committee’s power mainly include:

1. Establishment or amendment of internal control system according to Article 14-1 of the Securities and Exchange Act.
2. Evaluation over the effectiveness of internal control system.
3. Establishment or amendment of asset acquisition and disposal procedures, derivative trading procedures, external party lending procedures, external party endorsement and guarantee procedures, and other procedures of major financial or business consequences according to Article 36-1 of the Securities and Exchange Act.
4. Matters concerning directors' personal interests.
5. Major asset or derivative transactions.
6. Major lending, endorsement or guarantee to an external party.
7. Offering, issuance or private placement of securities with equity characteristics.
8. Appointment, dismissal, or compensation of financial statement auditors.
9. Appointment and dismissal of finance, accounting, or internal audit managers.
10. Business report, earnings appropriation or loss reimbursement proposal.
11. Other issues deemed material by the Company or the authority.

**Review of financial reports**

We have reviewed the Company's 2022 business report, financial statements, and deficit compensation proposal prepared by the board of directors. The financial statements have been audited by CPA Su-Li Fang and CPA Chen, Ming-Hui of Deloitte Taiwan, to which the firm issued an independent auditor's report. The Audit Committee found no misstatement in the above business report, financial statements or deficit compensation.

## Assessment of effectiveness of the internal control system

The Audit Committee evaluates the effectiveness of the Company's internal control system, policy, and procedures (including control measures on financial, operational, risk management, information security, and compliance aspects), and reviews audit execution reports prepared by internal audit units on a quarterly basis. Audit Committee considers the design and execution of internal control system to be effective and is able to provide assurance with regards to the Company's business results; target accomplishment; reliability, timeliness, and transparency of reported financial information; and compliance with relevant laws.

## Appointment of CPAs

The Audit Committee bears the duty to supervise the independence of the certifying accounting firm, to ensure the fairness of the financial statements. Generally, other than tax-related services and itesm specifically approved, the certifying accounting firm must not provide other services to the Company. To ensure the independence of the certifying accounting firm, the Company has established the evaluation form of independence by referring the Certified Public Accountants’ Ethical Guideline Journal number 10 – the “integral, fair, objective and independent” to evaluation the independence, professionalism, and competence of CPAs, and if they are related parties of the Company, or in relationship of business or financial interests with the Company, and vice versa. On February 22, 2023, the 11th meeting of the Board of Directors, 13th Term deliberated and approved that the CPAs, Su-Li Fang and Chen, Ming-Hui, from Deloitte Taiwan, have conformed to the criteria of independence evaluation and competence.

## Operation of the Audit Committee

the board of directors re-elected on July 2, 2021, the term of office of the 2nd Audit Committee: July 2, 2021 to July 1, 2024, and the 2nd Committee has convened a total of four meetings in 2022, and the attendance of the independent directors is as following:

| Title | Name | Attendance in person (B) | Proxy attendance | In-person attendance rate (%)[B/A] | Remarks |
|---|---|---|---|---|---|
| Independent Director | Liu, Yin-Fei | 4 | 0 | 100 | - |
| Independent Director | Chiang, Huei-Chung | 4 | 0 | 100 | - |
| Independent Director | Hsieh, Chia-Ying | 4 | 0 | 100 | - |

Other mandatory disclosures:

I. For Audit Committee meetings that meet any of the following descriptions, state the date and session of the meeting, the contents of the motions, independent directors' objections reserved opinions or contents of their major suggestions, the Audit Committee's resolutions, and how the Company responded to the Audit Committee's opinions.
   (I) Issues listed in Article 14-5 of the Securities and Exchange Act: All motions concerning the issues listed in Article 14-5 of the Securities and Exchange Act were passed by the Audit Committee as proposed without objection; see Chart 1 below for details.
   (II) Other than those described above, any resolutions unsupported by the Audit Committee but passed by more than two-thirds of directors. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process: None.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of independent directors concerned, the motions, the nature of conflicting interests, and the voting process: None.

III. Communication between independent directors and internal/external auditors (e.g. discussions concerning the Company's financial and business affairs, the method of communication used, and the outcome).
   A. Communication approaches
   1. The chief internal auditor engages independent directors in regular discussions at least once a quarter to report on the implementation of internal audit and internal control systems. Meetings may also be called on an ad-hoc basis in the occurrence of major event.
   2. The Company's annual financial reports are subject to approval by more than 50% of Audit Committee members before submitting to the board of directors for final resolution. Prior to reviewing financial reports, the Audit Committee would engage financial statement auditors in productive communication through meetings and other available channels (such as: telephone, fax, e-mail etc.).
   3. The CPAs of the Company also report to the independent directors on the results of the reviewed or audited financial statements of the Company and its subsidiaries in the quarterly Audit Committee meetings.
   B. Summary of communications
   1. Summary of communications between the independent directors and the internal audit officer

| Date | Attendees | Matters communicated | Communication results |
|---|---|---|---|
| 2022/02/22 Audit Committee | Liu, Yin-Fei, independent director<br>Chiang, Huei-Chung, independent director<br>Hsieh, Chia-Ying, independent director | ●Report on implementation of audit task for Q4, 2021<br>●2021 Statement of the Internal Control System | No dissent |
| 2022/05/04 Audit Committee | Liu, Yin-Fei, independent director<br>Chiang, Huei-Chung, independent director<br>Hsieh, Chia-Ying, independent director | ●Report on implementation of audit task for Q1, 2022<br>●Amendment to partial internal control system. | No dissent |
| 2022/08/03 Audit Committee | Liu, Yin-Fei, independent director<br>Chiang, Huei-Chung, independent director<br>Hsieh, Chia-Ying, independent director | ●Report on implementation of audit task for Q2, 2022 | No dissent |
| Video conference on October 20, 2022 (The internal audit officer reported to the independent director individually) | Liu, Yin-Fei, independent director<br>Chiang, Huei-Chung, independent director<br>Hsieh, Chia-Ying, independent director | ●Report on the 2023 audit plan | No dissent |
| 2022/11/02 Audit Committee | Liu, Yin-Fei, independent director<br>Chiang, Huei-Chung, independent director | ●Report on implementation of audit task for Q3, 2022<br>●The 2023 audit plan<br>●Amendment to partial internal control system. | No dissent |

| | | | |
|---|---|---|---|
| | Hsieh, Chia-Ying, independent director | | |

2. Summary of the communications between the independent directors and the CPAs

| Date | Attendees | Matters communicated | Communication results |
|---|---|---|---|
| 2022/02/22<br>Audit Committee | Liu, Yin-Fei, independent director<br>Chiang, Huei-Chung, independent director<br>Hsieh, Chia-Ying, independent director<br>CPA: Su-Li Fang | ●The CPAs explained the key points of the matters related to the audit of 2021 financial statements.<br>●The CPAs explained the applicability of the letter interpretation of the latest regulations. | The financial reports have been approved by the Audit Committee, and submitted to the board of directors for approval, and announced and reported to the competent authority as scheduled. |
| 2022/5/4<br>Audit Committee | Liu, Yin-Fei, independent director<br>Chiang, Huei-Chung, independent director<br>Hsieh, Chia-Ying, independent director<br>CPA: Su-Li Fang | ●The CPAs explained the key points of the matters related to the review of financial statements for Q1, 2022. | The financial reports have been approved by the Audit Committee, and submitted to the board of directors for approval, and announced and reported to the competent authority as scheduled. |
| 2022/8/3<br>Audit Committee | Liu, Yin-Fei, independent director<br>Chiang, Huei-Chung, independent director<br>Hsieh, Chia-Ying, independent director<br>CPA: Su-Li Fang | ●The CPAs explained the key points of the matters related to the review of financial statements for Q2, 2022. | The financial reports have been approved by the Audit Committee, and submitted to the board of directors for approval, and announced and reported to the competent authority as scheduled. |
| 2022/11/2<br>Audit Committee | Liu, Yin-Fei, independent director<br>Chiang, Huei-Chung, independent director<br>Hsieh, Chia-Ying, independent director<br>CPA: Su-Li Fang | ●The CPAs explained the key points of the matters related to the review of financial statements for Q3, 2022. | The financial reports have been approved by the Audit Committee, and submitted to the board of directors for approval, and announced and reported to the competent authority as scheduled. |

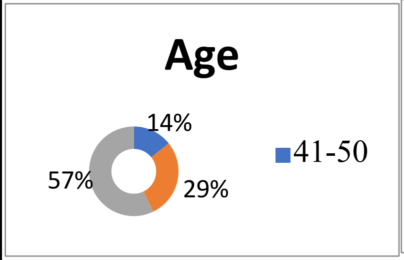
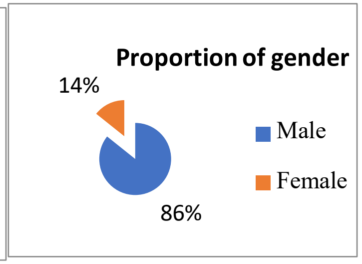
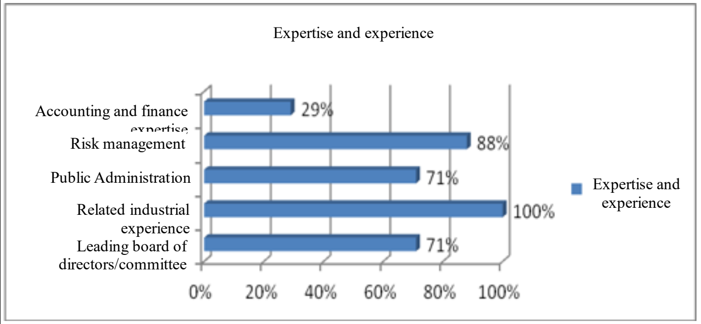
Note: In-person attendance rate (%) is calculated based on the number of Audit Committee meetings held and the number of in-person attendances made during active duty.

Chart 1

| Date | Motion | Resolution | Company's response to Audit Committee's opinions |
|---|---|---|---|
| The 5th meeting of the 2nd committee 2022/02/22 | 1. 2021 "Internal Control System Effectiveness Review" and issuance of the Company's "Declaration of Internal Control System"<br>2. The Company's 2021 financial statements and consolidated financial statements<br>3. The Company's 2021 business report<br>4. The 2021 Statement Of Earnings Distribution.<br>5. Evaluation and review of CPA’s professional service fees and independence<br>6. Amend the Company’s key regulations. | Passed as proposed without objection from attending members when inquired by the chairperson | Passed as proposed without objection from attending independent directors |
| The 6th meeting of the 2nd committee 2022/5/4 | 1. Amendments to the internal control system<br>2. Review of the Company's 2022 first-quarter consolidated financial statements<br>3. Lending of NT$10 million from the Company to subsidiary - Keeper Technology Co., Ltd.<br>4. Ratify the engagement in derivative trading<br>5. The Company intended to replace the financial statement auditor (due to internal rotation) starting from the 1st quarter of 2022 | | |
| The 7th meeting of the 2nd committee 2022/8/3 | 1. Review of the Company's 2022 second-quarter consolidated financial statements<br>2. Ratify the engagement in derivative trading | | |
| The 8th meeting of the 2nd committee 2022/11/2 | 1. Establishment of the Company's 2023 internal audit plan<br>2. Amendments to the internal control system<br>3. Review of the Company's 2022 third-quarter consolidated financial statements<br>4. Ratify the engagement in derivative trading<br>5. Amendments to the “Procedures for Acquisition and Disposal of Assets” | | |
| The 9th meeting of the 2nd committee 2023/2/22 | 1. 2022 "Internal Control System Effectiveness Review" and issuance of the Company's "Declaration of Internal Control System"<br>2. The Company's 2022 financial reports and consolidated financial reports<br>3. The Company's 2022 business report<br>4. 2022 Proposal of Deficit Compensation<br>5. Evaluation and review of CPA’s professional service fees and independence<br>6. Ratify the engagement in derivative trading | | |

(III) Corporate Governance Status, Deviation with Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons

| Assess criteria | Operation | | | (III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"? | ✓ | | The Company has formulated the Corporate Governance Best Practice Principles, and the Company has always respected the rights of shareholders, disclosed major Company information, regularly disclosed financial information as required by relevant regulations, and strengthened the functions of the Board of Directors to promote the operation of corporate governance. Please refer to the Company’s website "Investors Section" or "Corporate Governance Section" of MOPS. | No material deviation is found. |
| II. Shareholding structure and shareholders' interests | | | II. Shareholding structure and shareholders' interests | |
| (I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes, and litigations? | ✓ | | (I) To ensure the interests of shareholders, the Company has established the Shareholder/Investor Section as a communication channel, and appointed the spokesperson, the AVP of Financial Department to handle all shareholder suggestions, doubts and disputes. | No material deviation is found. |
| (II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller? | ✓ | | (II) The related matters of the Company are handled by the AVP of Financial Department serving as the spokesperson, and Fubon Securities' stock affairs agency department, and the stock affairs agency regularly reports the changes in the equity of directors and managerial officers. | No material deviation is found. |
| (III) Has the Company established and implemented risk management practices and firewalls for companies it is affiliated with? | ✓ | | (III) The Company has established the specific financial operations procedures writing pursuant to the “Operational Procedures of Transaction among the Group Entities, Certain Companies and Related Parties” to regulate business relations with affiliates, and has also established the "Operational Procedures for Monitoring Subsidiaries" to implement the Company's risk control mechanism and measures specific to the subsidiaries, and approved by the Board of Directors. | No material deviation is found. |
| (IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information? | ✓ | | (IV) The Company has established the “Code of Conducts” and the “Managerial Operational Procedures for Handling Internal Material Information and Preventing Insider Trading” to prevent insider trading, avoid improper information leakage, protect investors and safeguard the interests of the Company. | No material deviation is found. |
| III. Composition and responsibilities of the board of directors | | | III. Composition and responsibilities of the board of directors | |
| (I) Has the Board of Directors formulated and implemented a diversity policy regarding the composition of its members, with concrete management targets, and implement such? | ✓ | | (I)<br>1 Board diversity policy:<br>1.1 The abilities to be possessed by the board of directors as a whole set forth in Artile 20 of the Corporate Governance Best Practice Principles.<br>1.2 The Board of Directors shall be structured based on the Company’s scale of operations and development and major shareholders' shareholdings.There shall be five directors or more on the Board depending on the Company's practical operational needs.<br>1.3 Board members shall be diversified in a manner that supports the Company's operations, business activities, and growth requirements, provided that the number of directors who concurrently hold | No material deviation is found. |

| Assess criteria | Operation | | | (III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | managerial positions do not exceed one-third of the board. An appropriate diversity policy shall be devised based on its own operations, business model, and development needs, which is advised to include but not limited to the following two principles:<br>1.3.1 Background and value: Gender, age, nationality, culture etc.<br>1.3.2 Knowledge and skills: Career background (e.g. law, accounting, industry, finance, marketing, or technology), professional skill, and industry experience.<br>1.4 For optimal corporate governance, the board of directors as a whole shall possess the following key abilities: operational judgment ability, accounting and financial analysis ability, business administration ability, crisis management ability, industry knowledge, global market vision, leadership ability, and decision-making.<br>2 <u>Management, goals, and implementation of diversity policy:</u><br>2.1 The Company adopts diversity goals to ensure that members of the board do comply with legal requirements. The Company does not limit or distinguish directors' eligibility by gender, age, or culture, but instead focuses primarily on whether they possess the professional skills, knowledge, and industrial experience needed to perform duties.<br>2.2 The current term of the board consists of seven directors (four ordinary directors and three independent directors), and analysis is as below<br><br><br> | |

| Assess criteria | Operation | | | (III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | 2.3 3. For the implementation and achievement of the Company's board of directors' diversity goals, (gender) the proportion of female members is 14%, which has not yet reached one-third of all members, so there is still space for growth expected; 28.6% of the members, or less than one-third, are the Company's employees, also in line with the diversification policy. In terms of age, 41-50 years old accounting for 14%, 51-60 years old accounting for 29%, and 61-70 years old accounting for 57%. The industrial knowledge and experience in related industries such as operation management are rich, complementary to the finance and accounting and risk management expertise of the independent directors. | |
| (II) Apart from the Remuneration Committee and Audit Committee, has the Company assembled other functional committees at its own discretion? | ✓ | | (II) The Company has assembled a Remuneration Committee according to regulations since December 6, 2011. The Remuneration Committee comprises 3 members and convenes meetings on a regular basis. During the election held in 2018, the Company assembled its Audit Committee consisting entirely of the 3 independent directors, and will assemble other functional committees as needed by laws or practical requirements in the future. | No material deviation is found. |
| (III) Has the Company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration, and nomination decisions? | ✓ | | (III) The Company has established the performance evaluation method of the board of directors. On May 12, 2021, the board of directors approved the amendments to cope with the amended regulations. The performance evaluation may be conducted by an external professional independent institution or an external team of experts and scholars every three years, depending on the Company's situation and needs. Therefore, both internal and external evaluations should be completed before the first quarter of the following year, and submitted to the board of directors. The implementation situation is summarized as follows:<br>1 Self-evaluation targets: the board of directors and all directors, as well as functional committees in 2022<br>2 Evaluation period is from January 1 to December 31 of the evaluation year (2022)<br>3 Evaluators: Chairman Biing-Jye Lee; Directors Will Chou; Huang, Deng-Huei; Li, Rong-Huan; Independent Directors Liu, Yin-Fei, Chiang, Huei-Chung, and Hsieh, Chia-Ying.<br>4 Self-evaluation statistics:<br>4.1 Board performance evaluation: self-evaluation questionnaire results | No material deviation is found. |

| Measurement items for board performance evaluation | Average scors of item |
|---|---|
| A. Level of participation in the Company's operations. | 5 |
| B. Improvement of board decision quality. | 5 |
| C. Composition of the board of directors. | 5 |
| D. Election and ongoing education of directors. | 5 |
| E. Internal control. | 5 |

The above questionnaire has 45 questions in total, and the average score for each item is 5, the positive

| Assess criteria | Operation | | | (III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | ✓ | | opinion of [Excellent (Mostly Agreed]<br>4.2 Board member performance evaluation: self-evaluation questionnaire results<br>(see table 4.2 below)<br>The self-evaluation questionnaire for the board members include total 23 questions, and the average score for each item is 5, with the positive opinion of [Excellent (Mostly Agreed]. The comprehensive comment is the positive evaluation that the board members are professional and rigorous.<br>4.3 Functional committee performance evaluation: self-evaluation questionnaire results<br>(see table 4.3 below)<br>There are total 24 questions in the above self-evaluation questionnaire for functional committees, with an average score of 5, the positive opinion of [Excellent (Mostly Agreed]<br>5 Self performance assessments of the board of directors, functional committees, and individual directors all concluded with an Excellent rating in 2022. Outcome of the assessment was reported during the board of directors meeting held on February 22, 2023. Which also serve as the key reference for selecting nominating directors, and determining their remunerations. | |

Table 4.2:

| Measurement items of board member's self-assessment | Average scors of item |
|---|---|
| A. Comprehension of the Company's targets and missions. | 5 |
| B. Directors' duty awareness. | 5 |
| C. Level of participation in the Company's operations. | 5 |
| D. Management and communication of internal relations. | 5 |
| E. Professionalism and ongoing education of directors. | 5 |
| F. Internal control. | 5 |
| Comprehensive comment: | The board members are professional and rigorous. |

Table 4.3:

| Measurement items of board member's self-assessment | Average scors of item |
|---|---|
| A. Level of participation in the Company's operations. | 5 |
| B. Awareness towards duties of the functional committee. | 5 |
| C. Improvements to the quality of decisions made by functional committees. | 5 |
| D. Composition of the functional committee and selection of committee members. | 5 |
| E. Internal control. | 5 |

| Assess criteria | Operation | | | (III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (IV) Are external auditors' independence assessed on a regular basis? | | | (IV) The Company's CPAs belongs to one of the four major international accounting firms, and these who have directly or indirectly conflict of interests are avoided, to fully adhere respect the spirit of justice, rigor, honesty and independence.<br>1 The finance unit evaluates the independence of CPAs every year, obtains the independence statement from the CPAs complying with the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10, "Integrity, Objectivity and Independence," and the Audit Quality Indicators (AQIs); the Audit Committee also refers to 13 AQIs to review the CPAs' independence, professionalism, and competence evaluation of CPAs. The evaluation results demonstrated all compliance with the independence criteria; the evaluation items have the following results:<br>(1) No mutual relationship with the Company, no direct or significant indirect financial interest relationship with each other<br>(2) No financing and guarantee activities with the Company<br>(3) No close business relationship or employment relationship with the Company<br>(4) Family members and close relatives of the CPAs and audit team members do not serve as directors, managerial officers of the Company, or positions with direct and significant influence on the audit tasks<br>(5) Not receiving gifts of significant value from the Company<br>(6) No non-audit services provided to the Company<br>2 By referring to the AQI information, it is understood that the audit input and training hours of CPAs and the accounting firm are superior to the average level of the industry. For the innovation capabilities, in the last three years, the audit innovation tools have been introduced and audit support center has been expanded, to improve and ensure the audit quality.<br>3 For the same CPA not to perform the certification service for more than consecutive seven years, and to adapt to the needs of the internal rotation of Deloitte Taiwan, from the first quarter of 2022, the certification CPAs, Cheng-Chih Lin and Su-Li Fang, were replaced by Su-Li Fang and Chen, Ming-Hui.<br>4 The latest evaluation of the independence of the attesting CPAs was discussed and approved by the Audit Committee on February 22, 2023, and submitted to the board of directors on February 22, 2023 for the resolution of approval. | No material deviation is found. |
| IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder | ✓ | | The Company has established the concurrent unit for corporate governance in charge of the corporate governance affairs; and on May 12, 2021, the board of directors approved to appoint the corporate governance officer to the CFO, Mei-Ling Chiu. Her major duties include: handling matters relating to board meetings and shareholders meetings according to laws; producing minutes of board meetings and shareholders meetings; assisting in onboarding and continuous development of directors; furnishing information required for business execution by directors and supervisors; assisting directors with legal compliance; reporting to the board of directors whether the independent directors have been qualified as regulations require when being nominated, elected, and during the terms of office; as well as other matters set out in the articles or corporation or contracts. Additionally, other responsible units execute the corporate governance related business pursuant to related laws. The operation is normal, and compliant with laws and the Company's regulations. | No material deviation is found. |

| Assess criteria | Operation | | | (III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| meetings, and preparation of board/shareholder meeting minutes)? | | | | |
| V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)? | ✓ | | The Company maintains open communication channel with counterparty banks and other creditors, shareholders, employees, customers, and suppliers, and respects their rightful interests. The Company has created a stakeholders section on its website since October 2015 to help suppliers comply with environmental, safety, and health requirements of relevant laws and policies throughout the procurement process. Customers are able to communicate issues of concern and submit annual satisfaction surveys through customer service mailbox and sales representatives. Other stakeholders such as shareholders, banks, local profit-seeking organizations, and government institutions are able to obtain financial information and major announcements from the Company through the corporate website, Market Observation Post System, and industry news reports. http://www.tyntek.com.tw/responsibility.php | No material deviation is found. |
| VI. Does the Company engage a share transfer agency to handle shareholder meeting affairs? | ✓ | | The Company has engaged the Share Transfer Department of Fubon Securities Co., Ltd., which carries out share transfer services in accordance with laws and the internal control system. | No material deviation is found. |
| VII. Information disclosure<br>(I) Has the Company established a website that discloses financial, business, and corporate governance-related information? | ✓ | | VII. Information disclosure<br>(I) The Company has assigned dedicated personnel to maintain and update its website, where financial and corporate governance information is published and made accessible to shareholders and the general public. The Company has set up its own website (http://www.tyntek.com.tw). | No material deviation is found. |
| (II) Has the Company adopted other means to disclose information (e.g. English website, assignment of dedicated personnel to collect and disclose corporate information, implementation of a spokesperson system, and broadcasting of investor conferences via the company website)? | ✓ | | (II) The Company has assigned dedicated personnel to gather and disclose information relating to the Company, and has implemented a spokesperson system to make sure that any information capable of influencing shareholders' and stakeholders' decisions is disclosed in a timely and adequate manner. The Company holds or is invited to investor seminars on a yearly basis. All information concerning investor seminars is placed on the corporate website. | No material deviation is found. |
| (III) Does the Company publish and make official filing of annual financial report within two months after the end of an accounting period, and publish/file Q1, Q2 and Q3 financial reports along with monthly business performance before the required due dates? | ✓ | | (III) The Company announces and reports the annual consolidated and parent-only financial reports within two months from the end of each year, and the quarterly financial reports earlier than the deadline; it also makes monthly announcements on sales revenues, derivative transactions, external party lending/endorsement/guarantee, major transactions with related parties, and financial as well as operation-related information in a timely manner. | No material deviation is found. |
| VIII. Does the Company have other information that enables a better | ✓ | | 1. The Company's management values the interests of employees. In addition to the establishment of the Employee Welfare Committee, various activities are held regularly, and employees are encouraged to participate in various | No significant deviation from |

| Assess criteria | Operation | | | (III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| understanding of the Company's corporate governance practices (including but not limited to employee rights, employee welfare, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)? | | | trainings, with regular health checks arranged. For details, please refer to the annual report "Labor Relations." Regarding the investor relations, supplier relations, and the rights of stakeholders, the implementation are handled pursuant to the Company's internal control and management procedures, and the Company fulfills the corporate social responsibility pursuant to laws and regulations.<br>2. The Company honestly disclosed the Company's information as required by laws, to protect the basic interests of investors and fulfill the company's responsibilities to shareholders.<br>3. The Company does not mandatorily require directors and independent directors to take courses of professional knowledge. However, directors and independent directors actively participated in relevant courses organized by institutions every year. Please refer to Item 3, (VIII) Other information material to the understanding of corporate governance within the Company.<br>4. The implementation of risk management policies and risk measurement standards adopts hierarchical responsiblility, and will be reported to the Board of Directors any time in case of special circumstances.<br>5. The communication channels between the Company and customers and suppliers are smooth with nice interactions.<br>6. The directors and independent directors of the Company observe the principle of ethical corporate management. To avoid the risk that the non-business negligence causes material damages to the Company and shareholders, the liability insurance has been purchased for the directors and independent directors. On February 22, 2022, it was reported in the 6th meeting of the Board of Directors, 13th Term. | Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies |

IX. Please state the improvements made to the items in the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd., and indicate the enhancement and improvement measures for the items not yet improved

1. Since financial report of the second quarter of 2022, the Company's interim financial reports have been approved by the Audit Committee, and submitted to the board of directors for discussion and resolution.
2. The Company has published the annual financial report audited and attested by the CPOAs within two months after the end of fiscal year 2022.
3. The Company has disclosed the interim financial report in English within two months upon the filing deadline for the Chinese version of the interim financial report.
4. The Company has announced that it will hold a regular shareholders' meeting on May 29, 2023, before the end of May, and expects to upload the English version of the meeting notice 30 days prior to the meeting.
5. The Company has set up a dedicated unit to promote the sustainable development, conduct risk assessments on environmental, social or governance issues related to Company's operations based on the principle of materiality, to formulate relevant risk management policies or strategies, and will issue the sustainability report pursuant to the GRI standards issued by Global Reporting Initiative (GRI) with the third-party verification for the first time in 2023, to upload such to the MOPS and the Company's website.
6. The Company has referred to the International Bill of Human Rights, to formulate policies to protect human rights and specific management program, and disclose such on the Company's website.
7. In the future, the Company will set up functional committees other than the statutory ones depending on laws or practical needs.
8. In the future, the Company will formulate succession plans for board members and important management based on needs, and disclose their operations on the Company's website or in annual reports.

(IV) Composition, responsibilities, and functionality of the Remuneration Committee:
The Company first assembled its Remuneration Committee on December 6, 2011 according to Paragraph 1, Article 14-6 of the Securities and Exchange Act as a means to enforce corporate governance and support board functions. Service of the 5th committee began June 2, 2021 and ends July 1, 2024; the Committee has convened a total of 10 meetings up until the publication date of annual report.
The Remuneration Committee Charter can be found on Market Observation Post System, under Corporate Governance section.

**Information of Remuneration Committee members**

| Designation | Criteria / Name | Professional qualifications and experience | Independence status | Number of positions as Remuneration Committee member in other public companies |
|---|---|---|---|---|
| Independent Director and Convener | Chiang, Huei-Chung | Pleaser refer to Three. Corporate Governance Report in the annual report. I. Organization (II) Information of Independent Director | | 2 |
| Independent Director | Liu, Yin-Fei | | | 2 |
| Independent Director | Hsieh, Chia-Ying | | | 1 |

**Functionality of the Remuneration Committee**

I. The Company's Remuneration Committee consists of 3 members.
II. Term of Office for the 5th Remuneration Committee: July 2, 2021 to July 1, 2024; the 4th Committee has convened a total of 6 (A) meetings in 2022, and the attendance of the members is as following:

| Title | Name | No. of in-person attendance (B) | Proxy attendance | Percentage of in-person attendance (%) (B/A) | Remarks |
|---|---|---|---|---|---|
| Convener | Chiang, Huei-Chung | 6 | 0 | 100 % | - |
| Committee member | Liu, Yin-Fei | 6 | 0 | 100 % | - |
| Committee member | Hsieh, Chia-Ying | 6 | 0 | 100 % | - |

Other mandatory disclosures:

**I.** In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the motion, the board's resolution, and how the Company had handled the Remuneration Committee's opinions (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.

**II.** Should any committee member object or express reservations to the resolution made by the Remuneration Committee, whether on-record or in writing, please state the date and session of the meeting, details of the motion, the entire members' opinions, and how their opinions were addressed: None.

**III.** Discussions and resolutions of the Remuneration Committee in 2022:

| Remuneration Committee | Motion | Resolution | Company's response to Remuneration Committee's opinions |
|---|---|---|---|
| 3rd meeting, 5th Term 2022/01/19 | 1. Review of the Company's 2021 director and managerial officers performance assessment results.<br>2. Review of 2021 year-end bonus standards for the Company's managerial officers.<br>3. Review of the adjustments to managerial officers' remuneration<br>4. Review of the 2022 annual salary adjustment proportion of the managerial officers and employees | Passed as proposed without objection from attending members when inquired by the chairperson. | Passed as proposed without objection from attending directors. |
| 4th meeting, 5th Term 2022/02/22 | 1. Review the proposal of the Q4 2021 bonuses for the Company's managerial officers<br>2. Review of 2021 director and employee remuneration.<br>3. Review the 2022 budget for remunerations. | Passed as proposed without objection from attending members when inquired by the chairperson. | Passed as proposed without objection from attending directors. Directors' and employees' remuneration distribution proposals are submitted to the shareholders' meeting for reporting as required by laws. |
| 5th meeting, 5th Term 2022/05/04 | 1. Proposal of the Company's 2020 second allocation of employees' remuneration for managerial officers. | Passed as proposed without objection from attending members when | Passed as proposed without objection from attending directors. |

| | | | |
|---|---|---|---|
| | | inquired by the chairperson. | |
| 6th meeting, 5th Term 2022/08/03 | 1. The Company's 2021 first employee remuneration for managerial officers<br>2. Ratified the proposal of adjusting 2022 wage structure for the Company's managerial officers. | Passed as proposed without objection from attending members when inquired by the chairperson. | Passed as proposed without objection from attending directors. |
| 7th meeting, 5th Term 2022/11/02 | 1. Ratification of the proposal for adjusting 2022 remunerations for the Company's managerial officers<br>2. Review the 2022 employees' physical examination for the managerial officers. | Passed as proposed without objection from attending members when inquired by the chairperson. | Passed as proposed without objection from attending directors. |
| 8th meeting, 5th Term 2022/12/19 | 1. The 2022 budget for remunerations.<br>2. Results of the Company's 2022 managerial officers' performance assessment results.<br>3. Payment of the year-end bonus for the Company's 2022 managerial officers. | Passed as proposed without objection from attending members when inquired by the chairperson. | Passed as proposed without objection from attending directors. |

**IV.** Duties of the Remuneration Committee:

The Committee shall exercise the care of a prudent manager to fulfill the following duties, and offer recommendations for discussion by the board of directors. However, issues concerning directors' compensation are to be resolved by the board of directors according to Article 15 of the Articles of Incorporation.

1. Regular review of the Charter and offering of amendment recommendations.
2. Establishment and regular review of annual and long-term performance targets for directors and managers of the Company, as well as their salary/compensation policy, system, standard, and structure.
3. Regular assessment on the accomplishment of performance targets by the Company's directors and managers, and to determine details and amounts of individual compensation.

The Committee shall abide by the following principles when performing duties mentioned in the preceding paragraph:

1. Ensure that the Company's compensation arrangements comply with all relevant laws and are capable of attracting top talents.
2. Directors' and managers' performance shall be evaluated and compensated in comparison to industry peers after taking into consideration a number of factors including the time committed by each individual, the responsibilities borne, accomplishment of individual targets, performance in other job roles, level of compensation the Company had paid for roles of equivalent grade in recent years, accomplishment of the Company's short-term and long-term targets, the Company's financial position, effect of individual performance on corporate performance, and association with future risks.
3. The compensation should not entice directors and managers into seeking high returns by acting outside the Company's risk appetite.
4. Short-term performance incentives to directors and senior executives and the timing of variable salary payments/compensations shall be set according to industry characteristics and the Company's business nature.
5. Committee members can not discuss or vote on their own salary/compensation packages.

The term "compensation" mentioned in the two paragraphs above includes cash compensations, warrants, share-based profit sharing, retirement benefits, severance pay, allowances of all kinds, and any substantive incentives. This definition should be consistent with the scope of directors' and managers' compensation stated in "Regulations Governing Information to be Published in Annual Reports of Public Companies."

In the event that salary/compensation to a subsidiary's directors and managers is subject to the subsidiary's approval and resolution by the Company's board of directors, the compensation proposal will have to be recommended by the Committee first and then presented to the board of directors for discussion.

(V) Promotion of sustainable development, and variance from the Sustainable Development Responsibility Best Practice Principles for TWSE/GTSM Listed Companies, and the reason for any such variance:

| Assess criteria | Execution progress | | | Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Does the company establish an exclusively (or concurrently) dedicated unit to promote sustainable development have executives appointed by the board of directors to handle the promotion under the board of directors' supervision? | ✓ | | I.<br>1 To fulfill the corporate social responsibility, the Company keeps in line with international trends, and actively responds to environmental (E), social (S) and governance (G) issues concerned by stakeholders. For all aspects of ESG , the risk evaluation is implemented, and countermeasures are formulated. To ensure the implementation of ESG-related systems or management guidelines, the Company organized the "Sustainable Development Committee" (ESG Committee) in July 2022. The ESG Committee is composed of cross-departmental personnel. It is the responsible unit for promoting the sustainable development of the Company. The board of directors appoints the president as the chair of the Committee, responsible for supervising the operation of the Committee, and regularly reports to the board of directors on the promotion and implementation performance of sustainable development.<br>2 The ESG Committee is chaired by the president. Based on the three aspects of environment, society and governance, the chair appoints a competent officer to serve as a member and executive secretary. Since ESG involves a wide range of issues, the Committee may set up task forces depending on the annual goals and topics, or appoint personnel from relevant units as executives, to ensure the promotion and implementation of tasks related to the corporate sustainable development. In 2022, the ESG Committee held a total of five meetings, with an average attendance rate of 96.67%. The reported matters and proposals included (1) the formulation of Charter of the Sustainable Development Committee; (2) the formulation of ESG vision and mission policies; (3) identification of sustainability issues to be monitored, and formulating corresponding action plans; (4) goals and policy revisions for sustainability-related issues; (5) review of the implementation and evaluation for sustainability issues.<br>3 From the third quarter of 2022, the ESG committee has reported to the board of directors quarterly on the implementation results of sustainable development, work plans, related issues and countermeasures. By the end of 2022, the committee participated in two board meetings. The reports included the organization and operation of the ESG Committee and the tasks of the ESG Committee and the planning, ESG sustainability report, greenhouse gas inventory and verification, among other things. The Company's board of directors regularly listens to the reports of the management team, evaluates the possibility of the success of strategies, supervises and guides the progress and promotion of the Company's | No material deviation is found. The Company will also adopt practices in line with "Sustainable Development Best Practice Principles for TWSE or TPEx Listed Companies" and relevant laws if legally or practically required to do so in the future. |

<table>
<tr><th rowspan="2">Assess criteria</th><th colspan="3">Execution progress</th><th rowspan="2">Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>strategies, and urges the management team to make adjustments when necessary.</td><td></td></tr>
<tr><td>II. Does the Company follow the 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</td><td>✓</td><td></td><td>II. The Company currently, through the "Sustainable Development Committee" (ESG Committee), monitors the development of standards related to sustainable development and changes in the corporate environment domestically and internationally, to review and improve the Company's established sustainable development system; meanwhile, pursuant to the principle of materiality, the Company conducts risk assessments on environmental, social and corporate governance issues related to the Company's operations. For material risk events, specific response strategies are developed to reduce the impact of related risks. Relevant risk issues (including environmental, social, and corporate governance issues) and response strategies.<br>Please refer to the corporate sustainability section on the Company's website - corporate governance https://www.tyntek.com.tw/responsibility.php for instructions.</td><td>No material deviation is found.</td></tr>
<tr><td>III. Environmental issues<br>(I) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?</td><td>✓</td><td></td><td>III. Environmental issues<br>(I) The Company has obtained certification for international quality standards (ISO9001, IATF16949), environmental management system (ISO14001), occupational safety and health systems ISO45001, IECQ QC 080000:2017, and SONY Green. It implements practices strictly in accordance with the abovementioned quality and environmental management systems to comply with the international regulations and customers’ requirement.<br><table><tr><th>Name of certification</th><th>Date acquired (year/month/day)</th><th>Expiry (year/month/day)</th></tr><tr><td>ISO9001：2015</td><td>2020/10/25</td><td>2023/10/24</td></tr><tr><td>IATF 16949：2016</td><td>2020/12/25</td><td>2023/12/24</td></tr><tr><td>QC080000</td><td>2022/07/26</td><td>2025/07/25</td></tr><tr><td>SONY Green</td><td>2021/10/25</td><td>2024/9/30</td></tr><tr><td>ISO14001:2015</td><td>2023/1/6</td><td>2026/1/6</td></tr><tr><td>ISO45001:2018</td><td>2022/12/15</td><td>2025/12/14</td></tr><tr><td>CNS45001:2018</td><td>2022/12/15</td><td>2025/12/14</td></tr></table></td><td>No material deviation is found.</td></tr>
<tr><td>(II) Does the Company dedicate in promoting energy utilization efficiency, and use renewable materials that have low impact to</td><td>✓</td><td></td><td>(II) The Company enforces waste reduction, waste sorting, waste recycling, and solar energy collection policies as means to increase resource</td><td>No material deviation is found.</td></tr>
</table>

| Assess criteria | Execution progress | | | Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Summary | |
| the environment. | | | utilization and mitigate environmental impacts, and thereby preserve Earth's resources. | |
| (III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues? | ✓ | | (III)<br>1 Since 2022, the Company has adopted the "Sustainable Development Committee" (ESG Committee) as the highest organization for climate change management. The president chairs the Committee, which reviews the Company's climate change strategy and goals, manages climate change risks and opportunities, reviews the implementation status discusses future plans, and reports to the board of directors.<br>2 The ESG Committee is responsible for convening relevant units, based on various risks, to review and confirm the potential impact of various risk issues on the internal and external aspects of the organization every year, including the identification and assessment of climate change risks and response to climate impacts. It is also regularly reported to the ESG Committee meeting for resolution every year, to select the priority initiatives for corporate sustainable development, including issues related to climate change, to fulfill the corporate social responsibility with practical actions.<br>3 With reference to the "Task Force on Climate-related Financial Disclosures (TCFD)" framework, and through the four core elements, including "Governance," "Strategy," "Risk Management," and "Indicators and Targets," the ESG Committee takes charge of convening relevant units to inventory and confirm the potential impact of various risk issues on the internal and external aspects of the organization based on various risks, including identification and assessment of climate change risks, and strategies and measures to respond to the climate impacts. The assessment results are firstly reported to the ESG Committee for approval, and the priority initiatives for corporate sustainable development are selected, including issues related to climate change, to fulfill the corporate social responsibility with practical actions.<br>4 The detailed description of the Company's climate change risk and opportunity analysis will be disclosed in the Company's sustainability report.<br>5 The Company will issue the sustainability report for the first time in 2023, and prepare the "TYNTEK Corporation 2022 Sustainability Report" in accordance with the Global Reporting Initiative GRI Standard. The report has been assured by TUV NORD Taiwan Co., Ltd. for the content conforming to the GRI standards and the principle of accountability in AA1000AP (2018) by complying with the AA1000AS v3 assurance standards, and took Type 1, the moderate assurance as the basis of verification. The financial data in the report has been verified and approved | No material deviation is found. |

<table>
<tr><th rowspan="2">Assess criteria</th><th colspan="3">Execution progress</th><th rowspan="2">Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>by Delete Taiwan pursuant to the International Financial Reporting Standards (IFRS).<br>6 The Company, as required by laws, discloses the corporate information as well as material information over the Market Observation Post System, and makes them available on the Company’s website (http://www.tyntek.com.tw) for public access.</td><td></td></tr>
<tr><td>(IV) Does the Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years, and implement policies aimed at reducing energy, carbon, greenhouse gas, water and waste?</td><td>✓</td><td></td><td>(IV) The Company pays constant attention to how climate change affects its operations, and devises greenhouse gas reduction, energy conservation, carbon reduction, and water conservation strategies to minimize impacts of its operational activities on the natural environment. As a member of TOSIA, the Company is committed to mitigating global warming, satisfying customers' environmental protection requirements, and acting in line with global trends as part of its corporate social responsibilities.<br>1 Greenhouse gas:<br>1.1 Policy and commitments:<br>According to the ISO_14064-1 standard, the greenhouse gas inventory and verification are conducted, to gradually establish an emission data database, identify, analyze, and formulate emission reduction plans and targets.<br>Based on the concept of life cycle, carbon reduction plans are gradually formulated and implemented; energy and raw materials are purchased in a green manner; manufacturing products with high efficiency and low no-load and power consumption eco-friendly, and reducing emissions generated during the product life cycle.<br>1.2 The greenhouse gas emissions (tonnes CO2e / year) inventory results for 2021 and 2022 are as follows:<br>The inventory was completed in 2021, and the verification statement was obtained through the third-party ISO_14064-3 verification in July 2022.<br>The inventory was completed in 2022, and the third-party verification is expected to be conducted in June 2023.<br>
<table>
<tr><th>Year</th><th>Scope 1</th><th>Scope 2</th><th>Scope 3</th><th>Intensity</th></tr>
<tr><td>2021</td><td>11,145</td><td>18,404</td><td>4,080</td><td>11.387</td></tr>
<tr><td>2022</td><td>9,875</td><td>16,805</td><td>3,832</td><td>13.847</td></tr>
</table>
Note 1:Intensity = total volume of greenhouse gases in Scope 1 and 2 (tons)/annual turnover (NT$ millions); the parent-only revenue in 2021 was NT$2,953.1 million; and the parent-only revenue in 2022 was NT$2,203.3 million.<br>Note 2: The information covers all factories of TYNTEK excluding subsidiaries.</td><td>No material deviation is found.</td></tr>
</table>

| Assess criteria | Execution progress | | | Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | 1.3 Greenhouse gas emission reduction target:<br>In 2027, the greenhouse gas emissions (Scope 1 and Scope 2) of TYNTEK's parent entity per NT$ million turnover will be reduced by 30% comparing to the base year (2022).<br>The Company set the above reduction goals in 2022, and will disclose the achievement status in the next year, while continuously reducing and tracking<br>1.4 Measures related to greenhouse gas emissions and energy management<br>1.4.1 RTO system for air pollution control - The Company has switched from using activated carbon-based equipment to using RTO system for more efficient treatment of VOC, which in turn reduces emission of pollutants and lessens impact on the environment.<br>1.4.2 Use of energy not only depletes Earth's resources, but also generates carbon dioxide that causes the greenhouse effect. For this reason, the Company has set its goals to reduce energy consumption by 1%/year in the hope of reducing greenhouse gas emission and its impact on the environment. In addition to exploring and introducing energy-conservation technologies, the Company also adopts energy conservation plans for its production facilities to more directly reduce the volume of energy consumed. Furthermore, the Company implements energy conservation measures in office and common areas and promotes them through awareness and training campaigns to help employees develop proper awareness and habits toward energy conservation and greenhouse gas reduction.<br>1.4.3 The Company continues to implement relevant energy-saving improvement measures to improve energy efficiency in the plant, and a total of 754,743KWH/year of electricity has been saved in 2022. The power-saving improvement plan includes: adjustment of air compressor capacity, phased replacement of energy-saving LED lamps in the whole plants, temperature adjustment of air-conditioning in the plant area, and investment in equipment with high energy efficiency, among other things. In the future, the Company will evaluate and replace outdated energy-consuming equipment year by year, and continuously review feasible energy-saving measures, to further improve energy-saving effect and achieve the goal | |

<table>
<tr><th rowspan="2">Assess criteria</th><th colspan="3">Execution progress</th><th rowspan="2">Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>of carbon reduction. And short-term goal is set to reach an average annual power saving rate of more than 1% by 2025.<br>2 Water consumption:<br>2.1 Policy and commitments:<br>Through water resources risk management, numerous water-saving and recycling efficiency measures have been formulated; meanwhile, waste water and sewage discharge management has been implemented to ensure the compliance with laws and regulations, to reduce the impact of operating water during the process on the environment.<br>2.2 Water consumption in 2021 and 2022: (Unit: tonnes)<br><table><tr><td>2021</td><td>2022</td></tr><tr><td>862,024</td><td>767,855</td></tr></table>Note: The information covers all factories of TYNTEK, excluding subsidiaries<br>2.3 Water resource management goals:<br>A real-time monitoring of sewage discharge is set up, and water quality monitoring operations are regularly implemented, so that waste and sewage discharge achieves the goal of zero violations.<br>It is expected to complete the assessment of water resource recycling and reuse in 2023, and establish a database from the base year. Since 2024, the total tap water intake will decrease by 3% from the base year (2021).<br>The Company set the above reduction goals in 2022, and will disclose the achievement status in the next year, while continuously reducing and tracking<br>2.4 Water resources management measures:<br>The Company closely monitors daily water consumption and implements water conservation measures to ensure more effective use of limited water resources. Reuse of water resource also lessens the strain on fresh water supply in Miaoli and Hsinchu areas. The Company has made water conservation, energy conservation, and carbon reduction a part of its environment, safety, and health policies. Plant administration and safety/environmental protection units have been assigned to explore water and energy conservation solutions and outline feasible solutions. Posters, signs, and announcements are used to promote energy and water conservation awareness in production activities as well as office spaces.<br>3 Waste</td><td></td></tr>
</table>

<table>
<tr><th rowspan="2">Assess criteria</th><th colspan="3">Execution progress</th><th rowspan="2">Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
3.1 Policy and commitments:<br>
Waste are properly disposed to reduce waste generation and related costs, create revenue value and lower the impact of operations on the environment.<br>
3.2 Total waste weight for 2021 and 2022 is shown below:<br>
Total waste volume: (Unit: tonnes)
<table>
<tr><th>Year</th><th>Hazardous Waste</th><th>Non-hazardous Waste</th></tr>
<tr><td>2021</td><td>364.02</td><td>186.94</td></tr>
<tr><td>2022</td><td>384.41</td><td>159.10</td></tr>
</table>
Total waste weight:(Unit: tonnes)
<table>
<tr><th>Year</th><th>Reused volume</th><th>Reused percentage</th></tr>
<tr><td>2021</td><td>317.89</td><td>57.7%</td></tr>
<tr><td>2022</td><td>289.02</td><td>53.2%</td></tr>
</table>
Note 1: Reused volumes include the volumes recycled and reused by contractors, the wastes ultimately being reused.<br>
Note 2: The information covers all factories of TYNTEK, excluding subsidiaries<br>
3.3 Waste reduction goals:<br>
TYNTEK Renai Plant: The total amount of waste in 2025 will be reduced by 10% from the base year (2022).<br>
TYNTEK Kejung Plant: to cope with the expansion of production, the total volume of waste and disposal situation are continuously recorded, and the reduction target is expected to be planned by the end of 2025.<br>
The Company set the above reduction goals in 2022, and will disclose the achievement status in the next year, while continuously reducing and tracking<br>
3.4 Waste management measures:<br>
The Company enforces waste management in accordance with the "Waste Disposal Act" and "Businesses Subject to Submission of Industrial Waste Disposal Plan." The Industrial Waste Disposal Plan submitted by the Company is subject to the authority's approval and has to be published according to the government's rules. Furthermore, a dedicated waste disposal unit has been created specifically to handle waste disposal according to relevant laws and rules of the Environmental Protection Bureau, and to make online reports on the volume of waste produced, stored, disposed, and treated. The Company also engages contractors certified by the
</td><td></td></tr>
</table>

| Assess criteria | Execution progress | | | Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | Environmental Protection Administration to dispose and treat waste in the manners outlined in its disposal plan. In the future, the Company will continue exploring ways to conserve resources, reduce waste, promote recycling/reuse, and thereby lessen its impact on the environment. Through waste reduction and resource recycling and reuse, the Company hopes to contribute its part towards sustainability of the Earth's environment. | |
| IV. Social issues<br>(I) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights? | ✓ | | IV. Social issues<br>(I) The Company complies with Labor Standards Act and obeys "The United Nations Global Compact," "Universal Declaration of Human Rights," and human rights conventions throughout the world. It has a "Human Rights Policy" in place to enforce various principles such as prohibition against child labor, prohibition against forced labor, creation of healthy and safe workplace, respect for workplace human rights, implementation of diverse communication channels, information security, and maintenance of mental-physical health and work-life balance among employees. All human rights issues and practices have been disclosed on the Company's website. | No material deviation is found. |
| (II) (II)Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence and other benefits), and appropriately reflected business performance or outcome in employees' compensations? | ✓ | | (II) The Company has monitored a friendly environment for employees in the workplace for a long time. As of 2022, female employees account for 70% of all employees, and the proportion of females in management account for 48%. In terms of policies, the Company has “work rules” and personnel management policies in place to outline terms of employment from basic salary, work hours, leave of absence, pension benefits, Labor/National Health Insurance benefits, to occupational hazard remedies. All of which are compliant with the Labor Standards Act. An Employee Welfare Committee consisting of employee-elected members has been assembled to oversee matters concerning employee welfare. The Company compensates each employee for the responsibilities undertaken, their contributions to the Company, and overall performance. Level of compensation is positively correlated with operational performance, and details such as employees' average salary adjustment are disclosed on Market Observation Post System. | No material deviation is found. |

<table>
<tr><td>(III)</td><td>Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?</td><td>✓</td><td></td><td>(III) In addition to providing employees with a safe and healthy work environment complete with protective gears, and conducting the general inspections, irregularity handling, responses or follow-up for the machinery, equipment, tools and operating venues in plants, the Company also organizes unscheduled safety and health training and arranges complimentary checkups on general healthy and special hazards on a regular basis. The Company's Renai and Kejung Plants have obtained ISO 45001 and CNS 45001 certifications in December 2022.<br>The regular annual safety education and training such as breath protection training, introduction and operation of emergency contingency equipment, fire-fighting trainings, trainings of emergency treatment for chemical splash, general health and safety trainings, and general education of hazardous and harmful substances.
<table>
<tr><th>Education and training projects (Unit: person)</th><th>2021</th><th>2022</th></tr>
<tr><td>General health and safety education</td><td>200</td><td>147</td></tr>
<tr><td>Retraining of general health and safety education</td><td>581</td><td>12</td></tr>
<tr><td>Retraining of hazard education and training</td><td>80</td><td>202</td></tr>
<tr><td>Education and training of respiratory protection</td><td>16</td><td>41</td></tr>
<tr><td>Fire-fighting education and training</td><td>43</td><td>183</td></tr>
<tr><td>Introduction and operation training of emergency response equipment</td><td>16</td><td>139</td></tr>
</table>
In 2022, there were seven occupational accidents and ten commuting occupational accidents. For non-commuting occupational accidents, the accident cause analysis, process review and engineering improvement are conducted, and employees are arranged to receive appropriate education and training.
<table>
<tr><th>Year</th><th>2021</th><th>2022</th></tr>
<tr><td>People suffered from occupational accidents</td><td>2</td><td>7</td></tr>
<tr><td>People suffered from commuting occupational accidents</td><td>11</td><td>10</td></tr>
<tr><td>Total workers</td><td>709</td><td>728</td></tr>
<tr><td>Disabling Frequency Rate (FR)</td><td>1.34</td><td>4.90</td></tr>
<tr><td>Disabling Frequency Rate (SR)</td><td>34</td><td>46</td></tr>
<tr><td>Frequency-Severity Indicator (FSI)</td><td>0.21</td><td>0.47</td></tr>
</table>
</td><td>No material deviation is found.</td></tr>
<tr><td>(IV)</td><td>Has the Company implemented an effective training program that helps employees develop skills over their career?</td><td>✓</td><td></td><td>(IV) The Company conducts annual surveys on employees' training requirements, and designs training programs in line with corporate strategies</td><td>No material deviation is found.</td></tr>
</table>

| Assess criteria | Execution progress | | | Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | that help employees develop the knowledge and professional skills needed to advance through their careers. Employees are able to check their training progress online using the HR system.<br>The results of 2022 of education and training are disclosed on the Company website. | |
| (V) Has the Company complied with laws and international standards with respect to customers' health, safety, and privacy, marketing, and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures? | ✓ | | (V) The Company maintains productive communication with customers, and has a customer service department in place to handle customers' complaints and grievances in a transparent and effective manner, as well as the customer satisfaction survey and customer audit from time to time, in order to protect customers' interests. | No material deviation is found. |
| (VI) Has the Company implemented a supplier management policy that regulates suppliers' conducts with respect to environmental protection, occupational safety and health or work rights/human rights issues, and tracked suppliers' performance on a regular basis? | ✓ | | (VI) The Company's supplier management policy specifies a number of environment/safety/health management evaluations that have to be performed as part of supply chain management. Details on the implementation progress have been disclosed on the Company's website under the "Investor" -> "Supplier Management Policy" section.<br>1. The Company selects its business (supply) partners depending on the location of work activity, the raw materials involved for production, and serviceability of the underlying work. Each partner has to pass the Company's review to ensure that they are capable of delivering top-quality products and services to customers.<br>2. The Company communicates with suppliers and contractors regularly on environmental, safety, and health issues, during which suppliers and contractors are encouraged to take steps toward improving environmental protection, safety, and health performance. The Company adopts a focused and voluntary approach with respect to the management of its contractors. By allowing certain degree of autonomy, the Company hopes to raise contractors' sense of responsibility and promote the safety culture as well as respect for skills and characters across the industry.<br>3. As described above, the Company requires all contractors involved in high-risk operations to have workers undergo 6 hours of safety and health training in addition to a "hazard awareness" course before commencing work at plant premise. All contractors are required to wear protective gears and take precautionary measures when entering plant premise.<br>4. The Company makes ongoing efforts to improve supply chain management, and requires/encourages suppliers and contractors to adopt more robust practices with respect to environment, safety, and health. Through regular interaction, self-assessment, management audit, and sharing of experiences between management personnel, the | No material deviation is found. |

| Assess criteria | Execution progress | | | Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | Company strengthens its partnership with suppliers and contractors in pursuit of greater contributions to the society through improved environment, safety, and health performance.<br>5. Based on the management regulations of supplier qualification verification, the procurement, quality and related units regularly evaluate the quality, hazardous substance free (HSF) management, delivery time, and cooperation of suppliers, and they are divided into four categories: A, B, C, and D based on the evaluation results. For those with a total scores falling into C and D levels, they are required to propose improvement countermeasures and reports.<br>6. The Company protects employees' human rights as part of its corporate social responsibilities by adhering to the human rights principles conveyed in "The United Nations Global Compact," "Universal Declaration of Human Rights" and international human rights conventions. The Company requires all business partners to issue declarations not to engage in any action that violates human rights, so that insiders and outsiders are equally entitled to fair and dignified treatment. Outcomes of the 2022 supplier worker human rights assessment have been disclosed on the Company’s website. | |
| V. Does the Company prepare sustainability report or any report of non-financial information based on international reporting standards or guidelines? Are the abovementioned reports supported by assurance or opinion of a third-party certifier? | ✓ | | V.<br>The Company will issue the sustainability report for the first time in 2023, and prepare the "TYNTEK Corporation 2022 Sustainability Report" in accordance with the Global Reporting Initiative GRI Standard. The report has been assured by TUV NORD Taiwan Co., Ltd. for the content conforming to the GRI standards and the principle of accountability in AA1000AP (2018) by complying with the AA1000AS v3 assurance standards, and took Type 1, the moderate assurance as the basis of verification. The financial data in the report has been verified and approved by Delete Taiwan pursuant to the International Financial Reporting Standards (IFRS).<br>The Company, as required by laws, discloses the corporate information as well as material information over the Market Observation Post System, and makes them available on the Company’s website (http://www.tyntek.com.tw) for public access. | No material deviation is found. |
| VI.If the Company has established sustainable development principles in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles:<br>The Company has not yet established its own Sustainable Development Best Practice Principles. It is planned to establish the “Sustainable Development Best Practice Principles of TYNTEK” based on the “Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies” in the later half of 2023. Upon the approval of the board of directors, the company information and material information will be disclosed on the MOPS and linked to the Company’s website (http://www.tyntek.com.tw) for the public to refer to, as required by the related regulations. | | | | |
| VII. Other information useful to the understanding of sustainable development:<br>1 The Company is currently a member of the Allied Association for Science Park Industry, Zhunan Industrial Zone Manufacturers Association of Miaoli County, and Taiwan Optoelectronic | | | | |

| Assess criteria | Execution progress | | | Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Summary | |

Semiconductor Industry Association (TOSIA); the Company actively participates in external organizations to promote environment, safety, health and corporate sustainability related activities. In 2009, through the counselling of TOSIA, the organizational greenhouse gas emission inventory has been started, and the relevant inventory and verification are currently being carried out every year.

2 The Company actively implements the energy saving and carbon reduction action plan internally to improve the energy efficiency in the plants. The investments in energy saving or green energy related environmental protection and sustainable machinery equipment in 2022 are as follows:

| Content | Investment amount (NT$ thousand) | Energy-saving benefit (kwh/year) |
|---|---|---|
| 1. Project of additional inverter vacuum machine in Kejung Plant | 2,100 | 234,680 |
| 2. Project of Kejung Plant to replace lighting with LED | 860 | 129,084 |
| 3. Add inverters to air compressor in the Renai Plant. | 370 | 10,296 |

3 The Company is committed to providing employees with a dignified and safe workplace in a friendly workplace environment, implementing employment diversity, fairness in remuneration and promotion opportunities, to ensure that employees will not be subject to discrimination, harassment or unequal treatment for any other status protected by statute due to race, gender, religious belief, age, political orientation and other factors or other protection available in applicable regulations.

2022 Gender diversity indicator (excluding subsidiaries)

| Indicators | Percentage (%) |
|---|---|
| Female to all employees (%) | 70 |
| Female managers to all managers | 48 |

2022 No. of employees on unpaid parental leave (excluding subsidiaries)

| | Male | Female | Total |
|---|---|---|---|
| 2022 No. of employees qualified for unpaid parental leave[1] (a) | 12 | 20 | 32 |
| 2022 No. of employees who applied for unpaid parental leave | - | 8 | 8 |
| Application rate for unpaid parental leave (b/a) | - | 40% | 25% |
| Expected No. of employees returning to work in 2022 after unpaid parental leave (c) | - | 5 | 5 |
| No. of returnees in 2022 after unpaid parental leave (d) | - | 2 | 2 |
| % of returnees after unpaid parental leave (d/c) | - | 40% | 40% |
| No. of returnees in 2021 after applying for unpaid parental leave (e) | 1 | 4 | 5 |
| No. of returnees who stayed in service for one year after applying for unpaid parental leave in 2021[2] (f) | 1 | 3 | 4 |
| % of returnees staying in service after unpaid parental leave (f/e) | 100% | 75% | 80% |

Note: 1. Based on the number of employees who have applied for maternity leave or paternity leave during the past three years (2020-2022).
2. Date of return is defined as coming back for work in 2021 and staying in service for a full year.

| Assess criteria | Execution progress | | | Variance from the Sustainable Development Best-Practice Principles for TWSE/TPEx Listed Companies, and the reason for any such variance |
|---|---|---|---|---|
| | Yes | No | Summary | |

4 In addition to setting up breastfeeding rooms, the friendly pregnancy measures provide specific refrigerators, arm-chairs, trash cans with lids, power supply equipment, hand hand-washing facilities; car parking spaces specific to pregnant employees are provided, too.

5 To support local education, increase students' practical work experience, and reduce the phenomenon of population migration, the Company actively cooperates with various colleges and universities near the plants. The industrial-academic collaborations in 2022 are as below:

| School | Count | Period |
|---|---|---|
| National United University | 3 | July 4, 2022 to June 30, 2023 |
| Chung Hua University. | 2 | July 4, 2022 to June 30, 2023 |
| Wufeng University | 1 | July 22, 2021 to June 30, 2024 |
| Total | 6 | |

6 To actively implement a cigarette-free workplace, provide a healthy working environment for employees in the workplace, establish a healthy lifestyle for the people, promote the physical and mental health of workers, the Company have encouraged the workplace to promote a cigarette-free environment and promote workplace health enhancement with plans, and won the award from Ministry of Health and Welfare with the "Healthy Workplace Promotion Label."

7 To promote industrial development and drive the overall cultural and creative industry, the Company participated in the "Science and Technology Article Award" event organized by TOSIA, sponsoring NT$50,000 to encourage students to actively participate in the research and innovation of LED optoelectronic technology, photoelectric sensors and emerging compound semiconductors among other semiconductor technologies.

8 Regarding the social welfare engagement, the Company also participates in social activities from time to time.

8.1 The Company cares for the resources needs of remote villages, and donated a welfare car on September 28, 2022, and was appreciated with a certificate of appreciation by Puli Christian Hospital.

8.2 The impact of COVID-19 has caused a blood shortage in Taiwan. On October 3, 2022, the Company held the TYNTEK Hot Blood Summer Activity, and joined hands with the "Hsinchu Blood Donation Center Activity" for the public welfare, with 74 bags of blood donated, and received a certificate of appreciation.

For other related information, please refer to the corporate sustainability section on the Company's website - corporate governance https://www.tyntek.com.tw/responsibility.php for instructions.

(VI) Enforcement of ethical Corporate Management, Deviation and Causes of Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies:

| Assess criteria | Operation (Note 1) | | | (III) Deviation and causes of deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Establish the ethical corporate management policies and programs<br>(I) Does the company set the policy of ethical corporate management approved by the board of directors and express its commitment to the policies and practices of ethical corporate management in its regulations and in the external documents, and do the board of directors and the management actively implement the management policies?<br>(II) Has the company set up a program for the prevention of unethical conducts as well as analyzing and assessing the business activities with high unethical risk, and include conducts specified in Article 7, paragraph 2 of the "Ethical Corporate Management Best Practice Principles for for TWSE/TPEx Listed Companies"?<br>(III) Has the company set up procedures, conduct guidelines and a disciplinary and complaint-filing system for violations for implementation and reviewed and amended such programs periodically? | ✓<br>✓<br>✓ | | I. Establish the ethical corporate management policies and programs<br>(I) The Company observes "Ethical Corporate Management Best Practice Principles" and "Code of Ethical Conduct," approved by the Board of Directors, and insists the principle of integrity and honesty, and complies with various laws and regulations. The management team has established a code of ethical conduct for directors, independent directors and managerial officers, as a basis for implementing ethical corporate management.<br>(II) In order to prevent any unethical conduct, the Company requires all employees to declare conflicts of interest or possible conflicts of interest with business ethics concerns. The Company also requires suppliers/partners to provide written commitments that they will not engage in any illegal business activities and will not provide improper benefits or bribes to Company's personnel. The Company provides an integrity mailbox as a channel for complaints from suppliers, partners and customers, which are handled impartially by the dedicated unit.<br>(III) The company has established the "Procedures for Ethical Management and Guidelines for Conduct," "Regulations for Reporting Illegal, Unethical, and Dishonest Conduct," and "Employee's Working Rules" for self-disciplining based on the principle of integrity and honesty, to prevent the occurrence of unethical conducts, while strictly prohibiting employees from accepting any improper gifts and entertainment. These are communicated to new recruits. If there is any violation of the law, it shall be handled in accordance with the employee rewards and punishment measures, and shall be reviewed and amended based on the actual situation from time to time. The internal audit conducts various audits pursuant to the annual audit plan approved by the board of directors, and reports the audit results and follow-up improvement plans to the board of directors, to ensure professional ethics and compliance with regulations. | No material deviation is found.<br>No material deviation is found.<br>No material deviation is found. |
| II. Implementation of ethical corporate management<br>(I) Does the company assess the ethical record of its business partner, and stipulate the terms of ethical conduct in the contract with the business partner? | ✓ | | II. Implementation of ethical corporate management<br>(I) The Company requires all suppliers to sign the Commitment of Ethic, Integrity, and Confidentiality, while conducting business activities are in compliance with the Company Act, the Securities Exchange Act, the | No material deviation is found. |

| Assess criteria | Operation (Note 1) | | | (III) Deviation and causes of deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (II) Has the company set up a dedicated (or concurrent) corporate ethical promotion unit under the board of directors which regularly reports to the board on its work(at least once a year)? | ✓ | | Political Donations Act, the Anti-Corruption Act, and other relevant laws and regulations. The Company clearly specifies the authorization management measures to restrict the transaction authority, supervise and manage. The regular reports are made to the Board of Directors.<br>(II) The Company has set up a dedicated unit under the Board of Directors to promote ethical corporate management, for promoting a sound management policy of ethical corporate management, and report to the Board of Directors on a regular basis every year. (Latest report date: February 22, 2023) | No material deviation is found. |
| (III) Has the company formulated policies to prevent conflicts of interest, provided appropriate channels for statements and implemented them? | ✓ | | (III) In order to avoid damages to the Company's interests, the Employee's Working Rules and corporate governance principles clearly stipulate the related policies to prevent the transmission of benefits and conflicts of interest; employees may express their opinions to the Company through the management unit. The company also formulates the "Employee's Code of Conduct" and regularly conducts education and promotion for them to understand the regulations to be followed and prevent unethical conducts. Directors are also prohibited from participating in discussions and voting on matters to be resolved pursuant to the "Regulations Governing Procedure for Board of Directors Meetings," and are not allowed to exercise other directors' voting rights as a proxy. | No material deviation is found. |
| (IV) Has the Company established an effective accounting system and internal control system for the implementation of ethical corporate, which is checked by the internal auditing unit on a regular basis or audited by external auditors? | ✓ | | (IV) The Company fully adopts digitized operations, management functions be articulated level by level, for the internal audit unit to regularly implement the effective operation of the Company's internal system in accordance with the audit plan, and report such to the board of directors. To ensure the effectiveness of system design and implementation, through internal control self-assessment and CPAs' annual review of the implementation, the Company conducts review and revisions every year to establish a good ethical management and risk control mechanism. | No material deviation is found. |
| (V) Does the company hold regular internal and external training on ethical corporate management? | ✓ | | (V) In order to implement ethical corporate management, the Company discloses the "Ethical Corporate Management Best Practice Principles" and the "Ethical Management and Guidelines for Conduct" on its website, and provides internal and external trainings on ethical corporate management issues for directors, managerial officers and | No material deviation is found. |

| Assess criteria | Operation (Note 1) | | | (III) Deviation and causes of deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | employees. All efforts are made for the protection of trade secrets, intellectual property rights, and information security, to avoid the leakage of the Company's important information. Related trainings in 2022 are as following:<br>There were 154 employees in the "Employee 's Code of Conduct/Personal Information Protection," for total 77 hours.<br>"Promotion on Ethics in the Workplace and Legal Risks" attended by 176 people for totaled 176 hours.<br>"Promotion of Personal Data Protection" attended by 178 people for totaled 178 hours.<br>"Development Trends of Green Industry-Low Carbon Investment Prospects and Response Business Strategies" attended by one person for totaled three hours.<br>"Prevention and Avoidance of Labor Dispute and Corporate Governance" attended by one person for totaled three hours.<br>"ESG Sustainable Finance Trends and Response Strategies" attended by one person for totaled three hours.<br>"Analysis of the Latest Corporate Governance Policies and Corporate Governance Evaluation Practices" attended by one person for totaled three hours.<br>There were two employees in the "Continuing Education Course for Accounting Officer of the Issuers, Securities Firms, and Stock Exchanges" for total 24 hours.<br>"How to use digital technology to explore and improve operating procedures and fraud detection - discussion on audit practice" attended by one person for totaled six hours.<br>"Production cycle practice and key audit points" attended by one person for totaled six hours.<br>There was one employee in "Self-Evaluation and Practice" for total six hours.<br>"Discuss the new positioning of internal auditing from a case study - the crossover of ethics and law" attended by one person for totaled six hours.<br>"Policy Analysis of 'Self-Prepared Financial Report' and 'Sustainability Report' and Key Discussions on Internal Audit and Internal Control Practice" attended by one person for totaled six hours.<br>"Focusing on Operational System Audit and Integration | |

| Assess criteria | Operation (Note 1) | | | (III) Deviation and causes of deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | of Cross-Cycle and Operations" attended by one person for totaled six hours.<br>"Risk-oriented Internal Audit Methods and Practices" attended by one person for totaled six hours.<br>"Practical operation of internal audit and internal control for personal data law" attended by one person for totaled six hours.<br>"Facing the climate change and the wave of sustainable development, explore the impact on corporate internal control and countermeasures from the perspective of ESG risks" attended by one person for totaled six hours.<br>"Commercial contract management and audit practice" attended by one person for totaled six hours.<br>"The Latest Corporate Governance and IFRS Q&A and Analysis" by five person for totaled 30 hours. | |
| III. The operation status of reporting system<br>(I) Has the company set up specific reporting and reward systems and a convenient reporting channel, and does the company assign appropriate personnel to investigate the person being reported?<br>(II) Has the company set up standard investigation procedures and a related confidentiality mechanism for the matter being reported?<br>(III) Does the company take measures to protect the informant from improper treatment? | ✓<br>✓<br>✓ | | III. The operation status of reporting system<br>(I) The Company has regulations for handling reports of illegal and immoral or unethical conducts, and employees may report any illegal conducts or infringement of the Company's interests to the dedicated unit at any time to prevent the occurrence of unethical conducts. An "anti-corruption reporting mailbox" channel has been established to accept reports from employees, suppliers, partners, and customers through this mailboX. The reporting letter may be with name or anonymous, but at least the address, phone number, and e-mail address through which the whistleblower may be contacted, and must contain clear facts, evidence, or clues. The whistleblowing letter will be solely responsible for the ethical corporate management team and the audit officer to investigate in a confidential manner. After the facts are fully investigated, the investigator will prepare an investigation report and carry out internal disciplinary actions or prosecution. If the reported case is verified to be true and the circumstances are severe, appropriate rewards may be provided to the whistleblower. In 2022, no reported case were received.<br>(II) The Company implements confidential operations in accordance with the established procedures for the handling of reports of illegal, immoral or unethical conducts and the provisions of rewards and punishments regulations, as well as the cases.<br>(III) The Company has the measures to protect whistleblowers' | No material deviation is found.<br>No material deviation is found.<br>No material deviation is found. |

| Assess criteria | Operation (Note 1) | | | (III) Deviation and causes of deviation from Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | confidentiality through the procedures for handling of reports of illegal, immoral or unethical conducts and rewards and punishments regulations | |
| IV. Enhance information disclosure<br>Does the company disclose the contents of its Ethical Corporate Management Best Practice Principles and the effectiveness on its website and MOPS? | ✓ | | The Company discloses the ethical corporate management philosophy, code of conducts, and related principles of corporate governance. | No material deviation is found. |
| V. If the company has its own Ethical Corporate Management Best Practice Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the difference between them:<br>The Company has established the Ethical Corporate Management Best Practice Principles, and conducting the operating activities based on the following principles: 1. Avoid engaging in acts that violate unfair competition; 2. Truly fulfill tax obligations; 3. Anti-bribery and corruption, and establish an appropriate management system; 4. Enterprise donations must comply with internal management regulations, as the basis for implementing the ethical corporate management. | | | | |
| VI. Other important information that helps to understand the company's ethical corporate management operation (such as the company's review and revision of the company's Ethical Corporate Management Best Practice Principles, etc.):<br>1. Manufacturers in business relationships are required to sign a letter of commitment to ethics, integrity and confidentiality, and the promise note of code of conducts for the Company's personnel engaged in various businesses, to comply with the Company's employees' code of conducts. An unethical conducts by the Company's personnel may be reported to the dedicated of the Company any time, so that the employees fully understand the Company's determination to ethical corporate management and to strengthen trainings.<br>2. To accommodate the amendment to the "Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities" by Taiwan Stock Exchange Corporation, requiring public companies to establish the internal operating procedures for material information, including the assessment procedures for releasing material information, retention of approval records, and the treatment of violation or negligence, among other system. The Company has amended the ""Procedures for Handling Material Inside Information and Management for Preventing Insider Trading," approved by the board of directors on November 2, 2022, so that the rigorous assessment process is adopted for releasing material information, to ensure the timeliness, accuracy, and integrity of material information released. | | | | |

(VII) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

1. The Company has implemented the following policies in accordance with "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies":
   (1) Corporate Governance Code of Conduct
   (2) Shareholder Meeting Conference Rules
   (3) Regulations Governing Procedure for Board of Directors Meetings
   (4) Directors Election Policy
   (5) Asset Acquisition and Disposal Procedures
   (6) Endorsement and Guarantee Procedures
   (7) External Party Lending Procedures
   (8) Subsidiary Supervision and Management Policy
   (9) Related Party and Group Affiliate Transaction Procedures
   (10) Seal Management Policy
   (11) Acting Duty Policy
   (12) Manager Authority Division Rules
   (13) Financial and Non-financial Information Management Policy
   (14) Procedures for Handling Material Inside Information and Management for Preventing Insider Trading
   (15) Ethical Corporate Management Best Practice Principles
   (16) Procedures for Ethical Management and Guidelines for Conduct
   (17) Code of Ethical Conduct
   (18) Standard Operating Procedures for Resolving Directors' Requests

(19) Regulations for Reporting Illegal, Unethical, and Dishonest Conduct
(20) Rules for Performance Evaluation of Board of Directors

2. Methods of inquiry: The Company's financial, business, and corporate governance information has been disclosed on corporate website http://www.tyntek.com.tw/; corporate governance-related policies and rules can be found on Market Observation Post System http://mops.twse.com.tw/.

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

1. To enhance the timeliness, accuracy, and integrity of material information, the "Procedures for Handling Material Inside Information and Management for Preventing Insider Trading" was amended to cope with the competent authority's announcement, to establish the systems including assessment procedures for releasing material information, retention of approval records, and the treatment of violation or negligence.
2. The Company has notified all directors, managers, and employees of its "Procedures for Handling Material Inside Information and Management for Preventing Insider Trading" to facilitate proper handling of material insider information. These procedures have also been published on the Intranet to ensure compliance from all employees, and thereby avoid violation and occurrence of insider trading.
3. To ensure compliance, all new directors, managers, and insiders are given a copy of "Director Handbook" and "Notes on Insider Shareholding and Related Regulations" when reporting to duty.
4. Directors', supervisors', and managers' participation in corporate governance-related training in 2022:

| Title | Name | Name of course/hours | Continuing education organizer |
|---|---|---|---|
| Chairman | Lee, Biing-Jye | Post-merger integration under investment holding companies and corporate governance of investment holding companies/three hours<br>How ESG can enhance corporate resilience, transformation and opportunities/ three hours | Taiwan Corporate Governance Association<br>Taiwan Institute for Sustainable Energy. |
| Director | Will Chou | Promotional seminar for the sustainable development roadmap with industry themes/ two hours<br>How ESG can enhance corporate resilience, transformation and opportunities/ three hours<br>The 18th (2022) Corporate Governance Summit Forum - Improve Directors' Functions and Implemented Corporate's Sustainable Governance/ three hours | Organized by TWSE and TPEx jointly<br>Taiwan Institute for Sustainable Energy.<br>Taiwan Corporate Governance Association |
| Director | Li, Rong-Huan | Promotional seminar for the sustainable development roadmap with industry themes/ two hours<br>How ESG can enhance corporate resilience, transformation and opportunities/ three hours<br>The 18th (2022) Corporate Governance Summit Forum - Improve Directors' Functions and Implemented Corporate's Sustainable Governance/ three hours | Organized by TWSE and TPEx jointly<br>Taiwan Institute for Sustainable Energy.<br>Taiwan Corporate Governance Association |
| Director | Huang, Deng-Huei | Discuss the legal responsibility of corporate directors from the perspective of intellectual property rights management / three hours<br>How ESG can enhance corporate resilience, transformation and opportunities/ three hours | Taiwan Corporate Governance Association<br>Taiwan Institute for Sustainable Energy. |
| Independent Director | Liu, Yin-Fei | Taishin 30 Sustainable Net Zero Summit Forum - Sincere Net Zero to Achieve Sustainability by 2030/3 hours<br>How ESG can enhance corporate resilience, transformation and opportunities/ three hours<br>2022 Cathay Sustainable Finance and Climate Change Summit Forum/three hours | Taiwan Institute for Sustainable Energy.<br>Taiwan Institute for Sustainable Energy.<br>Taiwan Stock Exchange Corporation |
| Independent Director | Chiang, Huei-Chung | International Twin-Peak Summit Online Forum/two hours<br>Promotional seminar for the sustainable development roadmap with industry themes/ two hours | Jointly organized by the Stock Exchange, Alliance Advisors, and Taiwan Corporate Governance Association<br>Organized by TWSE and TPEx jointly |

| Title | Name | Name of course/hours | Continuing education organizer |
|---|---|---|---|
| | | How ESG can enhance corporate resilience, transformation and opportunities/ three hours | Taiwan Institute for Sustainable Energy. |
| Independent Director | Hsieh, Chia-Ying | The Explosion of the Virtual World: the Future Development of Metaverse and Cryptocurrency Blockchain / three hours<br>Effectiveness of legal actions between directors and the company/ three hours | Taiwan Corporate Governance Association<br>Corporate Organization Association |
| Corporate Governance Officer and Head of Finance | Mei-Ling Chiu | Development Trends of Green Industry-Low Carbon Investment Prospects and Response Business Strategies/ three hours.<br>ESG Sustainable Finance Trends and Response Strategies /three hours.<br>Prevention and Avoidance of Labor Dispute and Corporate Governance/ three hours.<br>Analysis of the Latest Corporate Governance Policies and Corporate Governance Evaluation Practices/ three hours. | Taiwan Corporate Governance Association<br>Accounting Research and Development Foundation<br>Taiwan Corporate Governance Association<br>Accounting Research and Development Foundation |
| Head of Accounting | Hsiao-Ping Li | Continuing Education Course for Accounting Officer of the Issuers, Securities Firms, and Stock Exchanges/12hours. | Accounting Research and Development Foundation |

4. The liability insurance for directors:purchased by the Company in 2022:

| Insured | Insurer | Amount of coverage | Beginning and ending of the coverage |
|---|---|---|---|
| All directors | Fubon Insurance Co., Ltd. | US$5 million | March 1, 2021~March 1, 2022 |
| All directors | Fubon Insurance Co., Ltd. | US$5 million | March 1, 2022~March 1, 2023 |

Note:The insured amount, coverage and premium rate of the renewed director and supervisor liability insurance were reported to the board of directors on February 22, 2022.

5. Attainment of mandatory certification by personnel involved in financial information transparency:

| Name of certification | Count |
|---|---|
| Certified Internal Auditor (CIA) | 2 |
| Certification in Control Self-Assessment (CCSA) | 2 |

(IX) Implementation of the internal control system

1. Declaration of Internal Control System

# TYNTEK Corporation
# Declaration of Internal Control System

Date: February 22, 2023

The internal control system of the year 2022, according to the result of self-assessment is thus stated as follows:

I. The Company acknowledges that the implementation and maintenance of internal control system is the responsibility of Board of Directors and management, and the Company has established such system. The internal control system is aimed to reasonably assure that the goals such as the effectiveness and the efficiency of operations (including profitability, performance and protection of assets), the reliability of financial reporting and the compliance of applicable law and regulations are achieved.

II. The internal control system has its innate restriction. An effective internal control system can only ensure the foregoing three goals are achieved; nevertheless, due to the change of environment and conditions, the effectiveness of internal control system will be changed accordingly. However, the internal control system of the Company has self-monitoring function and the Company will take corrective action once any defect is identified.

III. The Company judges the effectiveness of design and implementation for the internal control system, pursuant to criteria of effectiveness for the internal system specified in the “Regulations Governing Establishment of Internal Control Systems by Public Companies” (hereinafter “the Regulations”). The criteria for internal control adopted by “Regulations” are, based on the process of management control, for classifying the internal control into five elements: 1. Control environment; 2. Risk assessments; 3. Control activities; 4. Information and communication; and 5. Monitoring activities Each element also includes a certain number of items. For the foregoing items, refer to “Regulations”.

IV. The Company has adopted the aforesaid criteria for internal control to evaluate the effectiveness of design and execution of internal control system.

V. Based on the above-mentioned result of evaluation, the company suggests that the internal control system, including the design and execution of internal control relating to the effectiveness and efficiency of operation, the reliability of financial reporting the compliance of applicable law and regulations has been effective on December 31, 2022, and they can reasonably assure the aforesaid goals have been achieved.

VI. The Declaration will be the main content for annual report and prospectus and will be disclosed publicly. If the above contents have any falsehood and concealment, it will involve in the liability as mentioned in Article 20, 32, 171 and 174 of Securities and Exchange Act.

VII. This Declaration has been approved by the meeting of Board of Directors on February 22, 2023, and those seven directors in presence all agreed at the contents of this statement, with no one had dissent.

TYNTEK Corporation

Chairman:Lee, Biing-Jye

President:Will Chou

2. CPA's review on internal control system: None.

(X) Penalties imposed against the Company for regulatory violation, or penalties against insiders for violation of internal control system in the most recent year up until the publication date of annual report; describe areas of weakness and any corrective actions taken: None.

(XI) Major resolutions passed in shareholder meetings and board of directors meetings held in the last year up until the publication date of this annual report:

1. Major resolutions passed in shareholder meetings and the execution progress

| Date of meeting | Major resolutions | Execution progress |
|---|---|---|
| 2022/6/8 | 1. Ratified the 2021 financial statements. | Resolution passed during the 2022 shareholder meeting. |
| | 2. Approve the amendment to the "Articles of Incorporation." | On June 21, 2022, the Company was approved to be registered by the Hsinchu Science Park Bureau of the National Science and Technology Council and announced on the Company's website. |
| | 3. Approved the amendment to the "Procedures for Acquisition and Disposal of Assets." | It was disclosed on the MOPS, annual report, section specific for shareholders' meetings, and the Company's website on June 14, 2022: |
| | 4. Approve the amendment to to the "Operational Procedures for Endorsements and Guarantees" | It was disclosed on the MOPS, annual report, section specific for shareholders' meetings, and the Company's website on June 14, 2022: |

2. Major resolutions of board of directors meetings

| Date of meeting | Major resolutions and execution |
|---|---|
| The 13th term<br>5th<br>2022/1/19 | ● Approved the formulation of the Company's 2022 annual business plan and capital expenditure budget<br>● Passed the decision to apply for change the terms of credit facility projects with financial institutions<br>● Passed the proposal of adjusting remunerations for the Company's managerial officers<br>● Approved the 2022 annual salary adjustment proportion of the managerial officers and employees<br>● Passed 2021 year-end bonus standards for the Company's managers |
| The 13th term<br>6th<br>2022/2/22 | ● Approved the Company's 2021 financial statements and consolidated financial statements<br>● Approved the Company's 2021 business report<br>● Approved the Company's 2021 earnings appropriation<br>● Approved the evaluation and review of CPA's professional service fees and independence<br>● Amendments to the Articles of Incorporation<br>● Approved to amend the Company's key regulations.<br>● Approved the amendment to the Company's various management procedures.<br>● Approved the custodian of the corporate and chairman's seals registered with MOEA.<br>● Approved the date, time, venue, and agenda of the Company's 2022 shareholder meeting<br>● Approved details concerning acceptance of shareholders' proposals for the Company's 2022 annual general meeting<br>● Approved the 2021 "Internal Control System Effectiveness Review" and issuance of the Company's "Declaration of Internal Control System"<br>● Approved Q4 2021 bonus for the managerial officers.<br>● Approved distribution of 2021 directors and employees' remuneration<br>● Approved the 2022 budget for remunerations.<br>● Passed proposal of discharging managerial officers |
| The 13th term<br>The 7th meeting | ● Approved lending from the Company to subsidiary - Keeper Technology Co., Ltd. |

| Date of meeting | Major resolutions and execution |
|---|---|
| 2022/5/4 | ● Passed the decision to apply for credit facilities with financial institutions<br>● Approved to ratify the engagement in derivative trading<br>● Approved the amendments to the internal control system<br>● Approved the review of the Company's 2020 second allocation of employee remuneration for managers.<br>● Approved the replacement of financial statement auditor (due to internal rotation) starting from the 1st quarter of 2022 |
| The 13th term<br>The 8th meeting<br>2022/8/3 | ● Approved the Company's consolidated financial statements for the second quarter 2022<br>● Passed the decision to apply for credit facilities with financial institutions<br>● Approved to ratify the engagement in derivative trading<br>● Approved ex-dividend base date for the Company's 2022 cash dividends<br>● Approved allocation of 2021 employee remuneration for managerial officers<br>● Approved the ratification of the proposal for adjusting 2022 wage structure for the Company's managerial officers<br>● Approved the proposal to discharge the managerial officers, Tai-Hsiang Hu and Cheng Kung.<br>● Approved the proposal to ratify KEYWAY INERTNATIONAL L.L.C.'s reappointment of director and managerial officers to its subsidiary, Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd.. |
| The 13th term<br>The 9th meeting<br>2022/11/2 | ● Approved the Company's "2023 internal audit plan"<br>● Approved the amendments to the internal control system<br>● Approved the Company's consolidated financial statements for the third quarter 2022<br>● Passed the decision to apply for credit facilities with financial institutions<br>● Approved to ratify the engagement in derivative trading<br>● (III) Amendments to the "Procedures for Acquisition and Disposal of Assets"<br>● Approved the amendment to the "Procedures for Handling Material Inside Information and Management for Preventing Insider Trading"<br>● Approved the ratification of the proposal for adjusting 2022 remunerations for the Company's managerial officers<br>● Approved the 2022 employees' physical examination for the managerial officers. |
| The 13th term<br>10th meeting<br>2022/12/19 | ● Approved the 2023 budget for remunerations.<br>● Approved the payment of 2022 year-end bonus for the Company's managerial officers<br>● Approved the review of the Company's 2023 annual business plan and capital expenditure budget |
| The 13th term<br>11th meeting<br>2023/2/22 | ● Approved the 2022 "Internal Control System Effectiveness Review" and issuance of the Company's "Declaration of Internal Control System"<br>● Approved the Company's 2022 financial statements and consolidated financial statements<br>● Approved the Company's 2022 business report<br>● Adoption of the Proposal for 2022 Deficit Compensation<br>● Approved the evaluation and review of CPA's professional service fees and independence<br>● Amendments to the Articles of Incorporation<br>● Passed amendments to the Company's "Shareholder Meeting Conference Rules"<br>● Approved the amendment to the Company's various management procedures.<br>● Passed the date, time, venue, and agenda of the Company's 2023 shareholder meeting<br>● Passed details concerning acceptance of shareholders' proposals for the Company's 2023 annual general meeting<br>● Passed the decision to apply for credit facilities with financial institutions<br>● Approved to ratify the engagement in derivative trading<br>● Proposal to elect a vice chairman for the Company.<br>● Approved the proposal to replace the managerial officer of Zhunan Branch. |

(XII) Documented opinions or declarations made by directors against board resolutions in the most recent year, up until the publication date of annual report: None.

(XIII) Resignation or dismissal of personnel related to financial statement preparation (including the Chairman, President, head of accounting, head of finance, chief internal auditor, corporate governance officer, and head of R&D)

**Related Personnel of the Company Summarized Table**

March 31, 2023

| Title | Name | Inauguration date | Discharge date | Reason of resignation or discharge |
|---|---|---|---|---|
| Vice President | Tai-Hsiang Hu | July 1, 2010 | 2022/10/25 | Retirement |
| R&D Officer | Chia-Chun Yu | 2014/1/22 | 2022/2/28 | Resignation, for personal life planning |

## III. CPAs' Professional Service Fees

Unit: NTD thousands

| **Name of accounting firm** | **Name of CPA** | **Audit period** | **Auditing fee** | **Non-auditing fee** | **Total** | **Remarks** |
|---|---|---|---|---|---|---|
| Deloitte Taiwan | Su-Li Fang | January 1, 2022 to December 31, 2022 | 3,320 | 240 | 3,560 | Non-auditing fees all were service fees for the preparation of transfer pricing report |
| | Chen, Ming-Hui | | | | | |

(I) Disclosure of audit fees, non-audit fees, and details of non-audit services, if the sum of non-audit fees paid to the CPA, accounting firm, and affiliated companies amount to more than one-quarter of total CPA remuneration: None.

(II) Change of accounting firm that resulted in a reduction of audit fee from the previous year; disclose audit fee before and after the change and the amount, percentage, and cause of such change: Not applicable.

(III) Any reduction in audit remuneration by more than 15% compared to the previous year; state the amount, the percentage, and reason of such variation: None.

## IV. Information of CPA replacement

(I) Information relating to the former auditor

<table>
<tr><td>Date of reappointment</td><td colspan="4">Approved by the board of directors on May 4, 2022</td></tr>
<tr><td>Reasons and details of the reappointment</td><td colspan="4">Internal rotation within Deloitte Taiwan</td></tr>
<tr><td rowspan="3">Whether the termination of audit service was initiated by the client or by the auditor</td><td colspan="2">Parties involved / Situation</td><td>CPA</td><td>Principal</td></tr>
<tr><td colspan="2">Service terminated by</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">Service no longer accepted (continued) by</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Reasons for issuing opinions other than unqualified opinion in the last 2 years</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Any disagreement with the issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting policy or practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Audit coverage or procedures</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>None</td><td colspan="3">ˇ</td></tr>
<tr><td colspan="4">Description</td></tr>
<tr><td>Other disclosures<br>(These shall disclosure pursuant to Item 1-4 to Item 1-7, subparagraph 6, Article 6 of the Regulations)</td><td colspan="4">None</td></tr>
</table>

(II) Information relating to the succeeding auditor

| Name of firm | Deloitte Taiwan |
|---|---|
| Name of CPA | Su-Li Fang, Chen, Ming-Hui |
| Date of appointment | Approved by the board of directors on May 4, 2022 |
| Inquiries and replies regarding accounting practices or principles on certain transactions, or any audit opinions the CPAs were likely to issue on the financial reports prior to reappointment | None |
| Written disagreements from the succeeding CPA against opinions of the former CPA | None |

(III) Former auditors' reply with regards to Item 1 and Item 2-3, Subparagraph 6, Article 10 of Regulations Governing Information to be Published in Annual Reports of Public Companies: None.

## V. Any of the Company's Chairman, President, or any manager involved in financial or accounting affairs being employed by the accounting firm or any of its affiliated company within the most recent year: None.

## VI. Details of shares transferred or pledged by directors, managers, and shareholders with more than 10% ownership interest in the last year, up until the publication date of annual report:

Changes in shareholdings of directors, managerial officers and major shareholders:

Unit: shares

| Title | Name | 2022 | | 2023 up to March 31 | |
|---|---|---|---|---|---|
| | | Number of shares held Increased (decreased) | Pledged shares Increased (decreased) | Number of shares held Increased (decreased) | Pledged shares Increased (decreased) |
| Chairman(Note 2) | Liang Dian Investment Co., Ltd. | 40,000 | 0 | 40,000 | 0 |
| | Representative Lee, Biing-Jye | 0 | 0 | 0 | 0 |
| Director (Note 2) | Wei Ban Investment Corporation | 40,000 | 0 | 40,000 | 0 |
| | Representative Huang, Deng-Huei | 0 | 0 | 0 | 0 |
| Director (Note 2) | Ennostar Inc. | 0 | 0 | 0 | 0 |
| | Representative Li, Rong-Huan | 0 | 0 | 0 | 0 |
| Director/President | Will Chou | 0 | 0 | 0 | 0 |
| Independent Director (Note 2) | Liu, Yin-Fei | 0 | 0 | 0 | 0 |
| Independent Director (Note 2) | Chiang, Huei-Chung | 0 | 0 | 0 | 0 |
| Independent Director (Note 2) | Hsieh, Chia-Ying | 0 | 0 | 0 | 0 |
| Special Assistant of President | Li, Rong-Huan (Note 3) | 0 | 0 | 0 | 0 |
| Vice President | Chao-Kun Peng | 0 | 0 | 0 | 0 |
| Vice President | Te-Cheng Lin | 0 | 0 | 0 | 0 |
| Vice President | Tai-Hsiang Hu | 0 | 0 | 0 | 0 |
| Vice President | Shao-Rong Lu | 0 | 0 | 0 | 0 |

| Title | Name | 2022 | | 2023 up to March 31 | |
|---|---|---|---|---|---|
| | | Number of shares held Increased (decreased) | Pledged shares Increased (decreased) | Number of shares held Increased (decreased) | Pledged shares Increased (decreased) |
| Assistant Vice President of Finance Division | Mei-Ling Chiu | 0 | 0 | 0 | 0 |
| CS R&D 1st Division - Assistant Vice President | Cheng Kung | 0 | 0 | 0 | 0 |
| Innovation R&D Center - Assistant Vice President and R&D Head | Chia-Chun Yu (Note 4) | 0 | 0 | 0 | 0 |
| Finance Division - Head of Accounting | Hsiao-Ping Li | 0 | 0 | 0 | 0 |

Note 1: The Company has no shareholder holding more than 10% of the shares.

Note 2: Took office as director and independent director on July 2, 2021; the change in the shareholding is the information after taking office.

Note 3: Inaugurated on May 24, 2021; the change in the shareholding is the information after the inauguration.

Note 4: Resigned on February 28, 2022; the change in the shareholding is the information before the discharge.

Information on equity transfers

| Name | Reason of equity transfer | Transaction date | Counterparty of transaction | Relationship between counterparties of transactions with the Company, director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent | No. of shares | Transaction price |
|---|---|---|---|---|---|---|
| None | | | | | | |

Information of equity pledge

| Name | Reason of pledge | Change date | Counterparty of transaction | Relationship between counterparties of transactions with the Company, director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent | No. of shares | Shareholding percentage (%) | Pledge percentage (%) | Amount of pledge (redemption) |
|---|---|---|---|---|---|---|---|---|
| None | | | | | | | | |

## VII. Relationships characterized as spouse or relatives within 2nd degree of kinship among top-ten shareholders

**Relation among top ten shareholders in terms of shareholding percentage**

March 31, 2023 Unit: shares; %

<table>
<tr><th rowspan="2">Name</th><th colspan="2">Shareholding by him/herself</th><th colspan="2">Shareholding of spouses and children of minor age</th><th colspan="2">Shareholding by nominee arrangement</th><th colspan="2">Among the top ten shareholders, who are related parties as defined in IFRS and IAS, or spouses or relatives within 2nd degree of kinship, their names and relationships.</th><th rowspan="2">Remarks</th></tr>
<tr><th>Shares</th><th>Shareholding percentage (%)</th><th>Shares</th><th>Shareholding percentage (%)</th><th>Shares</th><th>Shareholding percentage (%)</th><th>Name</th><th>Relations</th></tr>
<tr><td rowspan="2">Ennostar Inc.<br>Representative: Lee, Biing-Jye</td><td>23,799,000</td><td>7.916</td><td>0</td><td>0</td><td>0</td><td>0</td><td rowspan="2">Harvestar Investment Corp.; Calystar Investment Corp.</td><td rowspan="4">Harvestar Investment Corp. and Calystar Investment Corp. are subsidiaries of Ennostar Inc.</td><td>—</td></tr>
<tr><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>—</td></tr>
<tr><td rowspan="2">Harvestar Investment Corp.<br>Representative: Lee, Biing-Jye</td><td>11,120,000</td><td>3.699</td><td>0</td><td>0</td><td>0</td><td>0</td><td rowspan="2">Harvestar Investment Corp.; Calystar Investment Corp.</td><td>—</td></tr>
<tr><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>—</td></tr>
<tr><td>Bosco Foo</td><td>8,013,999</td><td>2.666</td><td>5,361,997</td><td>1.784</td><td>0</td><td>0</td><td>Yan-Kang Fu-Li</td><td>Spouse</td><td>—</td></tr>
<tr><td rowspan="2">Calystar Investment Corp.<br>Representative: Lee, Biing-Jye</td><td>6,818,000</td><td>2.268</td><td>0</td><td>0</td><td>0</td><td>0</td><td rowspan="2">Ennostar Inc.; Harvestar Investment Corp.</td><td rowspan="2">Harvestar Investment Corp. and Calystar Investment Corp. are subsidiaries of Ennostar Inc.</td><td></td></tr>
<tr><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td></td></tr>
<tr><td>Ching-Ho Hsu</td><td>5,593,530</td><td>1.861</td><td>180,455</td><td>0.060</td><td>0</td><td>0</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Yan-Kang Fu-Li</td><td>5,361,997</td><td>1.784</td><td>8,013,999</td><td>2.666</td><td>0</td><td>0</td><td>Bosco Foo</td><td>Spouse</td><td>—</td></tr>
<tr><td>Hsieh, Chao-Bao</td><td>5,102,000</td><td>1.697</td><td>0</td><td>0</td><td>0</td><td>0</td><td>—</td><td>—</td><td></td></tr>
<tr><td>Vanguard Emerging Market Equity Fund Special Account, under custody of JPMorgan Chase Bank Taipei Branch</td><td>4,262,000</td><td>1.418</td><td>0</td><td>0</td><td>0</td><td>0</td><td>—</td><td>—</td><td>—</td></tr>
<tr><td>Shi-Chiang, Hsiung</td><td>4,110,729</td><td>1.367</td><td>210,437</td><td>0.070</td><td>0</td><td>0</td><td></td><td></td><td></td></tr>
<tr><td rowspan="2">Chia Long Enterprise Co., Ltd.<br>Representative: Yan-Kang Fu-Li</td><td>3,823,479</td><td>1.272</td><td>0</td><td>0</td><td>0</td><td>0</td><td>Yan-Kang Fu-Li</td><td>Chairman</td><td>—</td></tr>
<tr><td>5,361,997</td><td>1.784</td><td>8,013,999</td><td>2.666</td><td>0</td><td>0</td><td>Bosco Foo</td><td>Spouse</td><td>—</td></tr>
</table>

**VIII. Investments jointly held by the Company's directors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties**

Total shareholding percentage

March 31, 2023

Unit: shares, %

| Re-invested business | Investment by the Company | | Directors, supervisors, managerial officers and investments directly or indirectly controlling the business | | Total investment | |
|---|---|---|---|---|---|---|
| | No. of shares | Shares Ratio | No. of shares | Shares Ratio | No. of shares | Shares Ratio |
| TEK Holding Co., Ltd. | 6,700,000 | 100.00 | 0 | 0 | 6,700,000 | 100.00 |
| Keeper Technology | 3,000,000 | 21.43 | 5,967,346 | 42.62 | 8,967,346 | 64.05 |
| Long Benefit Investment Co., Ltd. | 42,389,646 | 100.00 | 0 | 0 | 42,389,646 | 100.00 |
| Hsinjing Holding Co., Ltd. | 17,794,077 | 22.79 | 364,529 | 0.46 | 18,178,606 | 23.25 |
| Keyway International L.L.C. | — | — | — | 100.00 | — | 100.00 |
| Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. | — | — | — | 100.00 | — | 100.00 |
| Global Unity Int'l Co, Ltd. | — | — | 1,000,000 | 100.00 | 1,000,000 | 100.00 |
| Greation New Technology Inc. | — | — | 1,000,000 | 100.00 | 1,000,000 | 100.00 |
| Kaishin Technology (Wuhan) Corporation | — | — | — | 100.00 | — | 100.00 |

Note 1:Disposal of long-term investments in equity using equity method.

# Four. Capital Overview

**I. Capital and shares**

(I) Share category

March 31, 2023; Unit: shares

| Share category | Authorized capital | | | | Remarks |
|---|---|---|---|---|---|
| | Outstanding shares (TWSE-listed shares) | Treasury stock | Unissued shares | Total | |
| Common shares | 300,622,252 | 0 | 199,377,748 | 500,000,000 | — |

(II) Sources of share capital

Unit: shares; NTD

| Year / month | Issued price | Authorized capital | | Paid-up capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | Amount | No. of shares | Amount | Sources of share capital | Paid in properties other than cash | Others |
| 1987.04 | 10,000 | 3,600 | 36,000,000 | 900 | 9,000,000 | Founded with initial cash capital of NT$9,000,000 | - | - |
| 1988.09 | 10,000 | 5,000 | 50,000,000 | 5,000 | 50,000,000 | Cash issue NT$ 41,000,000 | - | - |
| 1989.09 | 10 | 10,000,000 | 100,000,000 | 7,000,000 | 70,000,000 | Cash issue NT$ 20,000,000 | - | - |
| 1992.03 | 10 | 10,000,000 | 100,000,000 | 10,000,000 | 100,000,000 | Cash issue NT$ 30,000,000 | - | - |
| 1994.01 | 10 | 20,000,000 | 200,000,000 | 13,000,000 | 130,000,000 | Cash issue NT$ 30,000,000 | - | - |
| 1995.05 | 10 | 20,000,000 | 200,000,000 | 18,000,000 | 180,000,000 | Cash issue NT$ 50,000,000 | - | - |
| 1996.09 | 10 | 32,000,000 | 320,000,000 | 30,000,000 | 300,000,000 | Cash issue NT$ 120,000,000 | - | Letter No. (85)-Tai-Tsai-Cheng-(I)-39772 dated 1996.6.27 |
| 1997.10 | 10 | 60,000,000 | 600,000,000 | 43,000,000 | 430,000,000 | Cash issue NT$ 100,000,000<br>Capitalization of earnings NT$ 15,000,000<br>Capitalization of capital reserves NT$ 15,000,000 | - | Letter No. (86)-Tai-Tsai-Cheng-(I)-52245 dated 1997.7.7 |
| 1998.06 | 10 | 60,000,000 | 600,000,000 | 52,410,000 | 524,100,000 | Capitalization of earnings NT$ 51,100,000<br>Capitalization of capital reserves NT$ 43,000,000 | - | Letter No. (87)-Tai-Tsai-Cheng-(I)-44690 dated 1998.5.21 |
| 1999.04 | 10 | 100,000,000 | 1,000,000,000 | 72,410,000 | 724,100,000 | Cash issue NT$ 200,000,000 | - | Letter No. (88)-Tai-Tsai-Cheng-(I)-13796 dated 1999.2.44 |
| 1999.08 | 10 | 100,000,000 | 1,000,000,000 | 85,071,600 | 850,716,000 | Capitalization of earnings NT$ 75,929,000<br>Capitalization of capital reserves NT$ 50,687,000 | - | Letter No. (88)-Tai-Tsai-Cheng-(I)-61314 dated 1999.7.6 |
| 2000.08 | 10 | 200,000,000 | 2,000,000,000 | 98,862,340 | 988,623,400 | Capitalization of earnings NT$ 52,835,800<br>Capitalization of capital reserves NT$ 85,071,600 | - | Letter No. (89)-Tai-Tsai-Cheng-(I)-60740 dated 2000.7.13 |
| 2001.10 | 10 | 200,000,000 | 2,000,000,000 | 115,429,691 | 1,154,296,910 | Capitalization of earnings NT$ 76,697,404<br>Capitalization of capital reserves NT$ 88,976,106 | - | Letter No. (90)-Tai-Tsai-Cheng-(I)-142328 dated 2001.7.3 |
| 2002.04 | 10 | 200,000,000 | 2,000,000,000 | 115,861,341 | 1,158,613,410 | Conversion of convertible bond CB1 NT$4,316,500 | - | Letter No. Yuan-Shang-0910007392 dated 2002.3.26 |

| Year / month | Issued price | Authorized capital | | Paid-up capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | Amount | No. of shares | Amount | Sources of share capital | Paid in properties other than cash | Others |
| 2002.10 | 10 | 200,000,000 | 2,000,000,000 | 129,178,733 | 1,291,787,330 | Capitalization of earnings NT$ 38,168,410<br>Capitalization of capital reserves NT$ 23,172,270<br>Conversion of convertible bond CB1 NT$ 71,833,240 | - | Letter No. Yuan-Shang-0910023372 dated 2002.10.11 |
| 2002.10 | 10 | 200,000,000 | 2,000,000,000 | 129,728,841 | 1,297,288,410 | Conversion of convertible bond CB1 NT$ 5,501,080 | - | Letter No. Yuan-Shang-0910024714 dated 2002.10.17 |
| 2002.12 | 10 | 200,000,000 | 2,000,000,000 | 154,728,841 | 1,547,288,410 | Cash issue NT$ 250,000,000 | - | Letter No. Yuan-Shang-0910029230 dated 2002.12.09 |
| 2003.01 | 10 | 200,000,000 | 2,000,000,000 | 154,916,272 | 1,549,162,720 | Conversion of convertible bond CB1 NT$ 1,874,310 | - | Letter No. Yuan-Shang-09200011812 dated 2003.01.07 |
| 2003.09 | 10 | 200,000,000 | 2,000,000,000 | 163,705,086 | 1,637,050,860 | Capitalization of earnings NT$ 41,413,250<br>Capitalization of capital reserves NT$ 46,474,890 | - | Letter No. Yuan-Shang-0920025316 dated 2003.09.15 |
| 2004.03 | 10 | 200,000,000 | 2,000,000,000 | 164,116,265 | 1,641,162,650 | Conversion of convertible bond CB2 NT$ 4,111,790 | - | Letter No. Yuan-Shang-0930006808 dated 2004.03.19 |
| 2004.07 | 10 | 200,000,000 | 2,000,000,000 | 177,644,181 | 1,776,441,810 | Conversion of convertible bond CB2 NT$ 135,279,160 | - | Letter No. Yuan-Shang-0930018916 dated 2004.07.14 |
| 2004.08 | 10 | 300,000,000 | 3,000,000,000 | 188,247,373 | 1,882,473,730 | Capitalization of earnings NT$ 70,623,150<br>Capitalization of capital reserves NT$ 35,408,770 | - | Letter No. Yuan-Shang-0930022125 dated 2004.08.19 |
| 2004.10 | 10 | 300,000,000 | 3,000,000,000 | 188,489,539 | 1,884,895,390 | Conversion of convertible bond CB2 NT$ 2,421,660 | - | Letter No. Yuan-Shang-0930028697 dated 2004.10.13 |
| 2005.01 | 10 | 300,000,000 | 3,000,000,000 | 189,547,230 | 1,895,472,300 | Conversion of convertible bond CB2 NT$ 10,576,910 | - | Letter No. Yuan-Shang-0940000703 dated 2005.01.11 |
| 2005.08 | 10 | 300,000,000 | 3,000,000,000 | 200,243,069 | 2,002,430,690 | Capitalization of earnings NT$ 106,094,200<br>Conversion of convertible bond CB1 NT$ 864,190 | - | Letter No. Yuan-Shang-0940022258 dated 2005.08.17 |
| 2005.10 | 10 | 300,000,000 | 3,000,000,000 | 231,378,729 | 2,313,787,290 | Conversion of convertible bond CB1 NT$ 588,220<br>Conversion of convertible bond CB2 NT$ 81,560,810<br>Conversion of convertible bond CB3 NT$ 229,207,570 | - | Letter No. Yuan-Shang-0940027948 dated 2005.10.14 |
| 2006.01 | 10 | 300,000,000 | 3,000,000,000 | 234,974,967 | 2,349,749,670 | Conversion of convertible bond CB1 NT$ 8,300,630<br>Conversion of convertible bond CB2 NT$ 185,180<br>Conversion of convertible bond CB3 NT$ 27,476,570 | - | Letter No. Yuan-Shang-0950000596 dated 2006.01.11 |
| 2006.03 | 10 | 300,000,000 | 3,000,000,000 | 237,628,159 | 2,376,281,590 | Conversion of convertible bond CB1 NT$ 1,895,410<br>Conversion of convertible bond CB2 NT$ 13,888,860<br>Conversion of convertible bond CB3 NT$ 10,747,650 | - | Letter No. Yuan-Shang-0950006225 dated 2006.03.17 |
| 2006.07 | 10 | 300,000,000 | 3,000,000,000 | 239,656,020 | 2,396,560,200 | Conversion of convertible bond CB2 NT$ 10,185,170<br>Conversion of convertible bond CB3 NT$ 10,093,440 | - | Letter No. Yuan-Shang-0950018501 dated 2006.07.17 |
| 2006.10 | 10 | 350,000,000 | 3,500,000,000 | 239,665,279 | 2,396,652,790 | Conversion of convertible bond CB2 NT$ 92,590 | - | Letter No. Yuan-Shang-0950026886 dated 2006.10.14 |

| Year / month | Issued price | Authorized capital | | Paid-up capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | Amount | No. of shares | Amount | Sources of share capital | Paid in properties other than cash | Others |
| 2006.11 | 10 | 350,000,000 | 3,500,000,000 | 254,110,360 | 2,541,103,600 | Capitalization of capital reserves NT$ 33,553,140 Capitalization of earnings NT$ 110,897,670 | - | Letter No. Yuan-Shang-0950030189 dated 2006.11.14 |
| 2007.08 | 10 | 350,000,000 | 3,500,000,000 | 272,081,609 | 2,720,816,090 | Capitalization of capital reserves NT$ 50,822,080 Capitalization of earnings NT$ 124,872,590 Conversion of convertible bond CB4 NT$ 4,017,820 | - | Letter No. Yuan-Shang-0960023280 dated 2007.08.30 |
| 2007.12 | 10 | 350,000,000 | 3,500,000,000 | 283,557,706 | 2,835,577,060 | Conversion of convertible bond CB4 NT$ 68,340,920 Conversion of convertible bond CB5 NT$ 46,420,050 | - | Letter No. Yuan-Shang-0960035258 dated 2007.12.26 |
| 2008.03 | 10 | 350,000,000 | 3,500,000,000 | 283,645,142 | 2,836,451,420 | Conversion of convertible bond CB4 NT$ 635,890 Conversion of convertible bond CB5 NT$ 238,470 | - | Letter No. Yuan-Shang-0970005681 dated 2008.03.03 |
| 2008.08 | 10 | 350,000,000 | 3,500,000,000 | 307,856,236 | 3,078,562,360 | Capitalization of capital reserves NT$ 83,593,540 Capitalization of earnings NT$ 151,681,250 Conversion of convertible bond CB4 NT$ 6,677,180 Conversion of convertible bond CB5 NT$ 158,970 | - | Letter No. Yuan-Shang-0970023975 dated 2008.08.28 |
| 2009.09 | 10 | 500,000,000 | 5,000,000,000 | 316,791,923 | 3,167,919,230 | Capitalization of capital reserves NT$ 89,356,870 | - | Letter No. Yuan-Shang-0980024798 dated 2009.09.07 |
| 2009.12 | 10 | 500,000,000 | 5,000,000,000 | 341,823,741 | 3,418,237,410 | Cash issue NT$ 250,000,000 Conversion of convertible bond CB5 NT$ 318,180 | - | Letter No. Yuan-Shang-0980036547 dated 2009.12.29 |
| 2010.04 | 10 | 500,000,000 | 5,000,000,000 | 342,062,264 | 3,420,622,640 | Conversion of convertible bond CB5 NT$ 2,343,290 Conversion of convertible bond CB7 NT$ 41,940 | - | Letter No. Yuan-Shang-0990009101 dated 2010.04.08 |
| 2010.05 | 10 | 500,000,000 | 5,000,000,000 | 342,110,472 | 3,421,104,720 | Conversion of convertible bond CB5 NT$ 230,410 Conversion of convertible bond CB6 NT$ 251,670 | - | Letter No. Yuan-Shang-0990012293 dated 2010.05.05 |
| 2010.11 | 10 | 500,000,000 | 5,000,000,000 | 342,408,288 | 3,424,082,880 | Conversion of convertible bond CB6 NT$ 1,719,780 Conversion of convertible bond CB7 NT$ 1,258,380 | - | Letter No. Yuan-Shang-0990032936 dated 2010.11.04 |
| 2011.03 | 10 | 500,000,000 | 5,000,000,000 | 342,551,144 | 3,425,511,440 | Conversion of convertible bond CB5 NT$ 1,428,560 | - | Letter No. Yuan-Shang-1000008703 dated 2011.03.29 |
| 2011.05 | 10 | 500,000,000 | 5,000,000,000 | 343,826,311 | 3,438,263,110 | Conversion of convertible bond CB6 NT$ 2,265,100 Conversion of convertible bond CB7 NT$ 10,486,570 | - | Letter No. Yuan-Shang-1000013650 dated 2011.05.13 |
| 2012.08 | 10 | 500,000,000 | 5,000,000,000 | 361,017,627 | 3,610,176,270 | Capitalization of capital reserves NT$ 171,913,160 | - | Letter No. Yuan-Shang-1010027503 dated 2012.08.31 |
| 2014.09 | 10 | 500,000,000 | 5,000,000,000 | 239,245,327 | 2,392,453,270 | Reduction of share capital against cumulative losses NT$ 1,217,723,000 | - | Letter No. Zhu-Shang-1030026129 dated 2014.09.09 |
| 2014.10 | 10 | 500,000,000 | 5,000,000,000 | 235,931,842 | 2,359,318,420 | Retirement of treasury stock NT$ 33,134,850 | - | Letter No. Zhu-Shang-1030031390 dated 2014.10.28 |
| 2015.03 | 10 | 500,000,000 | 5,000,000,000 | 275,931,842 | 2,759,318,420 | Cash issue NT$ 400,000,000 | - | Letter No. Zhu-Shang-1040007390 dated 2015.03.18 |

| Year / month | Issued price | Authorized capital | | Paid-up capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | Amount | No. of shares | Amount | Sources of share capital | Paid in properties other than cash | Others |
| 2016.04 | 10 | 500,000,000 | 5,000,000,000 | 290,547,127 | 2,905,471,270 | Conversion of convertible bond CB8 NT$ 146,152,850 | - | Letter No. Zhu-Shang-1050009280 dated 2016.4.11 |
| 2016.05 | 10 | 500,000,000 | 5,000,000,000 | 292,783,440 | 2,927,834,400 | Conversion of convertible bond CB8 NT$ 22,363,130 | - | Letter No. Zhu-Shang-1050013747 dated 2016.5.20 |
| 2017.05 | 10 | 500,000,000 | 5,000,000,000 | 293,658,971 | 2,936,589,710 | Conversion of convertible bond CB8 NT$ 8,755,310 | - | Letter No. Zhu-Shang-1060013443 dated 2017.5.19 |
| 2017.07 | 10 | 500,000,000 | 5,000,000,000 | 295,238,361 | 2,952,383,610 | Conversion of convertible bond CB8 NT$ 15,793,900 | | Letter No. Zhu-Shang-1060020109 dated 2017.7.24 |
| 2017.11 | 10 | 500,000,000 | 5,000,000,000 | 299,077,472 | 2,990,774,720 | Conversion of convertible bond CB8 NT$ 38,391,110 | | Letter No. Zhu-Shang-1060032106 dated 2017.11.24 |
| 2018.02 | 10 | 500,000,000 | 5,000,000,000 | 299,817,868 | 2,998,178,680 | Conversion of convertible bond CB8 NT$ 7,403,960 | | Letter No. Zhu-Shang-1070005867 dated 2018.2.12 |
| 2018.04 | 10 | 500,000,000 | 5,000,000,000 | 300,622,252 | 3,006,222,520 | Conversion of convertible bond CB8 NT$ 8,043,840 | | Letter No. Zhu-Shang-1070011201 dated 2018.4.16 |

Note 1: Face value has been changed from NT$10,000 per share to NT$10 per share since September 1989

Note 2: CB1 converted a total of 9,517,358 shares, CB2 converted a total of 25,830,213 shares, CB3 converted a total of 27,752,523 shares, CB4 converted a total of 7,967,181 shares, CB5 converted a total of 5,113,793 shares, CB6 converted a total of 423,655 shares, CB7 converted a total of 1,178,689 shares, and CB8 converted a total of 24,690,410 shares.

(III) Shareholder structure

Record date: March 31, 2023, Unit: shares

| Shareholder structure / Volume | Government agencies | | Financial institution | Other institutions | Foreign Institutions and foreigners | Individual | Treasury stock | Total |
|---|---|---|---|---|---|---|---|---|
| Count | 1 | | 0 | 273 | 115 | 70826 | 0 | 71,215 |
| No. of shares held | 2 | | 0 | 51,318,264 | 25,907,379 | 223,396,607 | 0 | 300,622,252 |
| Shareholding percentage (%) | 0.00 | | 0.00 | 17.07 | 8.62 | 74.31 | 0 | 100.00 |

Note: The first TWSE/TPEx and emerging stock market listing companies shall disclose the shareholding percentage of Chinese capitals, defined as the individuals, institutions, groups, other institutions, or their invested companies in any third areas set for in Article 3, the Regulations Governing Permission of Investments Made in Taiwan by People from Mainland China.

(IV) Shareholding Distribution

March 31, 2023; Unit: shares

| Shareholding Tiers | Number of Shareholders | No. of shares held | Shareholding percentage % |
|---|---|---|---|
| 1 to 999 | 42,383 | 3,626,146 | 1.21 |
| 1,000 to 5,000 | 22,290 | 48,948,774 | 16.28 |
| 5,001 to 10,000 | 3,686 | 29,661,129 | 9.87 |
| 10,001 to 15,000 | 935 | 11,997,968 | 3.99 |
| 15,001 to 20,000 | 690 | 12,884,441 | 4.29 |
| 20,001 to 30,000 | 449 | 11,564,102 | 3.85 |
| 30,001 to 40,000 | 224 | 8,052,365 | 2.67 |
| 40,001 to 50,000 | 138 | 6,464,214 | 2.15 |
| 50,001 to 100,000 | 233 | 16,632,050 | 5.53 |
| 100,001 to 200,000 | 95 | 13,543,739 | 4.51 |
| 200,001 to 400,000 | 42 | 11,424,014 | 3.8 |
| 400,001 to 600,000 | 14 | 6,858,549 | 2.28 |
| 600,001 to 800,000 | 2 | 1,386,000 | 0.46 |
| 800,001 to1,000,000 | 6 | 5,715,913 | 1.9 |
| More than 1,000,001, may be tiered based on the actual needs | 28 | 111,862,848 | 37.21 |
| Total | 71,215 | 300,622,252 | 100.00 |

(V) Names of major shareholders

March 31, 2023; Unit: shares

| Name of major shareholder \ Shares | Shares held | Shareholding percentage % |
|---|---|---|
| Ennostar Inc. | 23,799,000 | 7.916 |
| Harvestar Investment Corp. | 11,120,000 | 3.699 |
| Bosco Foo | 8,013,999 | 2.666 |
| Calystar Investment Corp. | 6,818,000 | 2.268 |
| Ching-Ho Hsu | 5,593,530 | 1.861 |
| Yan-Kang Fu-Li | 5,361,997 | 1.784 |
| Hsieh, Chao-Bao | 5,102,000 | 1.697 |
| Vanguard Emerging Market Equity Fund Special Account, under custody of JPMorgan Chase Bank Taipei Branch | 4,262,000 | 1.418 |
| Shi-Chiang, Hsiung | 4,110,729 | 1.367 |
| Chia Long Enterprise Co., Ltd. | 3,823,479 | 1.272 |

(VI) Market Price, Net Worth, Earnings, and Dividends per Share for the Past 2 Years

| Item \ Year | | | 2021 | 2022 | Current year up to March 31, 2023 (Note 8) |
|---|---|---|---|---|---|
| Market price per share (Note 1) | Highest | | 32.95 | 30.35 | 19.95 |
| | Lowest | | 16.35 | 14.70 | 16.25 |
| | Average | | 25.08 | 20.83 | 17.73 |
| Net worth per share (Note 2) | Before distribution | | 14.83 | 13.17 | 13.07 |
| | After distribution | | 13.83 | 13.17 | — |
| Earnings per share (EPS) | Weighted average amount of shares (thousand shares) | | 300,621 | 300,621 | 300,621 |
| | Earnings per share (Note 3 and 9) | Before dividend | 2.41 | (0.6) | (0.12) |
| | | After dividend | 2.41 | (0.6) | — |
| Dividends per share | Cash dividends | | 1.00 | 0 | — |
| | Bonus shares | Shares from earnings | — | — | — |
| | | Shares from capital reserve | — | — | — |
| | Accumulated unpaid dividend (note 4) | | — | — | — |
| Analysis of ROI | Price earnings ratios (Note 5) | | 10.41 | (34.72) | (147.75) |
| | Price to dividend ratio (Note 6) | | 25.08 | — | — |
| | Dividend Yield (Note 7) % | | 3.99 | — | — |

*Where stock dividends were paid from earnings or capital reserves, market price and cash dividends per share are adjusted retrospectively for the number of new shares issued.

Note 1: The table shows the highest and lowest market price of common shares in each year; average market price is calculated by weighing transacted prices against transacted volumes in the respective years.

Note 2: Calculated based on the number of outstanding shares at year-end; amount of distribution resolved in next year's board meeting or shareholders meeting is presented in the table.

Note 3: Where stock dividends were issued, EPS are disclosed in amounts before and after retrospective adjustments.

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

Note 5: P/E ratio = average closing price per share for the year / earnings per share.

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

Note 7: Cash dividend yield = cash dividends per share / average closing price per share for the current year.

Note 8: Net worth per share and earnings per share are based on auditor-reviewed data as of the first quarter of 2023. For all other fields, calculations are based on data as at the end of their respective years.

Note 9: No earning is distributed for 2022.

(VII) Dividend policy and execution:

1. Dividend policy:

Annual surpluses concluded by the Company are first subject taxation and reimbursement of previous losses, followed by a 10% provision for statutory reserves; however, no further provision is needed when statutory reserves have accumulated to the same amount as the Company's paid-up capital. Any surpluses remaining shall then be subject to provision or reversal of special reserves, as the laws may require. The residual balance is then added to unappropriated earnings carried from previous years (including adjustments), which the board of directors may propose to distribute or withhold to reimburse losses. Shareholders' resolution is required if the appropriation involves issuance of new shares.

The Company adopts a dividend policy that allows the board of directors to propose dividends after taking into consideration the Company's future capital requirements, long-term financial plans, and shareholders' needs for cash inflow. Profit sharing to shareholders can be paid in cash or shares, provided that the cash portion does not amount to less than 10% of total profit sharing.

Any cash distribution of dividend, profit, legal reserve or capital reserve, whether in whole or in part, must be resolved in a board meeting with more than two-thirds of the board present, voted in favor by more than half of attending directors, and reported in the upcoming shareholder meeting.

2. Earnings distribution proposed to this AGM:
On June 8, 2022, the shareholders' meeting approved the amendment to Article 18-1 of the Company's Articles of Incorporation, authorizing the Board of Directors to resolve the distribution of cash dividends every six months. The cash dividends approved by the Company's Board of Directors for 2022 are shown in the following table.

| Dividend year | Date when the board of directors resolved the dividend distribution. | Cash Dividend Per Share | Total amount of earnings distribution (NTD) |
|---|---|---|---|
| 111 | 2023/2/22 | 0 | 0 |

3. Explanation when the dividend policy is expected to change materially: None

(VIII) The Impact of Bonus Shares on Business Performance and EPS: not applicable

(IX) Employees’ and directors’ remunerations

1. Employees’ and directors’ remuneration percentage or ranges stated in the Articles of Incorporation:
Pursuant to the Articles of Incorporation, for the current profit before tax for a fiscal year of the Company before deduction of the remuneration of employees and the remuneration of Directors, an amount equivalent to 5% to 15% of such profit before tax shall be appropriated as the remuneration of employees and an amount not greater than 5% of such profit before tax shall be appropriated as the remuneration of the Directors. The Board of Directors resolves to distribute remunerations in shares or cash, and the employee subject to such distribution include employees of subordinate companies who meet certain conditions. Employees’ and directors’ remuneration distribution proposals shall be submitted to the shareholders' meeting for reporting.
However, if the Company still has accumulated losses (including adjustment of undistributed earnings amount), an amount shall be reserved for making up the accumulated loss first.

2. The estimation basis of the estimated employees’ and directors’ remuneration; the share calculation basis for the employees’ remuneration distributed in shares, and the accounting treatment if any difference between the actual distributed amount and estimations:

(1) The basis for estimating the amount of employee and director profit-sharing compensation: a loss is recorded for the period, so this is not applicable

(2) The share calculation basis for the employees’ remuneration distributed in shares: there is a loss before tax for the period, so this is not applicable.

(3) The accounting treatment if any difference between the actual distributed amount and estimations: After the end of the year, if there is a material change in the amount of distribution resolved by the Board of Directors, the change shall be adjusted to the expenses at the year of recognition; if the distributed amount resolved by the Board of Directors differs from the actual distributed amount, it shall be treated as accounting estimate changes, and adjusted in the year of distribution. A loss before tax is recorded for the period, so this is not applicable.

3. Information regarding the employees' remuneration distribution approved by the Board of Directors:

(1) Employees' and directors' remunerations distributed in cash or shares. Where there is a difference with the estimated amount for the year, in which the expenses are recognized, the amount of difference, reason, and accounting treatment shall be disclosed: a loss is recorded for 2022; pursuant to Article 18 of the Articles of Incorporation, no employee and director profit-sharing compensation will be distributed.

(2) Employee remuneration paid in shares as a percentage of current net profit after tax and the total employee remuneration: not applicable.

(3) EPS after distribution of employees' and directors' remunerations: not applicable.

4. Actual distribution of employees' and directors' remunerations (including distributed cash, shares, and share prices) in the previous year, and difference, treatments and explanations if any difference from the recognized employees' and directors' remunerations exists:

The Company's 2021 business generated a net profit after tax of NT$724,850 thousand. After a resolution of the Board of Directors in 2022, the employees' remuneration was NT$61,702 thousand, and the directors' remuneration of was NT$11,580 thousand. The actual distribution is consistent with the original resolution adopted by the Board of Directors.

(X) Shares repurchased by the Company: None

## II. Corporate bonds, preferred shares, overseas depository receipts, employee warrants, and merger/acquisition/divestment through exchange of shares

(I) Corporate bonds:

1. Convertible corporate bonds: None
2. Exchangeable corporate bonds: None
3. Corporate bond information relevant to aggregate reporting: None
4. Corporate bonds with warrants: None

(II) Preferred shares: None

(III) Disclosure relating to global depository receipts: None

(IV) Employee warrants: None

(V) New issuance of employee restricted shares: None

(VI) Issuance of new shares for business acquisition or share exchange: None

## III. Progress on planned use of capital: Not applicable.

# Five. Operational Overview

I. **Business description**

(I) Business scope

1. Major lines of business:

A. Research, development, production, manufacturing and sale of the following products:

(1) Gallium arsenide, infrared, light emitting diode, laser diode, phototransistor, photodiode, single crystal epitaxy and crystal grain.

(2) Optoelectronic system, software/hardware of computers and peripheral equipment, electronic final products, semi-products, various wireless/wired telecommunication equipment and various wireless anti-burglary equipment. (Limited to business operation by branch offices outside the science park).

(3) Radio transmitter, radio transceiver, radio receiver and other electrical machineries capable of generating radio radiant energy. (Limited to business operation by branch offices outside the science park)

(4) Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and lighting accessories, traffic sign equipment and other machinery.

B. Export and import businesses of the aforementioned products.

2. Major product (service) and the business weight

| Major products | Key usage or function | Weight of business in 2022 |
|---|---|---|
| Compound semiconductor components | **Visible LED products**<br>Applications: Small light bulbs, digital displays, dot matrix displays, light source displays for fax machines, home appliances, communications, computers, automobiles and other consumer products indicating components, traffic signs, outdoor display screens, and automotive dashboards.<br>**Infrared light LED products**<br>Applications: Transmitting components such as mouse, remote control, electronic toll collection system, wireless transmission products, general OCs and industrial high-speed OCs.<br>**Optical communication products**<br>Applications: optical fiber communication modules, SWIR optical sensing components, Bluetooth true wireless stereo (TWS) headsets, under-display sensing module (UDS). | 34.19% |
| SI component | **Photo-transistor componets (PT)**<br>Applications: Optical coupler, optical interrupter, proximity sensor (non-contact sensor), infrared monitor control, and other components for monitoring.<br>**Photo-Diode (PD)**<br>Applications: Components for remote control reception of consumer products such as home appliances, communications, computers, and automobiles, medical care (oximeter and pregnancy test), fire and smoke detection, mechanical positioning, motor speed measurement, and panel touch.<br>**Zener Diode (ZD)**<br>Applications: Application components for LED packaging (stabilization, rectification, electrostatic protection, bridging, leakage detection).<br>Transient voltage suppressors (TVS)<br>Applications: Electrostatic protection components for consumer products (mobile phones, computers, handheld devices, etc.).<br>**Chip resistance (CR)**<br>Applications: LED packaging, application components of various circuit boards (voltage adjustment, and current control). | 56.52% |
| Others | Design and manufacture of LED module application | 9.29% |

3. New products (services) in development in plan
  (1) High power GaN blue LED
  (2) Flip chip GaN blue LED
  (3) 6” wafer and 2D/3D sensing PD
  (4) 6” wafer and high precision and power components
  (5) High power AlGaInP light emitting diodes
  (6) High speed communication photodiodes
  (7) SI power transistor and diode
  (8) ACLED
  (9) Ambient light source sensing components
  (10) Shortwave blue light sensing components
  (11) Red light and infrared LED for wearable and medical care
  (12) Wearable sensing elements (blood oxygen, heartbeat monitoring)
  (13) Si substrate capacitance
  (14) Monitor PD for optical communication light source intensity monitoring
  (15) Silicon sub-mount
  (16) VCSEL/UV/PD integrated components
  (17) Polycrystalline photoelectric components
  (18) New generation semiconductor material components
  (19) Wearable and handheld device distance sensing components
  (20) Infrared diodes for high-speed industrial control
  (21) Point light source LEDs
  (22) SWIR optical sensing components

In the future, the consolidated company will continue to accelerate the development of various new products based on refined R&D technology, and aim to pursue the product quality and cost competitiveness in order to lead the peers.

(II) Industry Overview

1. Industry status and overview

In 2022, the global production value of LED components reached approximately US$16 billion (including sum of LED epi-wafers, crystal grains, packaging, and modules), a decline of 7.5% from 2021. In 2023, due to the continued recession of the global economy, it is estimated that the global LED component production value may still decline by 5.3% in 2023, to $15.1 billion.

The LED component industry in various regions of the world has been volatile. Due to China's strict "zero-COVID and lockdown" policy, China's LED production value has declined by as much as 15%, while other regions have experienced declines as wells, such as 12% in Taiwan, 2% in Japan, and 1% in the United States. Europe and South Korea grew slightly by 3% and 5%, respectively. Looking at the changes in the market share of global LED component production value in 2022, China still led in terms of the global LED component production value, with a market share of 25%, but it has dropped by 4% from 29% in 2021. Followed by Taiwan and Japan, the market shares are about 20%; followed by Europe and South Korea, the market share are about 15%; and the United States occupies about 5% of the market share.

2. Linkages among the industry’s up-, mid-, and downstream

LED is a kind of semiconductor electronic component; the current drives the conversion of electric energy into light output. It is one of the main modern light sources and is commonly used in lightings, screen backlighting or display purposes.

The links of LED lighting industry are summarized as follows:

| Upstream | | Midstream | | | Downstream | |
|---|---|---|---|---|---|---|
| **Sapphire wafer/ substrate**<br>Crystalwise/Technology/Rubicon.… | ⇨ | **Production process/testing equipment/raw materials**<br>FitTech/TOPCO.... | **Light Source/Epitaxy/Grain**<br>TYNTEK/ Epistar/ Taiwan-Asia... | ⇨ | **Packaging/ Modules**<br>LITE-ON/ Everlight/ Para Light/ Bright/ Harvatek / Ledtech... | **Lightings/Appication**<br>Everlight/ Genius/ Edison/ Laster ... |

The key upstream materials of LEDs are sapphire wafers and substrates, and sapphire (Al2O3) is the main substrate material for the gallium nitride (GaN) crystal light-emitting layer. Because sapphires meet the high temperature resistance requirements of the epitaxy process, the sapphire substrate has become a key material for the production of ultra-high brightness blue, green, blue-green and white LED grains. Currently, 4-inch/6-inch specifications are the mainstream in the market, and most suppliers are oriented towards 6-inch or differentiated directions. The future demand for Micro/Mini LED will be the main driving force for LED chip manufacturers to expand production. Therefore, except for Chinese manufacturers, manufacturers in Taiwan, Europe, America, Japan, South Korea and other countries are also in need of production expansion. The additional production capacity mainly comes from the demand for Micro/Mini LEDs; hence it is estimated that the proportion of 6-inch/8-inch wafer production will increase year by year. In recent years, price of sapphire substrates have continued to fall due to price-cutting competition from suppliers in China. In the future, it is estimated that Chinese manufacturers will account for 80% of the global sapphire substrate market.

The key products of LED midstream are single chip/crystal grain and epitaxial wafer/crystal grain. A single-wafer is a substrate of raw materials, using III-V compounds such as arsenic, germanium, phosphorus to make substrates for wafer growth, and make the wafers into epitaxial wafer through the epitaxy method. The commonly used epitaxy techniques include liquid phase epitaxy (LPE), vapor phase epitaxy (VPE), and metal-organic chemical vapor deposition (MOCVD). Depending on the needs of different LED components, LED epitaxial wafer electrodes are produced through processes such as diffusion, metal film deposition, etching, and heat treatment, and then the epitaxial substrate is thinned and polished and then diced into single crystal grains. In the past few years, Chinese manufacturers have actively expanded their factories, causing product prices to fall, and some application markets are saturated. Therefore, the wavelength and electrical characteristics of LED epitaxy are highly discrete. Hence, the reliance on detection and sorting is required, and the market scale growth is limted, leading to global overcapacity. Consequently, the global epitaxy companies have been moving towards consolidation or strengthening R&D of niche products, in order to reduce costs and enhance product competitiveness.

The downstream of LED is the crystal grain packaging, modules, and lights and lighting application industries. According to different packaging technologies, there are various types of components such as lamp, digit display, dot matrix, SMD, among various component formats. LED packaging components are used in a wide range of fields, including alternative light source lighting, plant lights, indicator lights, outdoor billboards, automotive lights, and backlight modules. Invisible light is optical coupler components, infrared emitters, photointerrupter components, security control equipment, among other things.

3. Various development trends and competitive situations of products

In 2022, the production value of LED components (LED epitaxial wafers and grains, and LED packaging and modules) in Taiwan reached NT$91.8 billion, an overall decline of 12%. The main reasons for the decline are relatively mature technology, oversaturation of the global market, and the price competition from the red supply chain in China, and the general backlight and lighting applications have entered the Red Sea market where supply exceeds demand. Although the outbreak of the pandemic in 2021 has caused a global stockpiling panic, manufacturers are worried about logistics disruption and material with abundant supply or insufficient supplies that affect production; therefore, orders were placed repetitively to get shipment, resulting in excessive demand, and a surge in orders, even 2 to 3 times higher than the basic demand. It is estimated that the overall production value exceeded NT$100 billion. However, the outbreak of the Russia-Ukraine War in 2022 caused the economic recession; and in the second half of the year, due to the slowdown of the pandemic and the re-opening of society, the demand for various terminals stabilized. Manufacturers continued to digest inventory, leading to the cancellation of orders or deferred shipments in the upstream/midstream supply chain, resulting in LED epitaxial wafer and grain industry in Taiwan began to decline sharply, and the capacity utilization rate was generally poor.

Driven by brand companies such as Apple and Samsung, some manufacturers have invested a lot of resources in Mini LED and expanded the applications of III-V semiconductors. The demand for Mini LED backlight has increased significantly. Taiwanese LED epitaxial wafer and grain manufacturers are also actively expanding Mini LED production capacity, and adopt COB (Chip on board) program to improve product quality. However, under the influence of many market factors, the demand for consumer electronic displays has slowed down, and the Company's operating loss pressure is not small. It is estimated that in 2022, the production value of LED epitaxial wafers and grains in Taiwan would decline by 24%, reaching NT$21.8 billion.

In fact, most of Taiwanese LED epitaxial wafer and grain manufacturers have already started strategic deployment, by extending their business to other compound semiconductors, such as VCSEL, which are applied in 3D sensors, VR/AR and other markets, as well as wide bandgap semiconductors, such as Gallium Nitride (GaN) and Silicon Carbide (SiC), applied in power or radio frequency components. It is sought to provide customers with comprehensive solutions through diversified positioning. Meanwhile, the proportion of LED-related revenue is declining year by year. The Company has been actively expanding into non-LED fields including sensors as a means to satisfy demand for applications such as wearable device, automotive, consumer electronics, and medicine.

Although LED packaging and module companies have more diversified application fields and profit-making companies are more, they still cannot escape the plight of a sharp decline in earnings in 2022. The overall production value decreased by 8%, or nearly NT$70 billion. With the emergence of Mini LED, because the COB method gradually replaces the traditional LED backlight module, LED packaging component manufacturers in Taiwan are gradually fading out of the LED backlight market, and continue to shift to automotive, biomedical, or invisible light applications. market.

It is worth mentioning that even though the growth of the automotive market is stagnant, the automotive LED market is still growing, especially LED headlights, direction lights, brake lights (including blind spot detection lights), interior backlight modules and interior atmosphere light modules whose proportions continue to increase. In addition, automotive display panels, including display screens, head-up displays (HUD), and large and small panel, and display panels, are successively installed in vehicles, leading the overall demand for backlight modules continuously expands. In 2022, the production value of automotive LEDs in Taiwan grew by 9%, reaching NT$11.9 billion. It also led to a slight increase of 0.7% in the production value of LED lighting (LED lamps) in Taiwan during the same period, exceeding NT$20.1 billion.

Looking to 2023, Mini LED backlights and display screens are expected to gradually recover, and the demand for automotive LEDs will continue to increase with the strong rise of electric vehicles. General LED lighting has also formed a stable consumer market. Driven by energy saving and green energy, LED lights will continue to penetrate. In the invisible light market, infrared LED and UV LED applications have not only the niche markets in the biomedical field, but also the wearable products including watches, bracelets, TWS and other supporting applications which will also be a field with stable growth. Later, there are applications and issues related to Micro LED and Metaverse to be developed. It is expected that the LED industry will be optimistic in terms of market growth in the next few years.

On top of the development of the above-mentioned LED-related products, in the sensing components business, in addition to continuing the positioning of sensing components in the original consumer electronics products, the Company is also actively developing new applications. Of which, in 2019, due to COVID-19, the disposable optical blood oxygen sensors embraced a huge demand, with the spilling effect on the consumers needs for immediate and continuous physiological monitoring (blood oxygen, heart rate, blood pressure, blood sugar, among other things), so various wearable devices rose, and led to a wave of growth. It is estimated that the demand for related wearable devices will reach NT$500 million in 2023, and the compound annual growth rate from 2018 to 2024 is expected to reach 26%.

In addition to the application of sensing components for wearable devices, with the development of the Internet of Things, the need for fast and less interference transmission will also be another long-term momentum, especially for the sensing of wavelengths 1310nm and 1550nm suitable for long-distance transmission, and 850nm sensing with relatively low cost and adopted in short-distance transmission; these are also expected to contribute to the Company's future revenue. It is estimated that the compound growth rate of global IoT connected devices will reach 17% from 2018 to 2025.

In the era of everything to be smart, sensing devices are even more indispensable. For example, robotic vacuum cleaners have gradually entered households and become an critical demand in for households. However, comparing the appliance widely used in households, such as TVs, refrigerators, and washing machines, robotic vacuum cleaners still have a lot of room for growth. Taking China as an example, the above-mentioned three appliances account for about 90% of households, while robotic vacuum cleaners account for less than 10%. Therefore, the demand is also expected to contribute to subsequent revenue. Another future application is in autonomous driving. As Level 2 has been widely adopted in new vehicles, safety considerations will receive more attentions. The monitoring of face, eyeballs, and driving heart rate to prevent safety problems caused by fatigue will also make optical sensing components more widely used.

In addition, the application of optical encoder sensing components in industry, driven by automation demand and Industry 4.0, is estimated to have a compound annual growth rate of 19.07% from 2022 to 2026. In this year, the new reflective high-precision optical encoder component will also be introduced, with a promising future market.

Generally larger industries adopt photo couplers and photo interrupters. Due to the characteristic of excellent anti-interference , the relevant sensing components are basically used for the adapters. The photo transistors adopted n the high-voltage controlling unit also sees increasing proportion. In antistatic protection components, the Company is also actively developing electrostatic protection components suitable for high and low voltage and flip-chip Zener diodes. In addition, the transient voltage suppressors (TVS) that prevent surges and transient high-power voltage impacts are also developed with corresponding products.

Other than the above-mentioned sensing components, in terms of power semiconductor devices, due to the increasing application of the power management industry, industrial control, new energy, inverting home appliances, data centers, 5G, IoT and other fields will also be the core areas for the rapid growth of power semiconductor devices. In light of this, the Company has successively completed the development of Schottky, power diodes, TVS and other power components in 2021. Customers are widely used the products in new energy - solar junction boxes, chargers; power supply - power conversion (AC-DC or DC-DC); as well as protection components and other fields.

(III) Technologies and R&D:

1. Technical level of the business operated

The consolidated entity continuously develops new products and new technologies, and improves manufacturing processes in III-V compound semiconductors and Si sensing components. Currently, the Company has the R&D and manufacturing capabilities of high-speed optocoupler infrared LED, patented LED point light source, SWIR sensing components (InGaAs), high-speed (100G~400Gbits) optical communication products, Si photo thyristor, and Si photo voltage generator. In addition, the Company has numerous patents for key components in terms of Si components. Since infrared LEDs, Si components, and SWIR sensing components (InGaAs) are the future development trend of security surveillance, automation, and various bio-medical smart sensing, the consolidated company will have more competitive edges due to its multiple patents on gallium arsenide (GaAs) infrared crystal grain patented process technology and Si components, and extend the technology to high-speed optical communication components.

2. Research and development

The consolidated company has engaged in the R&D capability for compound semiconductor and Si high-voltage components, and with the continuous efforts over the past years, we have been able to develop and launch numerous outstanding new products, and have also been able to gain support from the public sector and government agencies, All of such achievements demonstrate the consolidated company's commitment and dedication in R&D technologies.  After the consolidated company has completed the development and mass production of VCSEL surface emitting laser diodes, SWIR sensing components (InGaAs), Si photo thyristor, Si photo voltage generator, and our production line becomes more complete. To develop products of greater retrospectivity and marketability, in recent years, the consolidated company is fully dedicated in the research and development of third-generation GaN on Si (high-voltage power electronics) and the fourth generation of (gallium oxide) semiconductors, and Si high-voltage transistors applied on mobile phone and wearable device, and sensors for the fields of automobile, medical care and precision control. We have received orders from various international major manufacturers in Europe, Americas, Japan and Taiwan. In addition, the consolidated company is also active in the investment of relevant product application fields. With the rapid growth of the optoelectronic market, the application scope of various products continues to expand, and the market demand is increasing. To satisfy the market demand, the consolidated company will continue to focus on the development of the following products:

A. High density 2D/3D semiconductor passive components
B. High sensitive avalanche photodiode (APD)
C. High power AlGaInP light emitting diodes
D. High speed optical communication laser diodes
E. Multiband photo detectors
F. Dark violet (DUV/UVC) sensors
G. Silicon substrates with built-in electrostatic protection components
H. Flip-chip Zener diodes
I. Flip-chip optical diodes
J. Surface roughened high-sensitivity photodiode

K. Sensing components for medium and high-end optocoupler applications (Hi Volt PTR, Darlington, Triac)
L. sensing components for photoelectric relay application (Power MOS, PVG)
M. New automotive silicon substrate integrated Zener Components (ZPEC)
N. Photo diode integrated circuit (PDIC)
O. Low-capacitance transient voltage suppressors (TVS)
P. High speed optical communication laser diodes
Q. Vertical cavity surface emitting laser (VCSEL) diodes
R. D-mode GaN on Si MIS-HEMT
S. E-mode GaN on Si HEMT
T. MEMS analogue signal sensor
U. Chip Scale Package (CSP)
V. New generation semiconductor material components
W. Long wavelength sensing components
X. Infrared diodes for high-speed industrial control
Y. Point light source infrared diode

3. R&D expenditures input in the recent year and up to the publication date of the annual report:
(1) 2022: NT$141,652 thousand.
(2) March 31, 2023: NT$37,972 thousand

4. Recently developed technologies or products in the last year and up until the publication date of annual report:

| Year | Project | Main benefits |
|---|---|---|
| 2018 | Development of high-speed, thin-type IR products | Customers need not replace other components and can achieve product upgrade simply by replacing the IC. |
| | SI high-speed, small-size, and multi-wave length light-sensitive diode | Used for smartphone 3D TOF applications such as facial recognition and smart headphone, and as sensors for automobile applications such as automated windshield wiping and automated head lamp. |
| | Side photodiode components for COB packaging | A side photodiode design unlike conventional TO-Can packaging that can be applied to COB packaging for high-speed transmission; awarded patents in multiple countries. |
| | Development of VCSEL packaging and laser packaging | Used for face, object, and package detection. |
| 2019 | Development of long wavelength IR LED | Used in next-generation under-display fingerprint scanner and proximity switch |
| | High/low CAF, 4-color LED components | Used in smart medical lighting systems |
| | Smart ergonomic lighting equipment | |
| | Multi-crystal wide-color light source | High image resolution, enhanced product identification |
| 2020 | Wearable sensing component | Monitoring application for blood oxgen and heart beats |
| | Ambient light source sensing components | Applied to detect the ambient light sources for switch on/off. |
| 2021 | Industrial high-speed opticalcoupler 850nm light source | High-speed opticalcoupler infrared light source for industrial use maintains a stable luminous power at different ambient temperatures |
| 2022 | Flip PD | Reduce package height, volume and shading of electrodes themselves |
| | IR ONLY Flip PD | No coating is required, and the IR only effect can be achieved through its own physical characteristics. |
| | Surface roughened PD | Through granulation, the light-receiving area is enlarged and the sensitivity is improved |
| | PD Array crosstalk cancellation Design | There is no need to use coating to achieve the purpose of shading |
| | High Voltage type PTR | Increase the photoelectric control components used under high voltage |
| | Rbe photoelectric crystal | Optocoupler application receiver components to expand product application |

| Year | Project | Main benefits |
| --- | --- | --- |
| | Flip Zener | ESD protection application of automotive LEDs, expanding product applications. |
| | CRD design optimization | By shorting the N-JFET source & gate, to use only a single component to achieve the characteristic of constant current. |
| | Low side light and high power point light source products | The low-side light point light source provides a better signal-to-noise ratio solution for encoders, interrupters, and low-speed fiber optic light sources |
| | High voltage depletion gallium nitride high electron mobility transistor | Consumer fast chargers and DC/DC power conversion applications |
| | MEMS analogue signal sensor | Pressure sensor application |
| | Silicon photo thyristor | High voltage circuit load switching control |
| | Silicon photovoltaic voltage generator | Automotive relay applications |

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

1. Short-term Business Development Plan:
   (1)Based on the currently existing business, continue to dedicate in the development of high frequency/high power products and various Si sensors and protection components. In addition, for different markets, develop sales method suitable to the local markets.
   (2)Continue to promote the rationalization and flexibility of production process, in order to achieve harmony between production and sales, as well as to achieve most optimal operating economic scale; implement quality management thoroughly and achieve the goal of Quality First with best effort. Increase automatic production efficiency and product yield rate, engineering research and development process systematization, thereby improving overall management quality.
   (3) To respond to market demands in new application fields, the Company continues to expand 5” and 6” wafer production capacities and efficiency.
   (4) Coping with the slowdown of the pandemic, facing inflation, geopolitics, and information security issues, we will improve the control and responsive strategies for various emerging risks, with flexible adjustments.
2. Long-term Business Development Plan:
   (1) In addition to continue to improve quality and to maintain excellent cooperation relationship with domestic and foreign giants in the industry, the Company aims to expand the market share as well as to establish complete sales channels globally and diverse business strategies.
   (2) Integrate various products of the Company and subsidiaries, and establish the operational development model with horizontal expansion and vertical integration, thereby increasing the overall competitiveness of the Company.
   (3) Continue research and development, maintain the leading position in manufacturing technologies, and improve OEM capability, thereby exploiting the Company’s advantage in the mass production economic scale.

## II. Market, production and sales overview

(I) Market analysis:

1. Table of geographic areas where the main products sold in the recent two years

Unit: NTD thousands

| Product \ Year | | 2021 | | 2022 | |
| --- | --- | --- | --- | --- | --- |
| | | Amount | % | Amount | % |
| Domestic sale | | 832,820 | 26.33 | 638,387 | 26.39 |
| Export | Asia | 2,258,083 | 71.38 | 1,687,668 | 69.75 |
| | Americas | 72,079 | 2.28 | 84,710 | 3.50 |
| | Europe | 393 | 0.01 | 8,744 | 0.36 |
| Total | | 3,163,375 | 100.00 | 2,419,509 | 100.00 |

2. Market share:

Unit: NTD thousands

| Year \ Item | Parent-only domestic sales income of TYNTEK | Sales value of the LED (crystal grain) (Note 1) | Market share |
| --- | --- | --- | --- |
| 111 | 445,299 | 48,442,210 | 0.92% |

Note 1:source: Department of Statistics, MOEA

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

(1) Market demands

For visible light LED products, the traditional manufacturing process is based on binary or ternary intermetallic compounds gallium phosphide (GaP), gallium arsenide phosphide (GaAsP) and aluminum gallium arsenide (AlGaAs) grown and composited on epitaxy wafers. Given the relatively low brightness of output, it is usually used as indicator light. As the LED technology advances, the brightness and efficiency is gradually enhanced. The number of use cases expands given the small size of components and multiple colors for indicator lights.

The subsequently developed AlInGaP, a quaternary intermetallic compound, provides significantly higher luminance for red and yellow lights when grown on epitaxy wafers in MOCVD (metal organic chemical vapor deposition) chambers, along with metal bonding technology. This is widely used in outdoor signage, displays and lighting in automotive, for decoration and plant growth.

For high-brightness blue and green LEDs, InGaN is used as the luminescent material. Blue LED dies converted by phosphor into white light are packaged into display backlights or used in lighting products for the mass consumer market.

Mini LED and Micro LED are visible light products in the spotlight during the past two years. Mini LED is as small as 50 to 100 micrometers. This small size allows fine tuning and local adjustment of luminescence as display backlight. There will be no light spots amid blackness and the gray scales become shaper and brighter. Electricity to each LED is also more efficient than traditional backlight, which requires electricity on the entire backplane. The adoption of Mini LED by a leading brand from the U.S. for tablets in 2022 resulted in significant growth in demand for Mini LED and many manufacturers jumped on the bandwagon by producing Mini LED. This also promoted the Mini LED display market. In 2023, the market potential goes beyond the mainstream display market and will be expanded to notebooks, automotive, commercial and large panels for home use.

Micro LED is even smaller than Mini LED and superior in color rendering and resolution. It can be used in virtual reality (VR), augmented reality (AR) and mixed reality (MR), as well as AR pico projectors and automotive head-up display (HUD) projection that require high brightness. Despite the outstanding performance overall, production yield of Micro LED is still a challenge due to small die size (<50μm). Hence, the cost remains high. It is now mainly used in small-sized panels and niche applications.

Visible light LED products are ubiquitous in the day-to-day life, widely used in consumer electronics such as mobile devices and wearables, home or industrial electronics equipment, commercial outdoor signage, in-vehicle atmosphere light, directional lights and brake lights for automobiles, general lighting, decorative lighting, backlighting for computers and tablets, traffic signs and projector light sources.

Invisible light LED products are mainly infrared LED and UVA/UVB/UVC LED. The luminescent material of infrared LED is primarily AlGaAs, GaAs and InGaAsP, at a wavelength from 700nm to 1000nm. It is used in remote controls, wireless mouses, communications modules, IrDA, optical couplers, short-range optic fibers and infrared lighting. The main applications on mobile devices are distance sensors, digital medicare (heart rates, blood oxygen and blood glucose sensing). In the auto market, it is used for in-vehicle sensing (facial recognition and gesture recognition) and LIDAR. In the surveillance market, it is used as 850nm IR LED for pedestrian protection, lane detection, apron inspections and night vision. It enables remote control for TV, music systems and lighting equipment in the smart home setting. The emergence of use cases for drones and automatic guided vehicles will create a huge growth opportunity over the next few years. Another market for infrared LED based on InP material is for light emitting devices at wavelengths above 1000nm, mainly 1050/1150/1350nm. The market for consumer electronics, mobile phones and TWS applications continued to grow in 2022. The demand for infrared LEDs as the emitter above 1000nm increased for proximity sensors as an UDS (under displayer sensor), due the popularity of OLED panels and full-screen mobile phones. In addition, the development of TWS application in health management with blood glucose detection at 1350nm will create a new use case for above 1000nm LED.

Ultraviolet LEDs based on AlGaN and AlInGaN materials are used for banknote recognition, photoresin hardening, insect trapping and printing. Further technical development is towards deep ultraviolet sterilization, 3D printing and other applications. The wavelengths ranging between 100nm and 280nm are defined as UVC (Ultraviolet-C), known for disinfection capability. This function served well at the outbreak of COVID-19 and drove the demand of disinfection products. As the pandemic eased off in different countries in 2022, the UVC disinfection market slowed down. However, the base demand remains unchanged.

Finally, infrared laser (VCSEL/EEL) has been gaining traction in the market over recent years. Known for advantages in narrow bean divergence, high photon-to-electron conversion efficiency and fast data transmission, it is gradually used for the consumer market. This includes distance sensing, PDAF (Phase Detection Auto Focus), 3D facial recognition, LiDAR and iris recognition for smartphones, air and quality inspection, high-resolution night vision systems for cars.

As the pandemic eased off in 2022, the gradually reopening by different countries was once expected to drive the economic recovery and growth. Yet the economy ended up slowing down and inflation set in due to the outbreak of the Russia-Ukraine war and the high inventory levels built from 2022 to meet the overheated demand. This combined with consumers' weak willingness to spend resulted in softening of the LED demand starting in the fourth quarter of 2022. The LED market declined about 4.5% in 2022 from 2021. That said, the demand continues to grow from new markets and use cases such as new energy vehicles, autonomous driving and optical communications. Meanwhile, biomedicine, wearables and metaverse continue to develop and the growth momentum remains strong for auto LEDs and sensors. All these factors are positives to the LED demand.

(2) Supplies

As far as the supply of visible light LEDs is concerned, the conventional production technology has matured over the past 20+ years. Taiwanese and Chinese manufacturers continue to add capacities in LED dies, price competition is intensifying with ample supply of visible light LEDs. The demand for traditional LEDs is stabilizing and saturating due to lower brightness and limited use cases; restriction in materials sourcing due to dominance of Japanese suppliers; and the crowding-out effects from high-brightness LEDs. The high-brightness LED chip market has been expanding rapidly during recent years due to technological development by Taiwanese manufacturers in epitaxial growth and the MOCVD equipment procurement subsidies by Chinese local governments. The market was trapped in the red ocean in 2021-2022 due to oversupply and price reduction. That said, the adoption of Mini LED in tables can significantly absorb MOVCD capacities. As a result, high-brightness LED products were once in the blue ocean. Nonetheless, the consumer market is easily affected by the rapid fluctuations of the economy. Moreover, the long-term potential of Mini LED has attracted LED companies from different countries over recent years. Numerous Taiwanese companies have ramped up. The Mini LED capacities in China gradually coming online will become competitive pressure on Taiwanese players. In addition,the economic softening in the fourth quarter of 2022 added to the oversupply of high-brightness LEDs on the MOCVD manufacturing process.

Meanwhile, as the wide adoption of LED lighting products and the maturing of industry clusters, many countries joined the competition of the lighting market. Despite the growing demand for LED chips, lighting product prices continue to fall due to oversupply. The serious imbalance in demand supply continued in 2022.

The competition in the supply of invisible light LEDs is intensifying. Price competition is severe in the infrared market such as surveillance & security, remote control and electronic whiteboards, as manufactures continue to expand capacities. In the niche market for specific wavelengths such as aesthetic medicine, plant (cannabis) growing lamps, iris recognition, optical communication and consumer products above 1000nm, the competition is not only about pricing but also product brightness and stability. The expected rapid market growth has attracted new entrants.

China remains the world's largest LED supplier supported by its government resources and sizable domestic market. Japan is the world's second largest supplier given its global leadership in technological development in high-brightness LED. Korea and Taiwan are both the global No. 3. LED manufacturers from Europe and the U.S. are leading brands with certain market shares.

4. Competition niches

In the market of fierce competition, the consolidated company is able to stay competitiveness and maintain shares for the following reasons:

(1) Industry aspect

As governments around the world are expanding communications infrastructure and metaverse continues to progress, the demand for AR/VR optical components, automotive lens and factory automation continues to increase. Meanwhile, the deployment and upgrade of data centers will drive the growth of optical communications and optical storage. The outlook remains bright for high-speed wireless communications, AI computing and IoT. The increasing demand for data centers and the rising business opportunities for low earth orbit (LEO) satellite are driving the demand for optical communications and optical storage products. Both these two sectors continue with steady growth.

The global pursuit of net zero is increasing the corporate demand for green electricity and the growth of the solar and wind energy market. Going forward, all governments and companies in different countries will be investing in solar and other green energy industries. Meanwhile, the National Development Council has set the target for 20GW of solar capacity by 2025. Therefore, solar installations may increase significantly over the next three years under the policy support. The outlook of the green energy industry remains positive.

(2) Company aspect

A. The capacity has reached the economic scale

The consolidated company has achieved the economies of scale and become one of the top ten die manufacturers in Taiwan, after capacity expansion at the existing 5” fab and with the construction of a new 6” fab. Two fabs are available for addition and adjustment of Si components production to meet large orders from international customers.

B. High production efficiency

The consolidated company has the capacity and scale to supply different product series on a real-time basis, to meet the lead-times required by customers. Meanwhile, we are able to achieve effective outputs, shorten product life cycles and reduce manufacturing costs because of our capacity efficiency. We have been certified for ISO 9001, IATF16949, ISO14001, ISO45001, CNS45001 and QC080000 IECQ HSPM. Our quality is internationally recognized and we are deeply trusted by our customers.

C. Technology innovation

i. Strong R&D and manufacturing capacity of IR LED and Si components

We have manufacturing capabilities for both IR LED and Si components. With continuous efforts in R&D of new products, technologies and manufacturing process improvement, we have successfully developed and sold IR LED high-speed wireless data transmission modules and high-speed inspection components. We have developed IR LED with low inference points. This product was certified by customers in 2022 and can be widely used in industrial encoders.

When it comes to Si components, we have developed photodiodes on flip-chip technology and filtering functionality. We also have patents for low-noise components. Both infrared LEDs and Si components are the future of control components. The consolidated company will be even more competitive given our patents on gallium arsenide (GaAs) infrared epitaxial growing technology and low-noise Si components.

ii. Development of optical communications products

The current mainstream photodiodes for optical communications are 155M to 10G single chips and 40G to 100G array chips, to meet the variety of use cases (EPON, GPON and regional ethernet). Laser power photodiodes for analog or digital communications have been on the market in steady volumes. We have also successfully developed diode components for side-detection on COB (chip on board) packaging. Given the advancement of communications systems and increasing adoption of 5G, higher transmission speeds and bandwidth services are in order for next generation communications systems to meet user needs. The outlook is bright for optical communications components industry.

Light sources of long wavelengths are being adopted in next generation wearables in blood glucose detection, special gas detection on 1100nm~1700nm and sensors for inspection of water contents, glucose levels and quality of agricultural produces. In 2022, we have successfully entered the wearable and under-display recognition markets. The demand growth is expected to continue in 2023.

iii. Development of power components

In 2022, we completed planar TVS and power Zener products for voltage stabilization and circuit protection from transient overvoltage and pulse spikes. The development of product specifications has been completed. Moreover, we continue to develop products for lower voltages and higher powers. On the basis of stable shipments, we are working on high-voltage MOSFET and high-frequency GaN-on-Silicon products and aim to complete the development in 2023 for customer certifications. We focus on RF components, power converters and rectifiers and use cases in new energy, satellite communications, data centers, 5G and IoTs.

iv. Development of photocoupler components

LEDs (visible light and infrared) and photodiodes for photocouplers are currently in mass production. In 2022, we continued to develop phototransistor products, by stacking single components into multiple transistors as the technology advances. Photo triacs are being developed for different use cases on AC-110V/220V and PVG on high-voltage DC. Photocoupler components are widely used forgalvanic isolation,level switch, drive circuits and industrial communications.

D. Comprehensive product lines and high-value added products

The consolidated company often mixes and matches infrared LEDs and Si components to create a variety of product specifications with visible light LEDs, infrared LEDs and Si components. This mix-and-match approach addresses a wide range of customer needs for photocoupler components and makes it easier to access customers. In addition, we extend footprint by developing and manufacturing high-value added power components and provide total solutions to customers by combining with photocoupler components. We continue to develop high-end applications and international clientele.

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

(1) Positive factors

A. The products have many advantages and a wide range of applications

LEDs have the advantages of low heat generation, low power consumption, compact size, long life, and fast response rate. They have been widely used in consumer electronics, signs, communications, information, automotive, medical, and plant lighting. Since the new products and new usages are developed continuously, the demand continues to expand and the market outlook is very good.

B. Good quality and diversified products

The consolidated company has the manufacturing and development capabilities of visible light, infrared LEDs and Si elements, fully meeting customer needs, and the consolidated company's products are of high quality, recognized by customers and certified with number of international quality certifications including ISO 9001, IATF16949, ISO14001, ISO45001, and CNS45001.

C. Strong R&D and manufacturing capacity of IR and Si components

The consolidated company has the ability to manufacture infrared LEDs and light-receiving components, and possesses patents for low-noise components in the regard of light-receiving components, making the consolidated company more competitive in the control component market.

D. With a history of over 40 years since 1972, the Taiwanese LED industry boasts mature and reliable technical capabilities from midstream to downstream. The industrial and business environment is high competitive due to the comprehensive division of labor from up, mid to downstream and the integration with IT, electronics and semiconductor industries. The consolidated company has been expanding capacities during recent years and is now among the top ten largest die manufacturers in Taiwan. The ramp-up by all the fabs further reduces cost, boosts competitiveness and the ability to meet bulk orders from international customers.

(2) Negative factors and responses

A. The source of raw materials is mainly concentrated in Japan, to which the dependence is high.

At present, in the regard of LED upstream raw materials, especially epitaxial wafers, Japan has the advanced technologies and economic scale, and thus domestic LED midstream chip manufacturers mostly imported the raw materials from Japan with the consideration of quality and costs; which leads the risk of concentration of raw material sources.

Countermeasures:

i. Japan's Shin-Etsu Semiconductor has cooperated with Taiwan to set up a factory in Hsinchu Science Industrial Park in 1996 to manufacture gallium phosphide (GaP) epitaxial wafers. The direct supply from here may satisfy part of the company's demand for raw materials, thereby reducing its dependence on Japan.

ii. Actively purchase epitaxial wafers from regions other than Japan to diversify the risk of procurement concentration.

iii. Cooperate with domestic GaP wafer fabs to reduce dependence on Japan.

iv. Establish long-term cooperative relations with major raw material suppliers to stabilize the source of raw materials.

v. Continue to develop and improve the production technology capabilities of epitaxial wafers on our own, such as the quality and quantity of GaAs epitaxial wafers, to reduce dependence on foreign epitaxial wafers.

B. Risk of exchange rate changes

Most of the main raw materials of the consolidated company are imported from abroad, leading to the risk of exchange rate fluctuations. Faced with exchange rate risks, the countermeasures of the consolidated company are as follows:

i. Sale or purchase of forward foreign exchange in advance.
ii. Strengthen procurement capabilities, reduce costs of raw material purchase, and negotiate sharing exchange rate risks with suppliers. If the magnitude exchange rate changes increases, transaction price will be renegotiated with the supplier.
iii. Strengthen the ability to develop sources of incoming materials and avoid excessive influence from a single currency exchange rate.
iv. The quotation system with customers include the consideration of selling price adjustment due to exchange rate changes to protect the Company's existing profits.
v. Pay the expenditure in foreign currency generated from importation with the export revenue in same currency, to shift partial FX risks.
vi. Adjust foreign currency positions based on exchange rate changes.

(II) Key usages and manufacturing processes for main products

1. Key usages of main products

The products of the combined company are mainly divided into two categories: compound semiconductor devices and silicon (SI)devices according to their functions. The important uses of the main products are as follows:

(1) Compound semiconductor components

● Visible LED products

Key usages: Small light bulbs, digital displays, dot matrix displays, light source displays for fax machines, home appliances, communications, computers, automobiles and other consumer products indicating components, traffic signs, outdoor display screens, and automotive dashboards, encoder, interrupter, and low-speed fiber optic light source.

● Infrared light LED products

Key usages: Transmitting components such as mouse, remote control, electronic toll collection system, wireless transmission products, encoder, interrupter, and low-speed fiber optic light source.

● Optical communication products

Key usages: optical fiber communication modules, SWIR optical sensing components, Bluetooth true wireless stereo (TWS) headsets, under-display sensing module (UDS).

(2) SI components

● Photo-transistor components (PT)

Key usages: Optical coupler, optical interrupter, proximity sensor (non-contact sensor), infrared monitor control, and other components for monitoring.

● Photo-Diode (PD)

Key usages: Components for remote control reception of consumer products such as home appliances, communications, computers, and automobiles, medical care (oximeter and pregnancy test), fire and smoke detection, mechanical positioning, motor speed measurement, and panel touch.

● Zener Diode (ZD)

Key usages: Application components for LED packaging (stabilization, rectification, electrostatic protection, bridging, leakage detection).

● Transient voltage suppressors (TVS)

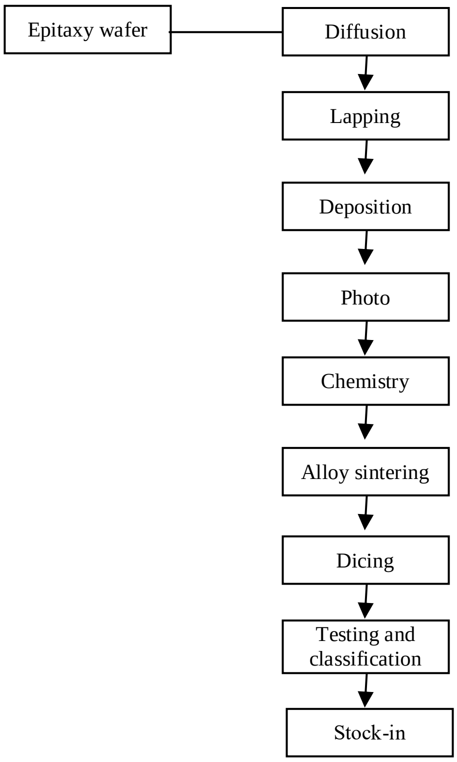
Key usages: Electrostatic protection components for consumer products (mobile phones, computers, handheld devices, etc.).

● Chip resistance (CR)

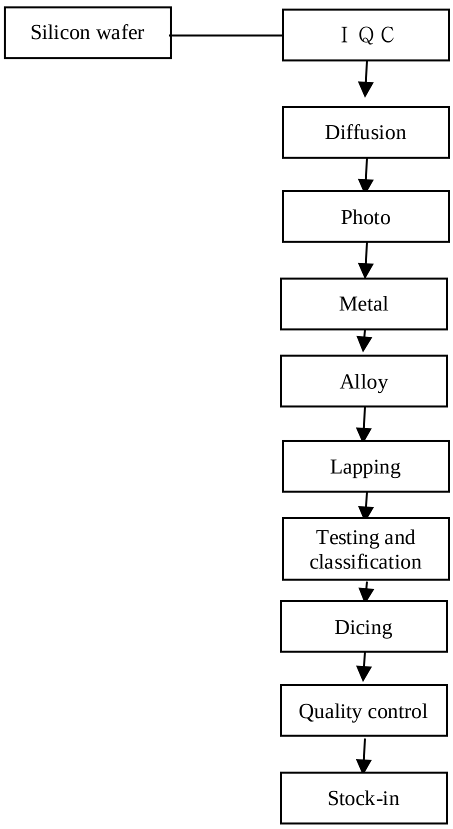
Key usages: LED packaging, application components of various circuit boards (voltage adjustment, and current control).

2. Production process

(1) Compound semiconductor components




(2) SI components



(III) Supplies of key materials

The main raw material of the consolidated company is epitaxy wafers (mainly containing GaP, GaAs/GaAlAs, GaP/GaAsP, InGaAs/InP, Epi wafer and Si wafer). As the upstream manufacturers of LEDs in Japan, Taiwan, China, Germany, Europe and Americas have almost covered the world's upstream raw material market for LEDs with their advanced technology and economic scale, based on product quality and cost considerations and industry characteristics, and the effects of industrial natures, the source of raw materials of the consolidated company is concentrated in a few large foreign factories.

Due to the long-term relationship between the consolidated company and the aforementioned large factories, even there is a concentration of raw materials, there should be no shortage of materials; and in recent years, the consolidated company has actively sought other sources of supply and domestic manufacturers, while foreign manufacturers have also come to Taiwan for establishing factories, the risk of concentration of raw material sources shall be reduced.

(IV) Major customers and suppliers in the latest 2 years

1. Major clients (accounted for 10% or more of the net sales amount)

Unit: NTD thousands; %

| Year | 2021 | | | | 2022 | | | | Q1 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Percentage to the whole-year net sales amount (%) | Relationship with the issuer | Name | Amount | Percentage to the whole-year net sales amount (%) | Relationship with the issuer | Name | Amount | Percentage to net sales amount of the current year up to the previous quarter (%) | Relationship with the issuer |
| 1 | Customer A | 541,409 | 17.11 | None | Customer B | 428,283 | 17.70 | None | Customer A | 90,812 | 17.36 | None |
| 2 | Customer B | 496,892 | 15.71 | None | Customer A | 266,586 | 11.02 | None | Customer B | 53,533 | 10.23 | None |
| 3 | Others | 2,125,074 | 67.18 | | Others | 1,724,640 | 71.28 | | Others | 378,897 | 72.41 | - |
| | | 3,163,375 | 100.00 | | | 2,419,509 | 100.00 | | | 523,242 | 100.00 | |

Reason of changes: the demanded quantity of the end user decreased

2. Major suppliers (accounted for 10% or more of the net purchase amount)

Unit: NTD thousands; %

| Year | 2021 | | | | 2022 | | | | Q1 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Percentage to the whole-year net purchase amount (%) | Relationship with the issuer | Name | Amount | Percentage to the whole-year net purchase amount (%) | Relationship with the issuer | Name | Amount | Percentage to net purchase amount of the current year up to the previous quarter (%) | Relationship with the issuer |
| 1 | Company A | 182,092 | 12.83 | None | Company A | 204,074 | 20.77 | None | Company A | 27,154 | 12.60 | None |
| 2 | Others | 1,236,868 | 87.17 | — | Others | 778,580 | 79.23 | — | Others | 188,377 | 87.40 | — |
| | Net purchase amount | 1,418,960 | 100.00 | — | Net purchase amount | 982,654 | 100.00 | — | Net purchase amount | 215,531 | 100.00 | — |

Reason of changes: no change

(V) Table of Production and Sales Volume and Value in the Recent Two Years

Table of Production Volume and Value in the Recent Two Years

Unit: NT$ thousand

| Main products (or by segment) \ Production Volume and Value \ Year | | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|---|
| | | Capacity | Production Volume | Production Value | Capacity | Production Volume | Production Value |
| Compound semiconductor components | thousand pieces | 14,400,000 | 13,329,253 | 1,002,537 | 14,400,000 | 7,251,462 | 632,462 |
| | Pieces | – | 2,537 | 2,322 | – | 487 | 675 |
| Si component | thousand pieces | 18,000,000 | 16,820,260 | 1,049,627 | 21,600,000 | 9,875,533 | 722,749 |
| | Pieces | 264,000 | 123,084 | 197,615 | 276,000 | 169,504 | 253,976 |
| LED lighting device (piece) | | 1,500,000 | 1,247,307 | 176,978 | 1,500,000 | 1,210,862 | 184,332 |
| Others (Note 1) | | – | – | – | – | – | 9,339 |
| Total | | 34,164,000 | 31,522,441 | 2,429,079 | 37,776,000 | 18,507,848 | 1,794,194 |

Note 1: Other products measured at different units, and thus capacity and production volume are not listed.

Table of Sales Volume and Value in the Recent Two Years

Unit: NT$ thousand

| Main products (or by segment) \ Sales volume and value \ Year | | 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Domestic sales | | Export | | Domestic sales | | Export | |
| | | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Compound semiconductor components | thousand pieces | 977,613 | 153,132 | 11,630,913 | 1,007,002 | 561,176 | 139,106 | 7,277,612 | 685,759 |
| | Pieces | 2,536 | 7,177 | 0 | 0 | 497 | 2,424 | 0 | 0 |
| Si component | thousand pieces | 3,267,294 | 406,736 | 13,085,833 | 1,120,348 | 1,621,513 | 240,702 | 9,032,196 | 810,569 |
| | Pieces | 24,204 | 53,347 | 99,212 | 175,632 | 24,228 | 61,392 | 143,935 | 254,817 |
| LED lighting device (piece) | | 1,173,152 | 198,184 | 90,599 | 26,853 | 1,033,593 | 193,088 | 90,332 | 28,595 |
| Others (Note 1) | | – | 14,244 | – | 720 | – | 1,675 | – | 1,382 |
| Total | | 5,444,799 | 832,820 | 24,906,557 | 2,330,555 | 3,241,007 | 638,387 | 16,544,075 | 1,781,122 |

Note 1: Other products measured at different units, and thus sales volume are not listed.

**III. Number of Employees, Average Years of Service, Average Age, and Education Background Distribution in the Two Most Recent Fiscal Years**

Employees' Information in the Two Most Recent Fiscal Years up to the Date of Publication of the Annual Report

| Year | | 2021 | 2022 | Current year up to March 31, 2023 |
|---|---|---|---|---|
| Number of employees | Technicians | 195 | 202 | 210 |
| | Administrative clerk | 166 | 172 | 171 |
| | Operators | 617 | 583 | 579 |
| | Total | 978 | 957 | 960 |
| Average age | | 38.91 | 39.06 | 39.18 |
| Average years of service | | 8.35 | 8.62 | 8.64 |
| Educational background distribution | Doctoral Degree | 0.20 | 0.21 | 0.21 |
| | Master degree | 5.31 | 6.37 | 6.46 |
| | College | 55.73 | 58.52 | 58.85 |
| | Senior high school | 26.48 | 27.59 | 26.67 |
| | Below senior high school | 12.28 | 7.31 | 7.81 |

**IV. Contribution to environmental protection**

(I) Losses (including damage compensations) and fines incurred due to pollution of environment in the last year up till the publication date of this annual report:

1. 1. Renai Plant violated Paragraph 1, Article 7 of the Water Pollution Control Act on May 9, 2022, that BOD and SS not conforming to the Effluent Standards and was fined NT$189,000.
2. 2. Kejung Plant - On June 29, 2022, violated Article 9, Paragraph 2 of the Toxic and Concerned Chemical Substances Control Act, for not report the operation records of toxic chemical, so it was fined NT$60,000.
3. 2. Renai Plant - On August 18, 2022, violated Article 26, Paragraph 1 of the Toxic and Concerned Chemical Substances Control Act, for not report the operation records of concerned chemical, so it was fined NT360,000.

(II) Response strategies, improvements and possible expenses:

1. In 2022, NT$900,000 was spent on the improvement of discharge water. After the equipment improvement and replacement, autonomous inspection and verification have met the standard of discharge water.
2. Establish a digitized system and operation control process for toxic and chemical substances, with the estimated expenditure of more than NT$100,000.

(III) Environmental monitoring fees:

1. In 2022, the regular environmental monitoring expenses for air pollution, waste water and waste amounted to NT$2.2 million.

**V. Labor-management relations**

(I) Availability and execution of employee welfare, education, training and retirement policies; elaborate on the agreements between employers and employees, and protection of employees' rights:

Employee welfare measures

1. Employees are entitled to Labor Insurance, National Health Insurance, group insurance, and dependents' group insurance coverage.
2. Employees may receive rewards for successful registration of patents; the Company pays quarterly bonuses depending on operational performance.
3. The Company offers facilities such as canteen, gym, massage room, carpark, and nursery room for its employees. Employees are also entitled to rental subsidies.
4. Employees may enjoy benefits such as wedding subsidy, funeral subsidy, childbirth subsidy, festive vouchers, and birthday vouchers.
5. Domestic/foreign trip subsidies, year-end banquet, and lottery draw.
6. Gathering events (Family Day, Mid-autumn barbecue etc.)
7. Discount at partnered merchants (about 100 merchants covering every lifestyle aspect)
8. The Company subsidizes inter-department gatherings as a means to unite employees, promote open communication, and build up productive working relationship across departments.
9. The Employee Welfare Committee arranges welfare measures and organizes labor-management meetings on a quarterly basis to promote productive working relationship and improve employment terms as well as workers'

living and working environment. By promoting assistance and co-dependence, the committee helps ensure mutual benefit and harmony between labor and the management.

10. In addition to offering statutory minimum protections, the Company contributes 0.115% of monthly revenues and 40% of scrap income to employee welfare fund.
11. The Company is dedicated to promoting healthy workplace, and has been awarded "Badge of Accredited Healthy Workplace" by the Health Promotion Administration, Ministry of Health and Welfare, since 2012. The Company organizes employee health checkup, special hazard checkup, and new recruit checkup on a regular basis, and adopts a risk-based approach towards managing and promoting employees' health.
12. Health promotion and fitness events such as: weight loss challenge, eye sight protection, vaccination, healthy diet course, and massage service are organized on a yearly basis.
13. Specialized practices are adopted to control sudden outbreaks of diseases such as: COVID-19, seasonal flu, dengue fever, and tuberculosis.
14. Workplace health risk assessment: workload assessment and management, ergonomic hazard prevention, feminine health assessment and protection, and violence prevention and control.
15. The Company has stationed physicians available to provide employees with health information, consultation, assessment, and recommendation at plant premise.

Continuing education and trainings of employees

For talent cultivation, the consolidated company upholds the concept of training for career development, and strives to improve the quality of human resources and future management talents, in order to shape a good culture and create higher operating performance of the Company. In order to cultivate the talents needed for the company's business development, the annual training planning is formulated based on the business conditions, to strengthen talent development and professional skills through the talent cultivation system.

After the employees of the consolidated company report to onboard, the orientation will be conducted for new recruits. New recruits will be given quality concepts and company quality policy courses in accordance with the new recruits' orientation regulations, so that they will have quality awareness during the work process and always monitor the quality of work. The general health and safety and hazard awareness classes are arranged, to protect the heal and safety of employees, while preventing the occupational disasters. Certain employees need to be certified and regularly assessed to ensure that their abilities meet the qualifications.

The number of hours of training held in 2022 was about 7,730 hours, the total number of attendees was about 2,519, and the total training expense was about NT$1,068,958. The training results are as follows:

| Category | Attendees | Training hours | Training expense (NT$) |
|---|---|---|---|
| Management courses | 149 | 894 | 1,068,958 |
| General knowledge courses | 236 | 688 | |
| Quality courses | 199 | 732 | |
| Environmental, safety, and health courses | 567 | 2,280 | |
| Professional courses specific to segments | 631 | 1,438 | |
| Intellectual properties/trade secrets/ethical corporate management | 573 | 678 | |
| Orientation for new recruits | 164 | 1,020 | |
| Total | 2,519 | 7,730 | |

Retirement system

The consolidated entity has implemented an employee retirement policy in accordance with the Labor Standards Act that outlines the retirement condition, pension payment standards, and application procedures. A Labor Pension Supervisory Committee has been assembled to oversee uses of the labor pension fund. The Company makes monthly pension contributions equivalent to 15% of employees' gross salaries. These sums are deposited into a separate account held under Bank of Taiwan in the name of Labor Pension Supervisory Committee to protect workers' interests. Since July 1, 2005, the Company has been complying with the Labor Pension Act and making contributions equal to 6% of employees' monthly salary into their individual pension accounts held under the Bureau of Labor Insurance. For employees who opt to make voluntary contributions, the Company deducts voluntary contributions from their monthly salaries and credits these amounts into their individual pension accounts held under the

Bureau of Labor Insurance.

| Applicable laws | Labor Standards Act | Labor Pension Act |
|---|---|---|
| Method of contribution | The Company makes monthly pension contributions equivalent to 15% of employees' gross salaries. These sums are deposited into a separate account held under Bank of Taiwan in the name of Labor Pension Supervisory Committee. | The Company makes monthly pension contributions equivalent to 6% of employees' gross salaries to their individual accounts held with the Bureau of Labor Insurance. |
| Amount of contribution | The labor pension fund as of December 2022 had a balance of NT$73,315 thousand | Pension fund expenses recognized in 2022 amounted to NT$20,839 thousand. |

The consolidated entity is subject to the following rules of Labor Pension Act:

1. Voluntary retirement:
   Workers that meet any of the following conditions may apply for voluntary retirement: (for employees who have opted for the Labor Pension Act, the corresponding rules shall apply)
   (1) Aged 55 or above with at least 15 years of service.
   (2) Having completed at least 25 years of service.
   (3) Aged 60 or above at least 10 years of service.
2. Mandatory retirement:
   The consolidated entity many not force employees to retire except in any of the following circumstances:
   (1) Aged 65 or above.
   (2) Physical or mental disability that renders the employee unfit to work.
   The age criteria mentioned in Subparagraph 1 of the preceding Paragraph can be adjusted for positions that involve danger, physical strength, or special requirements, subject to the authority's approval. However, the age criteria must be no less than 55.
3. Pension payment standards:
   (1) For employees who opted to continue adopting pension rules of the Labor Standards Act after the Labor Pension Act came into effect and those who opted to have years of service carried forward from the Labor Standards Act to the Labor Pension Act, pension benefits are calculated according to the rules and standards outlined in Articles 84-2 and 55 of the Labor Standards Act.
   (2) Employees who have accumulated years of service in the manner described in the preceding Paragraph and are subject to the mandatory retirement rules specified in Subparagraph 2, Paragraph 1, Article 54 of the Labor Standards Act are entitled to 20% additional benefits under Subparagraph 2, Paragraph 1, Article 55 of the Labor Standards Act if the physical/mental disability is caused as a result of the duties performed.
   (3) For employees who are subject to the pension scheme specified under the Labor Pension Act, the consolidated entity makes contributions equal to 6% of their monthly salary to their personal pension accounts.
4. Pension benefit payment: The amount of pension benefits payable to employees shall be paid within 30 days after the day of employee's retirement.

<u>Enforcement of labor agreements and employee rights</u>

1. 1. Labor agreement: The consolidated entity is governed by the Labor Standards Act and all labor-related policies and employee work rules are established in compliance with the Labor Standards Act. The consolidated entity places great emphasis on employees' benefits and communication, and therefore has been able to maintain harmonic employment relations. Nevertheless, the consolidated entity will continue promoting communication and eliminate possible disputes for more harmonic employment relations.
2. Protection of employees' interests:The consolidated entity has an employee opinion box in place to collect complaints and opinions from employees, which provide reference for future improvements. Furthermore, a "Illegal Infringement" hotline, 037-582997#10500, has been set up for employees to report misconducts.
3. Employees' conducts and moral principles
   The consolidated entity has outlined employee code of conduct as part of its work rules, which requires employees to comply with the following principles over the course of service:
   (1) Obey all rules of the Company.
   (2) Follow the command and supervision of managers.

(3) Devote full attention to the tasks assigned.
(4) Be loyal and act in the Company's best interests.
(5) Refrain from revealing or inquiring salary package of other employees.
(6) Refrain from exploiting the vested authority for acceptance of gift, fraud, or any other action against the Company's interests.
(7) Wear and maintain proper custody of ID badges according to the Company's policies.
(8) Maintain appropriate appearance and treat customers and colleagues with respect.
(9) Act and speak with discretion, and accomplish the work duties assigned.
(10) Refrain from bringing firearms, blades, hazardous items, contrabands, or items unrelated to work activities into the workplace; refrain from removing Company properties off plant premise without permission.
(11) The labor safety and health laws and regulations shall be observed, to ensure the workers' safety and health0
(12) Refrain from downloading or copying software without permission, and refrain from transmitting data and information via e-mail or the Internet that may cause harm to others.
(13) Employees are bound by their duty of loyalty and integrity to maintain confidentiality of all business or technological secrets gained from work, whether during or after their employment, and shall refrain from revealing, informing, handing, transferring, publishing, or releasing the above information to others.

Work environment and employees' safety

The consolidated entity recognizes employees as the pillar that supports a business, and is therefore dedicated to creating a safe, healthy, and comfortable work environment and encourages employees to participate actively in work safety programs and emergency response drills for improved work safety awareness. Environment, health and safety tests and inspections are conducted regularly. As the world enters a green era, pollution prevention has emerged to become a key issue in business management. Through introduction of various initiatives and improvement measures, the Company aims to effectively reduce industrial waste, reuse resources, raise occupational safety awareness, promote safety and comfort of the operating environment, and contribute to environmental protection as part of its corporate social responsibilities.

1. The Company makes plans, takes samples, conducts monitoring and tests, and performs analyses to gain full understanding of the state and condition of workers' work environment. These actions are taken to protect workers from the harm of hazardous substances present in the workplace, and to provide workers with a safety and comfortable work environment.
   The Company tests its operating environment twice a year to gather information on the work condition that employees are exposed to, so that effective precautionary measures can be taken.
2. Based on the nature of the operation and the graded management of chemicals, the information are collected and tested; it is plan to commission a qualified organization to conduct the operation environment at least twice a year, and gradually the actual exposure status of the employees and workplace becomes known, and to be used as the basis of physical examinations and effective response and preventive measures.
3. The Company has established its auto-inspection management regulations to serve as guidance for self-inspection tasks. Through division of responsibility, total participation, regular inspection, key area inspection, operational inspection, and security patrol, the Company ensures that safety and health self-inspections are duly performed to keep machinery and equipment operating at a safe state, and that the operating environment is maintained properly to be free of hazard. These practices help secure safety of personnel and integrity of the Company's equipment and property. Execute pursuant to the auto inspection management regulations (SW-ESH-05).

4. All dangerous machinery and equipment used are being managed in a manner that complies with laws. All equipment that have been designated to be highly dangerous, whether by law or by the Company, are subjected to inspections before, during, and after use. Establishment (amendment) of safety/health self-inspection policies and equipment self-inspection checklists for all machinery, equipment, tools, operating environment, and personnel within plant premise.
   (1) Inspection and reporting of new machinery, equipment, tools, and workplace within plant premise.
   (2) General inspection of machinery, equipment, tools, and workplace within plant premise, and the handling, response, and follow up of abnormal findings.

| Item | Regular inspection | Key area inspection | Operational inspection |
|---|---|---|---|
| hazardous equipment | Yearly | Yearly | Daily |
| Organic solvent | Monthly | -- | -- |
| Specific chemicals | Monthly | -- | -- |
| Explosion-proof electrical equipment | Monthly | -- | -- |
| Emergency shower | Monthly | -- | -- |
| Forklift | Monthly | -- | Daily |
| Powered centrifugal machinery | Monthly | -- | -- |
| Specific chemical equipment | -- | Every two years | -- |
| High-pressurized gas container | Five years | -- | Daily |
| Dehydration equipment | -- | Yearly | -- |
| local exhaust | Monthly | -- | -- |
| Elevating equipment | Monthly | Yearly | |

5. Various education and trainings related to safety and health.
   Refer to all employees, specific operations, self-defense firefighting team and other job description, appropriate courses or trainings are arranged to strengthen their concept and familiarity with safety and health, to promote employees' safety awareness, make the working environment safer and more comfortable, as the fulfillment of the corporate responsibility for safety and health.

| Item | Frequency (re-training) | Attendees |
|---|---|---|
| General health and safety education | Three hours for every three years | All employee |
| General education of hazard | Three hours for every three years | All employee |
| Supervisor of Organic Solvent Operation | Six hours every three years | Chemical operation |
| Supervisor of Specialized Chemical Substance Operation | Six hours every three years | Chemical operation |
| Training of radiative protection | Three hours every year | Operation of radiative equipment |
| Training of first aid personnel | Three hours for every three years | Self-guard and firefighting |
| Breath protection | Two hours every year | Chemical operation |
| Fire-fighting education | Four hours every six months | Self-guard and firefighting |
| Emergency contingency | One hour per year | Self-guard and firefighting |
| ISO 45001 | Once per year | ISO auditor |
| Civil defense corp | Eight hours per year | Self-guard and firefighting |

Below are more detailed descriptions of the consolidated entity's management goals, measures, and solutions regarding the work environment, personnel safety, and protection:

| Serial No. | Management goal | Description of issues or requirements | Solutions executed |
|---|---|---|---|
| 1 | Waste reduction, recycling, and reuse | Waste from production activities is commonly disposed as general waste, which results in the increase of industrial waste. | Waste from production activities is duly sorted; recyclable and reusable waste is handed over to qualified service providers for further treatment. |

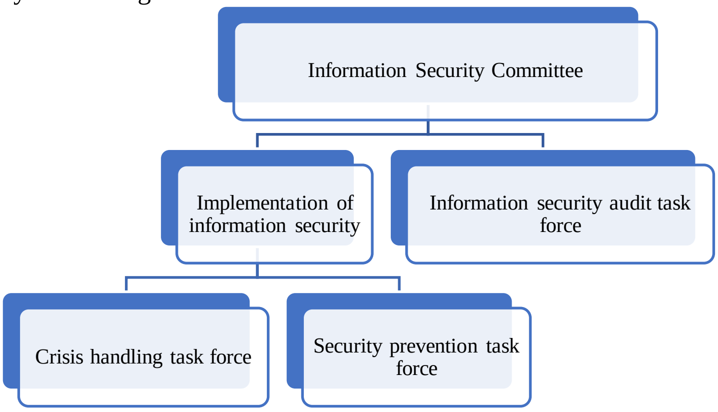
| Serial No. | Management goal | Description of issues or requirements | Solutions executed |
|---|---|---|---|
| 2 | Reduction of waste pallets | All incoming materials are shipped with wooden pallets. These wooden pallets take up much space and are utilized at such a low rate that the Company has to incur additional costs just to remove them. | Pallets are given to business partners in need or sent to waste wood treatment facilities approved by the Environmental Protection Administration. By reducing the number of waste pallets, the Company incurred lower expenses on waste disposal. |
| 3 | Effective prevention against leakage of waste motor oil or solvent | Production and equipment maintenance activities produce small volumes of waste motor oil or solvent that can be found in various units. | A temporary storage area has been set up to collect waste motor oil and solvent into a large container. Contents of the container are labeled "recyclable" and are recycled/reused after accumulating to a certain volume. |
| 4 | Installation of circuit breaker and protective circuit | Electrical wiring and equipment in certain parts of the plant premise are outdated, which pose risk of power leakage and spark. | Protective devices and shields have been installed to prevent power leakage. |
| 5 | Inspection and repair of fire safety equipment | To ensure that fire safety equipment functions properly in the work environment. | Fire safety facilities are inspected on a yearly basis and counted each month. All malfunctioned fire equipment is repaired immediately. |
| 6 | Worker health checkup and management (special heath checkup included) | To organize annual health checkup and management for workers. | Health checkups are being arranged according to worker health protection rules. Health checkup results are disseminated to workers as soon as they are ready; findings are consolidated and compiled into health manuals to serve as guidance. |
| 7 | Operating environment monitoring | To provide a work environment free of safety and health concerns. | Chemicals and substances in the operating environment are monitored and tested every six months in compliance with laws. Concentration levels above the legal limit will have to be rectified or labeled as soon as possible. |
| 8 | Hazardous chemicals labeling and management | Hazardous substances are used in plant premise, and require enhanced management. | A list of hazardous and dangerous items has been created and updates are being made to labels and the substance safety sheet. Workers are trained regularly on the labeling and general knowledge of hazardous chemicals. |

(II) Actual or estimated losses arising as a result of employment dispute in the last year up until the publication date of annual report, and any response measures taken: None.

## VI. Cyber security management

To strengthen information security management, ensure the security of corporate data, systems, equipment and network, prevent the unauthorized access, use, control, leakage, compromise, alteration, destruction, or other infringement suffered by the information or cyber system, and ensure the confidentiality, integrity and availability of core business-related information assets, so as to provide an information security environment for the continuous operation of information systems, and comply with requirements of relevant laws and regulations, for avoiding the risks of deliberately internal or external threats or improper management and use by the internal personnel, resulting in tampering, disclosure, destruction or loss of data, the consolidated company regulates the specific information security policy. This policy is evaluated at least once a year, to comply with the latest developments in relevant laws, technology and business, for ensuring the effectiveness of information security practices, and implementing the following management policies to prevent the possibility of information security risks.

1. Cyber security risk management framework




2. Cyber security policies

(1) Ensure the data security of the core business, the integrity of the service and data, and the continuous operation of the services.

(2) Implement management measures and standard operating procedures for user platform development and maintenance, computer room management, and outsourcing management.

(3) information security should correspond to the requirements of the company's important business processes and the continuation of maintenance and operations.

(4) Regularly implement information security education and promotion, to enhance the concept of information security among employees and the awareness of related information security responsibilities.

(5) Employees conduct business pursuant to various management measures and operational procedures, to maintain the normal operation of the Company.

(6) The execution of information business activities must comply with the requirements of relevant laws or regulations.

(7) Implement regular monitoring and information security internal audit system, to ensure that information security management is implemented in daily maintenance, operation and business activities.

(8) This policy is evaluated by the "Information Security Committee" at least once a year to comply with the latest developments in relevant laws, technology, and business, for ensuring the effectiveness of information security practices.

3. Concrete management program

(1) The executives of the Company actively participate in information security management activities and provide support and commitment to information security.

(2) Provide employee with information security training courses to enhance employees' information security awareness.

(3) When outsourcing information business operations, the information security needs should be researched in advance, and the information security responsibilities and confidentiality requirements for contractors should be clearly defined and included in the contract, requiring contractors to comply with, and be audited regularly.

(4) All employees shall comply with the Company's information security incident reporting mechanism, and report information security incidents or information security vulnerabilities discovered.

(5) Protect the Company's business activity information from unauthorized access and alteration, to ensure its accuracy and integrity.

(6) Any conduct that endangers information security will be sued for civil, criminal, and/or administrative responsibilities, or punished based the relevant regulations of the Company depending the materiality.

(7) To ensure the Company's information security, the intrusion prevention services are installed at the internet side to block network viruses and intrusion attacks; additionally, through the establishment of a corporate firewall, viruses and intrusion attacks are blocked before the Company's internal network .

(8) To prevent the invasion of computer viruses, the computer devices used by the enterprise shall install anti-virus programs, and the relevant virus patterns and virus scanning engines are regularly updated, and update the vulnerability fixing programs for the operating systems.

(9) Implement the data backup, preservation and backup data availability test for the enterprise operation system.

4. List any losses suffered by the company in the most recent fiscal year and up to the annual report publication date due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided: Nonw

## VII. Major contracts

| Nature of contract | Parties involved | Contract start/end date | Main contents | Restrictive clauses |
|---|---|---|---|---|
| Joint development contract | Industrial Technology Research Institute (ITRI) | 2018.10.01-2020.03.31 | ITRI Technical Service Outsourcing Contract | None |
| Procurement contract | Tong Yang Mechanical Engineering Co., Ltd. | 2019.08.23~2020.08.23 | Kejung Plant - HFD wastewater system expansion work | None |
| Procurement contract | Tong Yang Mechanical Engineering Co., Ltd. | 2019.08.23~2020.08.23 | Kejung Plant - Outsourced expansion and improvement of disposal system for HFC organic waste fluid | None |
| Joint development contract | HIWIN Mikrosystem Corp. | 2020.01.06-2025.01.06 | Confidentiality agreement for design and production of photodiodes | None |
| Procurement contract | Yeu Chern Environment Technology Co., Ltd. | 2020.05.06-2021.05.06 | Kejung Plant - construction of underground tank for recycling of organic waste fluid | None |
| Joint development contract | Advanced Analog Technology, Inc. | 2020.06.18-2023-06.18 | Outsourcing contract for development of special integrated circuitry | None |
| Joint development contract | PlayNitride Display Co., Ltd. | 2020.07.01-2023.07.01 | Confidentiality agreement for collaborative development of micro photodiode sensor technology | None |
| Joint development contract | National Chiao Tung University | 2020.11.01-2021.10.31 | Industry-academia collaboration for development of UV sensor using gallium(III) oxide materials | None |
| Joint development contract | National Chiao Tung University | 2021.01.21~2022.01.21 | National Chiao Tung University industry-academic cooperation research program supplementary contract | None |
| Constrution contract | CHANG HUA WATER REFINER CO., LTD. | 2021.10.15~2022.10.15 | Kejung Plant - expansion construction for cutting water | None |
| Constrution contract | Shine Passion Engineering Co., Ltd. | 2021.11.01~2022.11.01 | 3F, Kejung Plant - new construction for clean room | None |
| Procurement contract | Tempress Systems B.V. | 2022.01.07~2023.01.07 | New Furnace system TS61004 LH-BM (OX+Sipos) | None |
| Constrution contract | Shine Passion Engineering Co., Ltd. | 2022.01.20~2023.01.20 | Secondary distribution project of clean room on the third floor of Kejung Plant | None |
| Joint development contract | Taiwan Semiconductor Research Institute | 2022.03.24~2025.03.23 | Non-closure agreement between the Taiwan Semiconductor Research Institute for sensor-related research projects | None |
| Constrution contract | Superior Air Treatment Tec., Inc. | 2022.09.08~2023.09.08 | VOCs waste disposal system | None |

# Six. Financial Overview

**I. Summary balance sheet and statement of comprehensive income for the last 5 years**

## Summary balance sheet (consolidated) - IFRS-compliant

Unit: NTD thousands

| Account \ Year | | 2018 (Note 1) | 2019 (Note 1) | 2020 (Note 1) | 2021 (Note 1) | 2022 (Note 1) | Financial Information of the current year up to March 31, 2023 (Note 2) |
|---|---|---|---|---|---|---|---|
| Current assets | | 3,390,553 | 3,501,197 | 3,452,024 | 3,821,057 | 3,141,128 | 3,023,013 |
| Property, plant and equipment | | 1,844,801 | 1,877,724 | 1,714,593 | 1,686,193 | 1,838,843 | 1,808,954 |
| Intangible assets | | 4,424 | 3,286 | 2,172 | 1,561 | 6,762 | 6,367 |
| Other assets | | 1,191,624 | 849,510 | 1,039,979 | 805,876 | 443,285 | 477,462 |
| Total assets | | 6,431,402 | 6,231,717 | 6,208,768 | 6,314,687 | 5,430,018 | 5,315,796 |
| Current liabilities | Before dividend | 1,254,738 | 1,558,060 | 1,334,961 | 1,123,929 | 879,533 | 801,500 |
| | After dividend | 1,615,485 | 1,648,247 | 1,560,428 | 1,424,551 | 879,533 | - |
| Non-current liabilities | | 869,238 | 952,283 | 927,645 | 694,322 | 554,904 | 550,175 |
| Total liabilities | Before dividend | 2,123,976 | 2,510,343 | 2,262,606 | 1,818,251 | 1,434,437 | 1,351,675 |
| | After dividend | 2,484,723 | 2,600,530 | 2,488,073 | 2,118,873 | 1,434,437 | - |
| Equity attributable to parent company shareholders | | 3,883,613 | 3,687,550 | 3,908,878 | 4,457,896 | 3,960,085 | 3,929,685 |
| Share capital | | 3,006,223 | 3,006,223 | 3,006,223 | 3,006,223 | 3,006,223 | 3,006,223 |
| Capital surplus | | 223,897 | 223,902 | 224,694 | 243,639 | 243,873 | 243,887 |
| Retained earnings | Before dividend | 730,419 | 546,461 | 741,139 | 1,230,469 | 756,372 | 719,618 |
| | After dividend | 369,672 | 456,274 | 515,672 | 929,847 | 756,372 (Note 3) | - |
| Other equities | | (76,926) | (89,036) | (63,178) | (22,435) | (46,383) | (40,043) |
| Treasury stock | | - | - | - | - | - | - |
| Non-controlling interests | | 423,813 | 33,824 | 37,284 | 38,540 | 35,496 | 34,436 |
| Total amount of equity | Before dividend | 4,307,426 | 3,721,374 | 3,946,162 | 4,496,436 | 3,995,581 | 3,964,121 |
| | After dividend | 3,946,679 | 3,631,187 | 3,720,695 | 4,195,814 | 3,995,581 | - |

Note 1: Financial information from 2018 to 2022 presented above has been audited.
Note 2: Financial information for the first quarter of 2023 was auditor-reviewed.
Note 3: Amount resolved by the board of directors on February 22, 2023.

## Summary statement of comprehensive income (consolidated) - IFRS-compliant

Unit: NTD thousands

| Item \ year | 2018 (Note 1) | 2019 (Note 1) | 2020 (Note 1) | 2021 (Note 1) | 2022 (Note 1) | Financial Information of the current year up to March 31, 2023 (Note 2) |
|---|---|---|---|---|---|---|
| Operating income | 3,028,131 | 2,519,855 | 2,428,616 | 3,163,375 | 2,419,509 | 523,242 |
| Gross income from operations | 614,486 | 385,072 | 360,742 | 716,661 | 386,604 | 23,910 |
| Operating income (loss) | 139,669 | (28,352) | 8,328 | 310,547 | 37,437 | (66,701) |
| Total non-operating income and expenses | 381,112 | 259,883 | 355,661 | 510,543 | (201,445) | 19,455 |
| Net (loss) profit before tax | 520,781 | 231,531 | 363,989 | 821,090 | (164,008) | (47,246) |
| Net income (loss) of the continuing operations for the period | 488,151 | 209,390 | 307,901 | 726,132 | (184,423) | (37,814) |
| Loss from discontinued operation | — | — | — | — | — | — |
| Net income (loss) for this period | 488,151 | 209,390 | 307,901 | 726,132 | (184,423) | (37,814) |
| Other comprehensive income in this period (net amount after tax) | (186) | (15,317) | 17,938 | 30,664 | (15,857) | 6,340 |
| Total comprehensive income in the current period | 487,965 | 194,073 | 325,839 | 756,796 | (200,280) | (31,474) |
| Net income attributable to stockholders of the parent | 537,824 | 179,858 | 304,498 | 724,850 | (181,505) | (36,754) |
| Net income attributable to non-controlling interests | (49,673) | 29,532 | 3,403 | 1,282 | (2,918) | (1,060) |
| Total comprehensive income attributable to stockholders of the parent | 537,032 | 164,678 | 322,379 | 755,540 | (197,423) | (30,414) |
| Total comprehensive income attributable to non-controlling interests | (49,067) | 29,395 | 3,460 | 1,256 | (2,857) | (1,060) |
| Earnings per share (EPS) | 1.79 | 0.60 | 1.02 | 2.41 | (0.60) | (0.12) |

Note 1: Financial information from 2018 to 2022 presented above has been audited.
Note 2: Financial information for the first quarter of 2023 was auditor-reviewed.

## Summary balance sheet (standalone) - IFRS-compliant

Unit: NTD thousands

| Item \ Year | | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Current assets | | 2,499,497 | 2,827,571 | 2,758,124 | 3,210,649 | 2,615,290 |
| Property, plant and equipment | | 1,188,122 | 1,641,571 | 1,537,444 | 1,494,318 | 1,651,585 |
| Intangible assets | | 3,124 | 2,435 | 1,712 | 1,458 | 6,708 |
| Other assets | | 1,849,160 | 1,396,624 | 1,660,966 | 1,408,705 | 963,306 |
| Total assets | | 5,539,903 | 5,868,201 | 5,958,246 | 6,115,130 | 5,236,889 |
| Current liabilities | Before dividend | 806,310 | 1,253,158 | 1,135,383 | 968,323 | 729,466 |
| | After dividend | 1,167,057 | 1,343,345 | 1,360,850 | 1,268,945 | 729,466 |
| non-current liabilities | | 849,980 | 927,493 | 913,985 | 688,911 | 547,338 |
| Total liabilities | Before dividend | 1,656,290 | 2,180,651 | 2,049,368 | 1,657,234 | 1,276,804 |
| | After dividend | 2,017,037 | 2,270,838 | 2,274,835 | 1,957,856 | 1,276,804 |
| Owners of the company equity | | 3,883,613 | 3,687,550 | 3,908,878 | 4,457,896 | 3,960,085 |
| Share capital | | 3,006,223 | 3,006,223 | 3,006,223 | 3,006,223 | 3,006,223 |
| Capital surplus | | 223,897 | 223,902 | 224,694 | 243,639 | 243,873 |
| Retained earnings | Before dividend | 730,419 | 546,461 | 741,139 | 1,230,469 | 756,372 |
| | After dividend | 369,672 | 456,274 | 515,672 | 929,847 | 756,372 (Note 2) |
| Other equities | | (76,926) | (89,036) | (63,178) | (22,435) | (46,383) |
| Treasury stock | | — | — | — | — | — |
| Total amount of equity | Before dividend | 3,883,613 | 3,687,550 | 3,908,878 | 4,457,896 | 3,960,085 |
| | After dividend | 3,522,866 | 3,597,363 | 3,683,411 | 4,157,274 | 3,960,085 |

Note 1: Financial information from 2018 to 2022 presented above has been audited.
Note 2: Amount resolved by the board of directors on February 22, 2023.

## Statement of comprehensive income (standalone) - IFRS-compliant

Unit: NTD thousands

| Account \ year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Operating income | 2,392,390 | 2,015,660 | 2,200,552 | 2,953,154 | 2,203,396 |
| Gross income from operations | 534,399 | 229,677 | 301,853 | 623,451 | 334,301 |
| Operating income | 240,567 | (36,325) | 9,259 | 285,086 | 57,112 |
| Total non-operating income and expenses | 329,199 | 228,184 | 333,919 | 523,091 | (219,091) |
| Net (loss) profit before tax | 569,766 | 191,859 | 343,178 | 808,177 | (161,979) |
| Net income of the continuing operations for the period | 537,824 | 179,858 | 304,498 | 724,850 | (181,505) |
| Loss from discontinued operation | – | – | – | – | – |
| Net income (loss) | 537,824 | 179,858 | 304,498 | 724,850 | (181,505) |
| Other comprehensive income recognized for the period (Net amount after tax) | (792) | (15,180) | 17,881 | 30,690 | (15,918) |
| Total comprehensive income in the current period | 537,032 | 164,678 | 322,379 | 755,540 | (197,423) |
| Earnings per share (EPS) | 1.79 | 0.60 | 1.02 | 2.41 | (0.60) |

Note: Financial information from 2018 to 2022 presented above has been audited.

Names of financial statement auditors in the last 5 years and audit opinions

| Year of audit | Name of accounting firm | Name of CPA | Audit opinion |
|---|---|---|---|
| 2018 | Deloitte Taiwan | Mei-Chen Tsai, Cheng-Chih Lin | Unqualified opinion with emphasis-of-matter paragraph - uncertain outcome of major litigations or supervisory measures |
| 2019 | Deloitte Taiwan | Su-Li Fang, Cheng-Chih Lin | Unqualified opinion |
| 2020 | Deloitte Taiwan | Su-Li Fang, Cheng-Chih Lin | No qualified conclusion/opinion (matters addressed or other matters)--other matters--application of reports audited by other CPAs and the responsibility desired to be divided. |
| 2021 | Deloitte Taiwan | Su-Li Fang, Cheng-Chih Lin | No qualified conclusion/opinion (matters addressed or other matters)--other matters--application of reports audited by other CPAs and the responsibility desired to be divided. |
| 2022 | Deloitte Taiwan | Su-Li Fang, Chen, Ming-Hui | No qualified conclusion/opinion (matters addressed or other matters)--other matters--application of reports audited by other CPAs and the responsibility desired to be divided. |

## II. Financial analysis for the last 5 years

(I) Consolidated financial analysis - IFRS-compliant

| Analysis | Year (Note 1) | 2018 | 2019 | 2020 | 2021 | 2022 | Current year up to March 31, 2023 |
|---|---|---|---|---|---|---|---|
| Financial position (%) | Debt to assets ratio | 33.03 | 40.28 | 36.44 | 28.79 | 26.42 | 25.43 |
| | Long-term capital to property, plant & equipment ratio | 280.61 | 248.90 | 284.25 | 307.84 | 247.46 | 249.55 |
| Solvency % | Current ratio | 270.22 | 224.72 | 258.59 | 339.97 | 357.14 | 377.17 |
| | Quick ratio | 186.33 | 181.37 | 203.21 | 263.53 | 262.74 | 278.98 |
| | Interest coverage ratio | 18.26 | 9.88 | 16.06 | 40.99 | -11.75 | -13.14 |
| Operating efficiency | Accounts receivable turnover (times) | 3.29 | 3.03 | 2.86 | 3.31 | 2.88 | 3.30 |
| | Average cash collection days | 111 | 120 | 128 | 110 | 127 | 111 |
| | Inventory turnover (times) | 2.26 | 2.11 | 2.61 | 2.75 | 2.15 | 2.11 |
| | Accounts payable turnover (times) | 5.77 | 6.12 | 6.41 | 5.98 | 5.17 | 6.38 |
| | Average inventory turnover days | 162 | 173 | 140 | 133 | 169 | 173 |
| | Property, plant and equipment turnover (times) | 1.67 | 1.35 | 1.35 | 1.86 | 1.37 | 1.15 |
| | Total asset turnover (times) | 0.46 | 0.40 | 0.39 | 0.51 | 0.41 | 0.39 |
| Profitability | Return on assets (%) | 7.83 | 3.64 | 5.26 | 11.86 | -2.97 | -2.62 |
| | Return on equity (%) | 12.05 | 5.22 | 8.03 | 17.20 | -4.34 | -3.80 |
| | Pre-tax profit to paid-up capital (%) | 17.32 | 7.70 | 12.11 | 27.31 | -5.46 | -6.29 |
| | Net profit margin (%) | 16.12 | 8.31 | 12.68 | 22.95 | -7.62 | -7.23 |
| | Earnings per share (NTD) | 1.79 | 0.60 | 1.02 | 2.41 | (0.60) | (0.12) |
| Cash flows | Cash flow ratio (%) | 32.48 | 22.88 | 12.85 | 22.75 | 71.64 | -4.03 |
| | Cash flow adequacy ratio (%) | 2010.03 | 84.11 | 69.74 | 50.87 | 81.27 | 80.80 |
| | Cash reinvestment ratio (%) | 3.69 | (0.07) | 1.29 | 0.43 | 4.66 | (0.46) |
| Degree of leverage | Operating leverage | 2.69 | (12.72) | 29.09 | 1.80 | 8.33 | (0.15) |
| | Financial leverage | 1.28 | 0.52 | (0.53) | 1.07 | 1.52 | 0.95 |

Note: All yearly financial information presented above has been audited.

(II) Standalone financial analysis - IFRS-compliant

| Analysis | Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Financial position (%) | Debt to assets ratio | 29.90 | 37.16 | 34.40 | 27.10 | 24.38 |
| | Long-term capital to property, plant and equipment | 398.41 | 281.14 | 313.69 | 344.43 | 272.92 |
| Solvency % | Current ratio | 309.99 | 225.64 | 242.92 | 331.57 | 358.52 |
| | Quick ratio | 220.88 | 178.61 | 185.12 | 253.33 | 259.10 |
| | Interest coverage ratio | 27.16 | 11.07 | 17.69 | 44.41 | -13.79 |
| Operating efficiency | Accounts receivable turnover (times) | 2.95 | 2.74 | 2.85 | 3.17 | 2.69 |
| | Average cash collection days | 124 | 133 | 128 | 115 | 136 |
| | Inventory turnover (times) | 2.53 | 2.44 | 2.67 | 2.90 | 2.20 |
| | Accounts payable turnover (times) | 6.29 | 7.20 | 6.66 | 6.22 | 5.24 |
| | Average inventory turnover days | 144 | 150 | 137 | 126 | 166 |
| | Property, plant and equipment turnover (times) | 2.10 | 1.42 | 1.38 | 1.95 | 1.33 |
| | Total asset turnover (times) | 0.42 | 0.35 | 0.37 | 0.49 | 0.42 |
| Profitability | Return on assets (%) | 9.72 | 3.42 | 5.43 | 12.25 | -3.30 |
| | Return on equity (%) | 14.50 | 4.75 | 8.02 | 17.33 | -4.58 |
| | Pre-tax profit to paid-up capital (%) | 18.95 | 6.38 | 11.42 | 26.88 | -5.39 |
| | Net profit margin (%) | 22.48 | 8.92 | 13.84 | 24.54 | -8.24 |
| | Earnings per share (NTD) | 1.79 | 0.60 | 1.02 | 2.41 | (0.60) |
| Cash flows | Cash flow ratio (%) | 60.28 | 18.88 | 9.14 | 21.82 | 82.69 |
| | Cash flow adequacy ratio (%) | 112.97 | 90.16 | 81.89 | 64.68 | 87.62 |
| | Cash reinvestment ratio (%) | 5.95 | (2.16) | 0.22 | (0.21) | 4.62 |
| Degree of leverage | Operating leverage | 1.49 | (3.69) | 22.90 | 1.71 | 5.06 |
| | Financial leverage | 1.10 | 0.66 | (0.82) | 1.07 | 1.24 |

Reasons of changes in each finance ratios during the recent two years

1. Financial structure: the decrease in liability ratio decreased due to the decrease in accounts paybles.
2. Solvency: The interest coverage ratio became negative mainly due to the loss before tax and interest.
3. Operating efficiency: mainly due to the decline of the operating revenue resulting in accounts payable and turnover of inventory decreased.
4. Profitability: due to the decrease in non-industry income resulting in net loss after-tax in the year.
5. Cash flow ratio: this was due to the increase in the cash flow ratio resulted from the recovery of accounts receivable.
6. Operating leverage: the increase in operating leverage was due to lower sales and higher capital expenditures.

Note: All yearly financial information presented above has been audited.

**Formula for financial analyses (IFRS):**

1. Financial position
   (1) Debt to asset ratio = total liabilities/ total assets.
   (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
   (3) Interest coverage ratio = earnings before interest and tax / interest expenses for the current period.
3. Operating efficiency
   (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
   (2) Average cash collection days = 365 / receivables turnover.
   (3) Inventory turnover = cost of sales/average inventory balance.
   (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
   (5) Average inventory turnover days = 365 / inventory turnover.
   (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
   (7) Total asset turnover = net sales / average total assets.
4. Profitability
   (1) Return on assets = (net income + interest expenses x (1- tax rate)) / average asset balance.
   (2) Return on equity = net income / average shareholders' equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares.
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital).
6. Degree of leverage:
   (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit.
   (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

**III. Audit Committee's report on the review of the latest financial report**

## TYNTEK Corporation

## Audit Committee's Review Report

We have reviewed the Company's 2022 business report, consolidated financial statements, parent-company only financial statements, and deficit compensation proposal prepared by the board of directors. The consolidated financial statements, parent-company only financial statements have been audited and attested by Su-Li Fang, CPA and Chen, Ming-Hui, CPA of Deloitte Taiwan, with the independent auditor's report issued. The aforementioned business report, consolidated financial statements, parent-company only financial statements, and deficit compensation proposal have been reviewed and considered to be complied with relevant rules by the undersigned, the Audit Committee of TYNTEK Corporation. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Submitted to

2023 Regular Shareholders' Meeting

TYNTEK Corporation
Audit Committee
Convener: Liu, Yin-Fei

February 22, 2023

IV. **The financial statements of the most recent year: please refer to Appendix 1 of the annual report.**

V. **Latest audited parent-only financial statements by the CPAs: please refer to Appendix 2 of the annual report.**

VI. **Any financial distress experienced by the Company or affiliated enterprise and impacts on the Company's financial position in the last year up until the publication date of annual report: None.**

# Seven. Review of Financial Position, Operating Results, and Risk Management Issues

## I. Financial position:

Comparative statement of financial position

Unit: NTD thousands

| Item \ Year | March 31, 2022 | December, 2021 | Difference | |
|---|---|---|---|---|
| | | | Amount | % |
| Current assets | 3,141,128 | 3,821,057 | (679,929) | ( 17.79) |
| Financial assets | 45,417 | 337,286 | (291,869) | ( 86.53) |
| Financial assets at amortized cost - non-current | 6,665 | 6,615 | 50 | 0.76 |
| Investments accounted for using equity method | 192,780 | 175,738 | 17,042 | 9.70 |
| Property, plant and equipment | 1,838,843 | 1,686,193 | 152,650 | 9.05 |
| Other intangible assets | 6,762 | 1,561 | 5,201 | 333.18 |
| Other assets | 198,423 | 286,237 | (87,814) | ( 30.68) |
| Total assets | 5,430,018 | 6,314,687 | (884,669) | ( 14.01) |
| Current liabilities | 879,533 | 1,123,929 | (244,396) | ( 21.74) |
| Long-term liabilities | 431,092 | 529,091 | (97,999) | ( 18.52) |
| Other liabilities | 123,812 | 165,231 | (41,419) | ( 25.07) |
| Total liabilities | 1,434,437 | 1,818,251 | (383,814) | ( 21.11) |
| Share capital | 3,006,223 | 3,006,223 | 0 | — |
| Capital surplus | 243,873 | 243,639 | 234 | 0.10 |
| Retained earnings | 756,372 | 1,230,469 | (474,097) | ( 38.53) |
| Other equities | (46,383) | (22,435) | (23,948) | 106.74 |
| Treasury stock | — | — | — | — |
| Non-controlling interests | 35,496 | 38,540 | (3,044) | ( 7.90) |
| Total shareholders' equity | 3,995,581 | 4,496,436 | (500,855) | ( 11.14) |

Reasons for increased/decreased proportion analysis: explanation provided for these changes of NT$100 million or 20% or more.

1. Current assets: it was mainly due to the decline in the values of financial assets and the decrease in accounts receivable.
2. Financial assets: it is mainly due to the decrease resulted from the Company's disposal of wealth management products.
3. Property, plant and equipment - increased capital expenditure.
4. Other assets: it is mainly due to the decrease in deferred income tax assets.
5. Current liabilities: mainly due to repayment of short-term borrowings and decrease in accounts payable.
6. Other liabilities: it is mainly due to the decrease in net defined benefit liabilities resulted from the increase in contributions.
7. Retained earnings: it is mainly due to the distribution of cash dividends of NT$300,622 and the net loss of NT$181,505 thousand in 2022.
8. Other equities: Mainly because the values of the financial assets measured at fair value declined.

## II. Financial performance

(I) Key reasons of material changes in the operating revenue, operating net income, and net income before tax during the recent two years

Unit: NTD thousands

| Account \ Year | 2022 Total | 2021 Total | Increased/decreased amount | Percentage of change (%) |
|---|---|---|---|---|
| Operating revenue, net | 2,419,509 | 3,163,375 | (743,866) | ( 23.51) |
| Operating costs | 2,032,905 | 2,446,714 | (413,809) | ( 16.91) |
| Gross income from operations | 386,604 | 716,661 | (330,057) | ( 46.05) |
| Operating expenses | 349,598 | 406,091 | (56,493) | ( 13.91) |
| Other income and expenses, net | 431 | (23) | 454 | ( 1,973.91) |
| Operating income (loss) | 37,437 | 310,547 | (273,110) | ( 87.94) |
| Non-operating income and expense | (201,445) | 510,543 | (711,988) | ( 139.46) |
| Net (loss) income before tax for the current period | (164,008) | 821,090 | (985,098) | ( 119.97) |
| Income tax expense | 20,415 | 94,958 | (74,543) | ( 78.50) |
| Net (loss) income for the period | (184,423) | 726,132 | (910,555) | ( 125.40) |

Analysis of changes in proportion: the key reasons of changes of NT$100 million and 20% or more between two consecutive period, and their impact, as following:

1. Gross operating profit: Fewer customer orders year-on-year, and the decrease in capacity utilization resulted in higher costs, and thus gross profit decreased.
2. Gains on disposal of non-current assets held for sale: mainly due to loss from the financial asset valuation in 2022, the 2021 disposal of interests in non-current assets to be sold of NT$379,527 thousand.
3. Income tax expense: mainly due to the decrease in profit.

(II) Sales forecast and basis

The consolidated entity expects higher sales volume in 2023 compared to 2022. This forecast has been made mainly based upon changes in the macro environment, industry trends, and the Company's prospects, operational overview, and goals.

(III) Possible financial impacts and response plans

Facing the economic development in the post-pandemic era, the invisible light LED market, including applied sterilization, sensing, signal transmission, remote control, data connection, and line protection, is expected to show a growth trend in 2023 due to the characteristic of small quantity with diversity. However, for the mobile devices and consumer products, due to the slowdown in global economic growth, coupled with elevated terminal inventory, high inflation, and splits of tourism budget, the demand for LEDs will decline. Therefore, it is expected that there will be a moderate growth in 2023.

The consolidated entity is actively expanding into non-LED fields including sensors as a means to satisfy demand for applications such as wearable device, automobile, consumer electronics, and medicine, and strives for the innovation of the future sensor in the smart era.

## III. Cash flow

(I) Liquidity analysis in the recent two years

| item \ Year | 2022 | 2021 | Percentage of increase (decrease) % |
|---|---|---|---|
| Cash flow ratio | 71.64 | 22.75 | 214.90 |
| Cash flow adequacy ratio | 81.27 | 50.87 | 59.76 |
| Cash reinvestment ratio | 4.66 | 0.43 | 983.72 |

Analysis of changes in proportion: (analysis of these changes of 20% or more)
Cash flow ratio: mainly due to the increased cash inflow from operating activities resulted from the collection of accounts payable.
Cash reinvestment ratio: mainly due to the increase in working capital from the previous year.

(II) Improvement plans for illiquidity: The funds of the consolidated company are adequately filled through financing activities and available for use flexibly, without the problem of insufficient liquidity.

(III) Liquidity analysis for the next year

Unit: NTD thousands

| Beginning cash balance 1 | Expected net cash flows from operating activities 2 | Expected net cash flows from investing and financing activities 3 | Anticipated cash surplus (deficit) amount 1+2−3 | Remedies for cash deficits | |
|---|---|---|---|---|---|
| | | | | Investment plan | Financing plan |
| 1,342,144 | 272,821 | 492,291 | 1,122,674 | - | - |

Changes of cash flows for the next year are analyzed as following:
Operating activities: Cash outflows during the year primarily due to the expectation for lower accounts receivable and payments for accounts payable in 2023
Investing activities: Cash outflows during the year primarily due to capital expenditures on new equipment and expansion of Si components products in 2023 for business development
Financing activities: Cash inflows during the year primarily due to anticipated repayments from L/Cs and proceeds from loans in 2023.

## IV. Material capital expenditures in the last year and impacts on financial position and business performance:

(I) Utilization of major capital expenditures and source of funds, and nature of capital expenditure expected to be invested in the future:

Unit: NTD thousands

| Project | Actual or expected source of funds | Actual or expected date of completion | Total required fund | Actual or expected utilization of funds |
|---|---|---|---|---|
| | | | | 2023 |
| Investment of capacity expansion for Si components in Kejung Plant | Self-owned fund/ Bank loans | Q1 to Q4, 2023 | 303,445 | 303,445 |
| Add and improve cooling water system, air conditioning system, power system and pure water system performance. | Self-owned fund | Q1 to Q4, 2023 | 154,080 | 154,080 |
| Improve quality inspection analysis and testing equipment | Self-owned fund | Q1 to Q4, 2023 | 31,500 | 31,500 |
| Upgrade iMES system; introduce iSPC system and the environmental control system, and replace computer equipment adaptively | Self-owned fund | Q1 to Q4, 2023 | 15,800 | 15,800 |
| Establish the control over the inter-plant network connection, and provide network connection backup function and off-site data backup | Self-owned fund | Q1 to Q4, 2023 | 1,750 | 1,750 |

(II) Expected effects generated:

1 1. Purchase of machines and equipment:

In 2023, It is estimated that the total benefits that may be generated by purchasing machinery and equipment with the self-owned funds are as follows:

Unit: million pieces/PCS; NT$ thousand

| Year | Item | Sales Volume | Sales Value | Gross Profit |
|---|---|---|---|---|
| 2023 | Compound Semiconductor | 8,153 | 848,000 | 157,200 |
| | Si component | 13,295 | 1,630,000 | 207,600 |
| | Si components (PCS) | 151,236 | | |

2 Add and improve cooling water system, air conditioning system, power system and pure water system performance:

2.1 To cope with the requirements of increasing regulations and expansion of capacity, the Company replaces old or malfunctioning power-consuming equipment such as local ice machines/pumps/air compressors, to reduce energy consumption, and increase the overall energy-saving rate of the equipment.

2.2 Save electricity and comply with temperature and humidity control specifications, reduce process product abnormalities and improve product yield.

2.3 Maintain system performance, comply with on-site environmental temperature and humidity and PCW temperature and pressure control specifications, to reduce process product abnormalities and improve process product yield.

2.4 Cooperate with the corporate sustainable development and improve the efficiency of water recycling.

2.5 Improve system performance and lower risks.

3 Quality testing analytical and testing equipment: improve the effects of product electrical testing, appearance inspection, and reliability testing, as well as enhance the accuracy of the analysis and supporting evidence.

4 Upgrade iMES system and introduce iSPC system and the environmental control system and replace computer equipment adaptively

4.1 Real-time status inquiry of work-in-progress to improve real-time reporting capabilities

4.2 Real-time batch number history inquiry for the transparent production progress, and improve product batch number traceability

4.3 On-time completion rate, operating rate, detect the production waste, and improve production process efficiency

4.4 Promote the collection and filing of data of the computerized system, automatically report and warn of irregularities, and improve parameter recipes, as well as inspection management.

4.5 Improve the execution and processing capability of computer hardware, reduce the waiting time of manual operations to improve work efficiency, and collaborate with new operating systems and application software, to reduce information security vulnerabilities and information security risks.

4.6 IT automation management, build unmanned data centers, pre-define various specific conditions to trigger events, add checkpoints for confirmation as demanded; the IT automation effectively reduces the burden on information personnel.

4.7 Energy monitoring, based on the ambient temperature, humidity, and power consumption, advanced energy monitoring and analysis are conducted to automatically control the air conditioning system, and reduces energy costs.

5 Establish the control over the inter-plant network connection, and provide network connection backup function and off-site data backup:

5.1 MIS personnel are able to fully grasp all network activities at the monitoring end, and effectively prevent unknown network hacker attacks, to greatly increase the security of corporate information networks.

5.2 Reduce the human resources required by enterprises in information security, and truly achieve the benefits of system automation monitoring.

5.3 The humanized operation interface enables monitoring personnel to quickly understand the system architecture and the network status in a short time.

5.4 A protective network is established on the equipment end to make the systems used by the Company operate safely and stably.

5.5 Protect data from system failures, use storage space more efficiently and automatically back up data.

## V. Reinvestment policy in the most recent year, causes of profit or loss incurred, and any improvements or reinvestments planned for the next year:

| Re-invested business | Main Businesses | Original invested amount | Book value | Investment policy | Main reason of profit or loss | Improvement plans | Investment plans in the next year |
|---|---|---|---|---|---|---|---|
| TEK Holding Co., Ltd. | Investment in various overseas businesses | 258,290 | 264,476 | In order to enhance the Group's overall market competitiveness and take into account of the domestic market demand grow in Mainland China, the reinvestment is made to Yuanmao in China. | Insufficient utilization of capacity and fixed cost expenditures. | Continuous cost and expense control. | None |
| Long Benefit Investment Co., Ltd. | General investment | 185,000 | 285,214 | Profit is obtained from underlying investments. | The main reason is that the fair market value of the invested stocks have fallen, resulting in losses of valuation. | Pay attention to the industry status. | None |
| Hsinjing Holding Co., Ltd. (Note 1) | General investment | 591,378 | 165,874 | The future prospects of the solar industry are promising and the climate change in recent years has led to the active development of green power around the world, as well as the promotion of green energy policies by various governments vigorously. | In order to improve operational performance and industrial competitiveness, it has transformed into a solar system provide | Draw up budget and control costs and expenses. | None |
| Coretech Optical Co., Ltd. | Machinery, electronic components, power generation, transmission, and distribution machinery, as well as precision equipment manufacturing | 30,228 | 26,905 | Expand the business scope of the Group and use resources more effectively | Cost control is appropriate and profits increase. | Continuous cost and expense control. | None |
| Keeper Technology Co. Ltd. | Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery. | 78,977 | 58,458 | Expand the business scope of the Group and use resources more effectively | Increased research and development expenditures and recognition of sub-subsidiary's inventory obsolescence losses. | Obtain monthly financial reports and make continuous analysis. | None |
| Xu Qi Co., Ltd. | Lighting Equipment Manufacturing | — | — | Due to the company's overall operation adjustment, dissolution was adopted, and the liquidation has been completed. (Note 2) | | — | — |

Note 1: On February 27, 2020, Tynsolar's board of directors passed a resolution to suspend the trading of stocks on Taipei Exchange, and established Hsinjing by means of share swap, and all Tynsolar's shares had been converted to Hsinjing's shares, with the ownership percentage remaining unchanged.

Note 2: In the extraordinary shareholders' meeting on July 30, 2018, it was resolved to dissolve Xu Qi Co., Ltd., and the dissolution date was set on July 10, 2018. On March 3, 2022, the court approved its completion of liquidation.

Whether the investments in China conform to the required limit

Unit: NTD thousands

| Item | Amount |
| --- | --- |
| Book value as of March 31, 2023 | 3,929,685 |
| Limit of investments in China (60% of net value) (1) | 2,357,811 |
| Cumulative investments in China as of March 2023 (2) | 742,324 |
| Investment amount expected to be executed (3) | 0 |
| Forecasted total amount of investments in China (4) = (2)+(3) | 742,324 |

Tyntek Corporation's book value was NT$3,929,685 thousand as of March 31, 2023 based on its audited financial statements. The limit on its investment in China was NT$2,357,811 thousand according to the stipulations by the Investment Commission, Ministry of Economic Affairs. As of March 2023, the company's cumulative investment in China was NT$742,324 thousand, within the limit on outbound investments to China.

**VI. Risks in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report:**

(I) The impact of interest and exchange rate changes and inflation on the Company's profit and loss and future countermeasures

1 The impacts of interest collection/payment and foreign exchange gains/losses on the Company's profit and loss

Unit: NTD thousands; %

| Item | 2022 | | |
| --- | --- | --- | --- |
| | Interest income | Interest expense | Foreign exchange gains (losses) |
| Amount | 4,564 | 12,862 | 95,848 |
| Percentage to the net operating revenue | 0.19 | 0.53 | 3.96 |
| Percentage to the net loss before tax | 2.78 | 7.84 | 58.44 |

The interest income, interest expense, and exchange gains and losses accounted for approximately 0.19%, 0.53%, and 3.96% of operating income of the consolidated company in 2022. The interest income, interest expenses, and exchange gains and losses accounted for approximately 2.78% and 7.84% in the net profit before tax, which are no significant impact on the Company's profit and loss. The exchange gains and losses are affected to a certain extent by the appreciation/depreciation of the US dollar and CNY exchange rate, and thus impact on the consolidated company's export revenue.

2 Specific measures of the consolidated company in response to changes in interest rates and exchange rates

The consolidated company always monitor the fluctuation of interest rate and exchange rate, and formulate the "Procedure for Acquiring or Disposing Assets" as a control, to avoid interest rate and foreign exchange risks arising from operations, with pairing spot exchange and forward foreign exchange contracts.

2.1 Interest rate:

In addition to the company's own profits and shareholder capital contributions, the working capital of the consolidated company also comes from bank financing, and the interest expense mainly comes from bank financing for material procurement, self loans, project loan for returned Taiwanese companies, and short-term borrowings. The consolidated company continues to maintain good relations with banks, proactively apply for the Taiwanese Companyies Returned Investment Action Program, and the approved has be granted. The company also monitors changes in market interest rates to obtain more favorable interest rates and reduce interest expenses. Therefore, the changes in market interest rates have no material impact on the consolidated company.

2.2 Foreign exchange rate:

74% of sales of the consolidated company are exportation, leading to the risk of exchange rate fluctuations. Faced with exchange rate risks, the countermeasures of the consolidated company are as follows:

2.2.1 Sale or purchase of forward foreign exchange in advance.

2.2.2 Strengthen procurement capabilities, reduce costs of raw material purchase, and negotiate sharing exchange rate risks with suppliers. If the magnitude exchange rate changes increases, transaction price will be renegotiated with the supplier.

2.2.3 Strengthen the ability to develop sources of incoming materials and avoid excessive influence from a single currency exchange rate.

2.2.4 The quotation system with customers include the consideration of selling price adjustment due to exchange rate changes to protect the Company's existing profits.

2.2.5 Pay the expenditure in foreign currency generated from importation with the export revenue in same currency, to shift partial FX risks.

2.2.6 Adjust foreign currency positions based on exchange rate changes.

2.3 Inflation:

In 2022, the global pandemic continued to rage. The Russia-Ukraine War broke out at the end of February, and then global inflation followed. To curb the inflation, the United States and many other countries have raised interest rates, leading to a global recession. As of the publication date of the annual report, the consolidated company has not had any significant impact on the company’s profit and loss due to inflation. Sales prices are adjusted any time in response to market fluctuations to reduce the impact of changes in inflation by continuous enhancement of cost control.

(II) Policies of engagement in high-risk and highly leveraged investments, loans to others, endorsements and guarantees and derivative trading, main reasons for profit or loss and future countermeasures:

1 Engagement in high-risk and highly leveraged investments: None.

2 Loaning of funds to others, endorsements and guarantees:

The consolidated company loans of funds and provides external endorsement/guarantee are mainly for the subsidiaries’ repayment of bank loans. Such are handled pursuant to TYNTEK’s “Operating Procedures for Loaning of Funds to Others” and “Operational Procedures for Endorsement/Guarantee.” As of the end of 2021, the amount of 2022 loaning of funds and external endorsement/guarantee of the consolidated company was NT$10,000 thousands and NT$0, respectively.

3 Policy, and gains or loss of derivative transactions, and the response in the future:

If the consolidated company engages in derivatives transactions, the counterparties are limited to creditworthy correspondent banks with no expectation of default, so the possibility of credit risk is extremely low. Secondly, the above-mentioned transactions are of a hedging nature, and gains and losses due to exchange rate changes will be offset with the hedged items, so the market risk is usually low. Meanwhile, the consolidated company controls the transaction risk of financial products by limiting the information and trading capabilities of the trading counterparties, and also uses the financing tools in the money market and foreign exchange markets, as well as the appropriate current assets to plan future cash requirements. Therefore, the management of the consolidated company expects that the above-mentioned financial product transactions should not cause major losses.

(III) Future R&D projects and estimated R&D expenses

1 Future R&D projects

The Company has always focused on the product R&D capability and with the continuous efforts over the past years, we have been able to develop and launch numerous outstanding new products, and have also been able to gain support from government agencies. In addition to stabilizing the existing Asian market, it is also actively expanding the European and North American markets to further extend the market share. To have better forward-looking and marketable products, the Company has been sparing no efforts in optical communication sensing components, the long wavelength sensing used in display components and consumer products, development of avalanche diodes, and automotive optical coupling components (for the high speed industrial control of new energies), medical (blood oxygen), wearables and sensing components of precision control, and certain outcomes have been fruited. In addition, the Company is also active in the investment of relevant product application fields. With the rapid growth of the optoelectronic market, the application scope of various products continues to expand, and the market demand is increasing. To satisfy the market demand, the Company will continue to focus on the development of the following products:

A. High density semiconductor passive components
B. 6” wafer and high-sensitivity sensing PD
C. 6” wafer and high precision and power components
D. High power AlGaInP light emitting diodes
E. High speed communication photodiodes
F. Multiband photo detectors
G. DUV sensors
H. Substrates with electrostatic protection components
I. Flip-chip Zener diodes
J. Photo diode integrated circuit (PDIC)
K. Low-capacitance transient voltage suppressors (TVS)
L. High speed optical communication laser diodes
M. Vertical cavity surface emitting laser (VCSEL) diodes
N. New generation semiconductor material components
O. Long wavelength sensing components

P. Infrared diodes for high-speed industrial control

Q. Point light source infrared diode

2 The estimated R&D expenses: NT$168,000 thousand.

(IV) The impact of important domestic and overseas policy and regulation changes on the financial status of the Company and countermeasures:

The consolidated company has been aware of important domestic and foreign policy and legal changes in the most recent years through various information channels, to ensure the compliance of business activities with the related policies and regulations, with establishment of corresponding management procedures and proper countermeasures adopted, so that it will not have a significant impact on the consolidated company's finance and business.

(V) The impact of technological (cyber security risk included) and industrial changes on the financial status of the Company and countermeasures:

The consolidated company will improve product quality and develop new products in response to changes in technology. The consolidated company will maintain good cooperative relations with upstream and downstream suppliers and customers, grasp the pulse of the market, and engage in research and development and improvement processes related to cope with customers' needs and market changes, with continuous expansion of production, to enhance the competitiveness of the consolidated company.

With the development of technology, current LED lighting has developed to the late stage of maturity, and it is inevitable to develop new applications, such as the cross-industry integration of smart lighting, e.g. the combination of lighting systems and big data in different application scenarios.

To cope with technological changes, the information security management system (ISMS) will be introduced in the second half of 2023, and it is expected to obtain the ISO27001:2022 international standard certification in the second quarter of 2024 to prefect the information security management policies and related management procedures. In the future, the deployment of the information security defense system will focus on the management and control of machines at the production lines, and the administrative personnel will strengthen endpoint detection and response, monitoring of network abnormal traffic, intrusion detection and protection, complete system off-site backup, and the information security monitoring platform, to increase the depth of defense for management and technical aspects, for reducing information security risks.

In terms of industry, based on the social trend of declining employment population and the demand for green energy, the Company considers global development trends, respond to government industrial policies, and review its own existing technological capabilities and growths of the corresponding industries. On top of continuously strengthening its own technical advantages, the Company also introduces innovative methodologies. To cope with the social trend of declining employment population, plan the long-term technological development blueprint for machine automation, and complete the strategy and timetable for the accomplishment of the plan.

As of the publication date of the annual report, the consolidated company has not had a significant adverse effect on the company's finance and business due to technological changes, any cyber security incident, and industrial changes.

(VI) The impact of corporate image change on the Company's crisis management and countermeasures:

Merger The company has been committed to maintaining its corporate image for many years and complying with laws and regulations. If there is a situation that affects the corporate image or violates laws and regulations, a special team will be formed to formulate countermeasures. However, once a corporate crisis occurs, it may cause considerable damage to the Company. Therefore, the consolidated company will continue to comply with and mak the best efforts to implement various corporate governance requirements, while consulting relevant experts in a timely manner, to reduce the occurrence of such risks and the impact of these risks on the finance and business of the consolidated company. As of the pubication date of the annual report, there has not been anything that could affect the corporate image.

(VII) Expected benefits and possible risks of M&A: None.

(VIII) Expected benefits and possible risks of plant expansion:

In 2023, TYNTEK invested in the expansion of production capacity of SI component products. It is expected to increase revenue growth, improve the Company's gross profit and market share. In addition to working capital, part of the source of funds needs to be borrowed from banks to increase interest expenses; the customers' orders and risk of changes in market conditions are also monitored for responses.

(IX) The impact of concentration of purchase or sales:

The sales and purchase clients of the consolidated company in 2022 were quite scattered. Except for the increase demand in silicon wafer and the customer is a long term partner, the Company continues to maintain good cooperative relationships with various vendors, to lower the consolidated procurement, and actively expand new customer sources, so it does not faces the huge risk of purchase or sales concentration.

(X) The impact of mass share transfer or change of Directors, Supervisors or shareholders holding more than 10% of the Company's shares, the risks and countermeasures: None.

(XI) The impact of the change of management on the Company, the risks and countermeasures: None.

(XII) List major litigious or non-litigious matters that: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report: None

(XIII) Other important risks and countermeasures: None

**VII. Other material issues:**

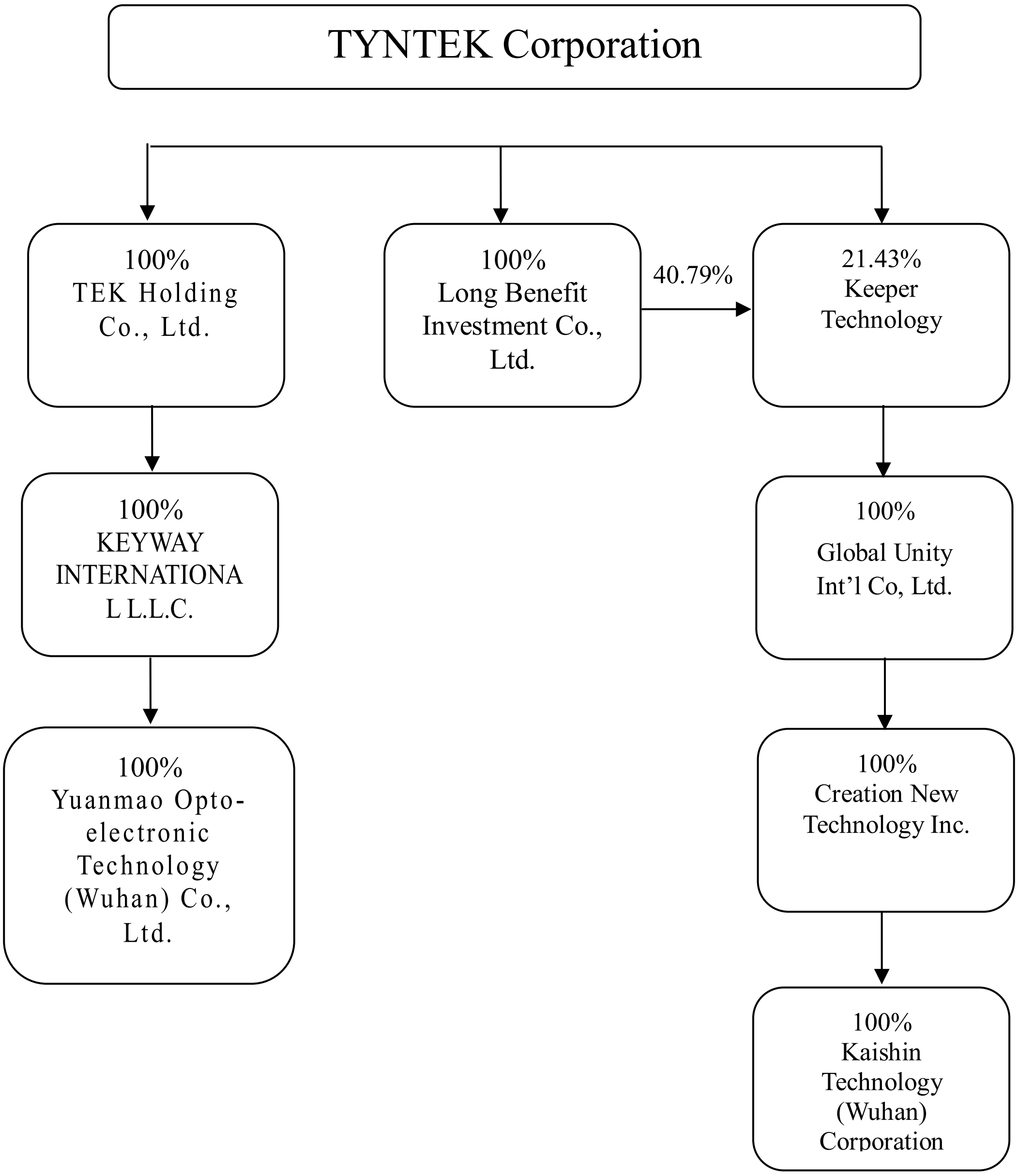
# Eight. Special Disclosure

**I. Affiliated companies**

(I) Consolidated Business Report of Affiliates:

1. . Organization Chart of Affiliates

December 31, 2022



2. Basic Information of Affiliates

December 31, 2022 Unit: NT$ thousand

| Name of Affiliate | Date of Establishment | Address | Paid-in Capital | Major Business or Production |
|---|---|---|---|---|
| TEK Holding Co., Ltd. | 2020.04 | 3RD FLOOR, YAMRAJ BUILDING, MARKET SQUARE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS. | 258,290 | International investment |
| Keeper Technology | 2020.05 | No. 29, Wuquan 7th Road, Wugu District, New Taipei City | 140,000 | Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery. |
| Long Benefit Investment Co., Ltd. | 2005.05 | No. 15, Kezhong Road, Zhunan Township, Miaoli County | 423,896 | Domestic investment |
| KEYWAY INTERNATIONAL L.L.C. | 2020.07 | 3500 South Dupont Highway,Dover,Delaware 19901,U.S.A. | 258,768 | International investment |
| Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. | 2005.12 | No. 17, Binhu Road, Donghu New Technology Development Zone, Wuhan | 258,290 | Other light-emitting diode production and sales business |
| Global Unity Int'l Co, Ltd. | 2007.01 | Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius | 32,376 | International investment |
| Creation New Technology Inc. | 2007.06 | Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road. Apia Samoa | 32,376 | International investment |
| Kaishin Technology (Wuhan) Corporation | 2007.12 | No. 17, Binhu Road, Donghu New Technology Development Zone, Wuhan, Hubei Province | 32,376 | R&D and manufacturing of LED lighting equipment products, electronic component manufacturing, automobile parts manufacturing, as well as electrical appliances and audiovisual electronic products manufacturing |
| Xu Qi Co., Ltd. (Note) | 2015.10 | No. 1387, Renai Road, Qiding Village, Zhunan Township, Miaoli County | - | Lighting Equipment Manufacturing |

Note: In the extraordinary shareholders' meeting on July 30, 2018, it was resolved to dissolve, and the dissolution date was set on July 10, 2018. On March 3, 2022, the court approved its completion of liquidation.

3. Information on those presumed to be controlling and controlled companies: None.
4. The industries covered by the business operated by the overall affiliated enterprises:including the optoelectronic industry, LED module application design and lighting manufacturing, and investment industries.

## 5. Information of Directors, Supervisors, and Presidents of Each Affiliate

December 31, 2022 Unit: thousand shares

| Name of Affiliate | Title | Name or Representative | Shares | Shares Ratio |
|---|---|---|---|---|
| TEK Holding Co., Ltd. | Chairman | TYNTEK Corporation- Biing-Jye Lee | 6,700 | 100.00% |
| Keeper Technology | Chairman | Raymond Sheu | 425 | 3.04% |
| | Director | Long Benefit Investment Co., Ltd. | 5,711 | 40.79% |
| | Director | Chien-Li Wu | 638 | 4.55% |
| | Director | TYNTEK Corporation | 3,000 | 21.43% |
| | Director | Wen-Hu Wang | 887 | 6.34% |
| | Supervisor | Ching-Ho Hsu | 189 | 1.35% |
| | President | Wen-Hu Wang | 887 | 6.34% |
| Long Benefit Investment Co., Ltd. | Chairman | TYNTEK Corporation- Will Chou | 42,390 | 100.00% |
| | Director | TYNTEK Corporation- Biing-Jye Lee | 42,390 | 100.00% |
| | Director | TYNTEK Corporation- Mei-Ling Chiu | 42,390 | 100.00% |
| | Supervisor | TYNTEK Corporation- Li, Rong-Huan | 42,390 | 100.00% |
| KEYWAY INTERNATIONAL L.L.C. | Chairman | TEK Holding Co., Ltd.- Biing-Jye Lee | — | 100.00% |
| Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. | Chairman | KEYWAY INTERNATIONAL L.L.C.-Will Chou | — | 100.00% |
| | Director | KEYWAY INTERNATIONAL L.L.C.-Tai-Hsiang Hu | | |
| | Director | KEYWAY INTERNATIONAL L.L.C.-Mei-Ling Chiu | | |
| | Supervisor | KEYWAY INTERNATIONAL L.L.C.-Hsiao-Ping Li | | |
| Global Unity Int’l Co, Ltd. | Chairman | Keeper Technology -Raymond Sheu | 1,000 | 100.00% |
| Creation New Technology Inc. | Chairman | Global Unity Int’l Co, Ltd- Raymond Sheu | 1,000 | 100.00% |
| Kaishin Technology (Wuhan) Corporation | Chairman | Creation New Technology Inc- Wen-Hu Wang | — | 100.00% |
| | Supervisor | Creation New Technology Inc- Liao, Chiu-Mei | | |
| Xu Qi Co., Ltd. (Note) | — | — | — | — |

Note: In the extraordinary shareholders’ meeting on July 30, 2018, it was resolved to dissolve, and the dissolution date was set on July 10, 2018. On March 3, 2022, the court approved its completion of liquidation.

## 6.Operation Overview of Each Affiliate

December 31, 2022 Unit: NT$ thousand

| Name of Affiliate | Capital | Total Assets | Total Liabilities | Net Value | Operating income | Operating profit | Income of the Period | Earnings per share (EPS) |
|---|---|---|---|---|---|---|---|---|
| TEK Holding Co., Ltd. | 258,290 | 264,752 | 0 | 264,752 | 0 | 0 | (6,295) | (0.94) |
| Keeper Technology | 140,000 | 235,379 | 141,425 | 93,954 | 221,683 | 2,039 | (7,723) | (0.55) |
| Long Benefit Investment Co., Ltd. | 423,896 | 283,060 | 0 | 283,060 | 5,110 | 49 | (205,340) | (4.84) |
| KEYWAY INTERNATIONAL L.L.C. | 258,768 | 264,495 | 0 | 264,495 | 0 | 0 | (6,314) | - |
| Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. | 258,290 | 304,313 | 39,837 | 264,476 | 108,785 | (12,067) | (6,317) | - |
| Global Unity Int'l Co, Ltd. | 32,376 | (337) | 0 | (337) | 0 | 0 | (9,128) | (9.13) |
| Creation New Technology Inc. | 32,376 | (337) | 0 | (337) | 0 | 0 | (9,128) | (9.13) |
| Kaishin Technology (Wuhan) Corporation | 32,376 | 214 | 214 | 0 | 0 | (8,992) | (9,128) | - |
| Xu Qi Co., Ltd. (Note) | - | - | - | - | - | - | - | - |

Note: In the extraordinary shareholders' meeting on July 30, 2018, it was resolved to dissolve, and the dissolution date was set on July 10, 2018. On March 3, 2022, the court approved its completion of liquidation.

7. Relationship between the Subordinate Company and the Controlling Company

December 31, 2022

| Name of the controlling company | Reasons for the control | Shareholding and pledges | | | Directors or supervisors appointed to the subordinate company by the controlling company, or controlling company appointees engaged as managerial officers of the subordinate company | |
|---|---|---|---|---|---|---|
| | | Shares held (thousand shares) | Shares Ratio | Shares pledged | Title | Name |
| TEK Holding Co., Ltd. | Direct shareholding over 50% | 6,700 | 100.00% | – | Chairman | Lee, Biing-Jye |
| Keeper Technology | Direct/indirect shareholding over 50% | 8,711 | 62.22% | – | Director<br>Director | Long Benefit Investment Co.<br>TYNTEK |
| Long Benefit Investment Co., Ltd. | Direct shareholding over 50% | 42,390 | 100.00% | – | Chairman<br>Director<br>Director<br>Supervisor | Will Chou<br>Lee, Biing-Jye<br>Mei-Ling Chiu<br>Li, Rong-Huan |
| KEYWAY INTERNATIONAL L.L.C. | Indirect shareholding over 50% | – | 100.00% | – | Chairman | Lee, Biing-Jye |
| Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. | Indirect shareholding over 50% | – | 100.00% | – | Chairman<br>Director<br>Director<br>Supervisor | Will Chou<br>Li, Rong-Huan<br>Mei-Ling Chiu<br>Hsiao-Ping Li |
| Global Unity Int'l Co, Ltd. | Indirect shareholding over 50% | 1,000 | 100.00% | – | Chairman | Raymond Sheu |
| Creation New Technology Inc. | Indirect shareholding over 50% | 1,000 | 100.00% | – | Chairman | Raymond Sheu |
| Kaishin Technology (Wuhan) Corporation | Indirect shareholding over 50% | – | 100.00% | – | Chairman | Wen-Hu Wang |
| Xu Qi Co., Ltd. (Note) | Direct shareholding over 50% | – | – | – | – | – |

Note: In the extraordinary shareholders' meeting on July 30, 2018, it was resolved to dissolve, and the dissolution date was set on July 10, 2018. On March 3, 2022, the court approved its completion of liquidation.

8.Endorsements and guarantees

December 31, 2022 Unit: NTD thousands

| Counterparty of endorsements and guarantees | Guaranteed Party | Maximum balance | Ending balance | | Relationship | Provider of collateral | | | Terms and conditions or dates for rescinding the endorsement or guarantee obligation or withdrawing the collateral. | Ratio of contingency loss amounts recognized | Endorsement or guarantee operations breach applicable operational rules |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Amount | In the financial statements | | Name | Volume | Value | | | |
| None | | | | | | | | | | | |

9. Financing

December 31, 2022 Unit: NTD thousand

| Lender | Borrower | Relationship | Maximum balance | Ending balance | Interest Rate | Total interest for the current period | Financing period | Reason for the financing | Collateral obtained or provided | | Method by which the transaction was decided upon | Allowances set aside for bad debt |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Name | Amount | | |
| TYNTEK | Keeper Technology | Parent-subsidiary | 20,000 | 10,000 | 2.03%~2.30% (floating interest rate applied) | 168 | One year | Repayment of borrowings | - | | Pursuant to regulations of FSC | - |

10. Asset leasing

December 31, 2022 Unit: NTD thousand

| Lessor Lessee | Relations | Object leased | | Lease term | Nature of the leasing | Method by which the leasing price was determined | Payment collection method | Comparison with ordinary leasing price levels | Total leasing price for the current period and collection/payment | Collection/payment for the current period | Other agreements |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Location | | | | | | | | |
| TYNTEK Long Benefit | Parent-subsidiary | Office- No. 15, Kezhong Rd., Zhunan Township, Miaoli County | | 2022.01~2022.12 | Operating lease | Negotiated according to the market price | One-time off | - | 34 | Normal | - |

(II) Consolidated financial statements of affiliates: please refer to Appendix 1 of the annual report.

(III) Affiliation report: None

**II. Private placement of securities in the last year up until the publication date of annual report: None**.

**III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up until the publication date of annual report: None**.

**IV. Other supplementary information: None**.

**V. Occurrences Significant to Shareholders' Interests or Securities Price, as Defined in Subparagraph 2, Paragraph 2, Article 36 of the Securities and Exchange Act, in the Last Year up Until the Publication Date of Annual Report: None**.

**Appendix 1**

Representation Letter

The entities that are required to be included in the 2022 consolidated financial statements of the Company (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, a separate set of combined financial statements will not be prepared.

Sincerely,

Name of the Company: TYNTEK Corporation

Chairman: Lee, Biing-Jye

February 22, 2023

## Independent Auditors’ Review Report

To TYNTEK Corporation,

**Audit opinion**

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

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

**Basis for audit opinion**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards in the Republic of China. Our responsibility under those standards is further described in the section of "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements". 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 are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

**Key audit matters**

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2022, based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the consolidated financial statements of the Group for the year ended December 31, 2022, are stated as follows:

<u>Sales recognition</u>

The Group’s 2022 consolidated operating income was NT$2,419,509 thousand. Please refer to Notes 4 and 25 to the consolidated financial statements for the accounting policy and information related to revenue recognition. The Group’s operating income is mainly from the sale of optoelectronic products. As it has many sales clients at home and abroad, the sales, in which the transactions increased compared to the prior year, the transaction amounts were significant, and the transaction counterparties were not publicly listed, are listed as a key audit matter for 2021.

The main audit procedures we performed for said matter are as follows:

1. Understand and test the effectiveness of the design and the implementation of the main internal control mechanism for the sales.
2. Select samples randomly to check the receipts and payment status related to the sales, and inquire the existence of the transaction counterparties to verify the actual occurrence of the sales, and check whether there is any anomaly existing in the sales counterparties and the payment recipients.

**Other Matters**

The Company has also prepared the parent company’s only financial statements for the years ended December 31, 2022, and 2021, for which we have issued an unqualified opinion.

Included in the aforementioned consolidated financial statements, some of the financial statements of the investees measured using the equity method have not been audited by us but by other CPAs. Therefore, in our opinions on the aforementioned consolidated financial statements, the above-mentioned investment balance of the investees using the equity method and the relevant share of profit and loss on the investees are recognized based on the audit report of other CPAs. As of December 31, 2022 and 2021, the balance of investment in the aforementioned investees using the equity method was NT$165,874 thousand and NT$149,194 thousand, respectively, accounting for 3.05% and 2.36% of the total consolidated assets, respectively, and the share of profit or loss on associates recognized using the equity method for the year ended December 31, 2022 and 2021 was NT$16,455 thousand and NT$7,459 thousand, respectively, accounting for (10.03)% and 0.91% of the consolidated net income before tax, respectively.

**Responsibilities of the management and the governing body for the consolidated financial statements**

The responsibilities of the management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS and IAS, as well as IFRIC and SIC interpretations endorsed and entered into effect by the FSC, and to maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The governing body of the Group (including the Audit Committee) is responsible for supervising the financial reporting process.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards in the Republic of China. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the consolidated financial statements; design and execute countermeasures in response to said risks, and obtain sufficient and appropriate audit evidence to provide a basis of our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Group.

The matters communicated between us and the governing body include the planned scope and times of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided the governing body with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing body, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the auditors' report unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, we decided not to communicate over specific items in the auditors' report, for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte Taiwan
CPA Su-Li Fang

CPA Chen, Ming-Hui

The Financial Supervisory Commission R.O.C. Approved No.
Jing-Guang-Zheng-Liu No. 0940161384

Securities and Futures Commission Approval Document No.
Tai-Cai-Zeng-VI No. 0930128050

February 22, 2023

TYNTEK Corporation and Its Subsidiaries
Consolidated balance sheet
For the Years Ended December 31, 2022 and 2021

Unit: NTD thousand

| Code | Asset | December 31, 2022 Amount | % | December 31, 2021 Amount | % |
|---|---|---|---|---|---|
| | CURRENT ASSETS | | | | |
| 1100 | Cash and cash equivalents (Notes 6 and 31) | $ 1,342,144 | 25 | $ 1,145,382 | 18 |
| 1110 | Financial assets at fair value through profit or loss - current (Note 7 and 31) | 218,194 | 4 | 583,316 | 9 |
| 1136 | Financial assets at amortized cost - current (Note 9, 31 and 33) | 1,000 | - | 44,191 | 1 |
| 1150 | Notes receivable, net (Note 10, 31) | 21,574 | - | 21,863 | - |
| 1170 | Accounts receivable, net (Notes 10 and 31) | 622,998 | 12 | 998,356 | 16 |
| 1180 | Accounts receivable - related parties, net (Notes 10, 31, and 32) | 35,281 | 1 | 84,274 | 1 |
| 1200 | Other receivables (Notes 10 and 31) | 66,629 | 1 | 67,529 | 1 |
| 130X | Inventories (Note 11) | 811,589 | 15 | 843,782 | 14 |
| 1410 | Prepayments (Notes 17 and 34) | 18,653 | - | 22,725 | 1 |
| 1476 | Other financial assets (Notes 19, 31, and 33) | 1,003 | - | 3,593 | - |
| 1479 | Other current assets (Note 18) | 2,063 | - | 6,046 | - |
| 11XX | Total current assets | 3,141,128 | 58 | 3,821,057 | 61 |
| | non-current assets | | | | |
| 1510 | Financial assets at fair value through profit or loss - non-current (Note 7 and 31) | - | - | 263,055 | 4 |
| 1517 | Financial assets at fair value through profit or loss - non-current (Note 8 and 31) | 45,417 | 1 | 74,231 | 1 |
| 1535 | Financial assets at amortized cost - non-current (Note 9, 31 and 33) | 6,665 | - | 6,615 | - |
| 1550 | Investments accounted for using equity method (Note 13) | 192,780 | 3 | 175,738 | 3 |
| 1600 | Property, plant and equipment (Notes 14, 33 and 34) | 1,838,843 | 34 | 1,686,193 | 27 |
| 1755 | Right-of-use assets (Note 15) | 92,567 | 2 | 99,949 | 2 |
| 1780 | Other intangible assets (Note 16) | 6,762 | - | 1,561 | - |
| 1840 | Deferred tax assets (Note 27) | 35,469 | 1 | 81,287 | 1 |
| 1915 | Prepayments for equipment (Note 34) | 60,514 | 1 | 98,416 | 1 |
| 1920 | Refundable deposits (Note 31) | 3,410 | - | 1,963 | - |
| 1990 | Other non-current assets - others (Note 18) | 6,463 | - | 4,622 | - |
| 15XX | Total non-current assets | 2,288,890 | 42 | 2,493,630 | 39 |
| 1XXX | Total assets | $ 5,430,018 | 100 | $ 6,314,687 | 100 |

| Code | LIABILITIES AND EQUITY | December 31, 2022 Amount | % | December 31, 2021 Amount | % |
|---|---|---|---|---|---|
| | CURRENT LIABILITIES | | | | |
| 2100 | Short-term borrowings (Notes 19 and 31) | $ 108,429 | 2 | $ 157,977 | 3 |
| 2120 | Financial liabilities at fair value through profit or loss - current (Note 7 and 31) | 344 | - | - | - |
| 2130 | Contract liabilities - Current (Note 25) | 477 | - | 303 | - |
| 2150 | Notes payable (Notes 20 and 31) | 6,492 | - | 4,911 | - |
| 2170 | Accounts payable (Notes 20 and 31) | 312,233 | 6 | 454,548 | 7 |
| 2180 | Accounts payable to related parties (Notes 20, 31 and 32) | 1,705 | - | 6,453 | - |
| 2200 | Other payables (Notes 21, 31, and 32) | 233,773 | 4 | 275,540 | 4 |
| 2230 | Current tax liabilities (Note 27) | 35,945 | 1 | 62,522 | 1 |
| 2280 | Lease liabilities - current (Notes 15 and 31) | 9,053 | - | 8,899 | - |
| 2320 | Current portion of long-term borrowings (Notes 19 and 31) | 146,195 | 3 | 116,558 | 2 |
| 2313 | Unearned revenue (Notes 21, 29, and 31) | 11,375 | - | 4,631 | - |
| 2399 | Other current liabilities (Note 21) | 13,512 | - | 31,587 | 1 |
| 21XX | Total current liabilities | 879,533 | 16 | 1,123,929 | 18 |
| | non-current liabilities | | | | |
| 2540 | Long-term borrowings (Notes 19 and 31) | 431,092 | 8 | 529,091 | 8 |
| 2550 | Provisions - non-current (Note 22) | 18,444 | - | 16,807 | - |
| 2570 | Deferred tax liabilities (Note 27) | 2,655 | - | 15,325 | - |
| 2580 | Lease liabilities - non-current (Notes 15 and 31) | 82,612 | 2 | 89,618 | 2 |
| 2640 | Defined benefit liability - non-current (Note 23 | 18,862 | - | 37,905 | 1 |
| 2630 | Long-term deferred revenue (Notes 19, 29, and 31) | 846 | - | 1,031 | - |
| 2645 | Guarantee deposits received (Note 31) | 393 | - | 4,545 | - |
| 25XX | Total non-current liabilities | 554,904 | 10 | 694,322 | 11 |
| 2XXX | Total liabilities | 1,434,437 | 26 | 1,818,251 | 29 |
| | Equity attributable to owners of the company (Note 24) | | | | |
| 3110 | Ordinary shares | 3,006,223 | 55 | 3,006,223 | 47 |
| 3200 | Capital surplus | 243,873 | 5 | 243,639 | 4 |
| | Retained earnings | | | | |
| 3310 | Statutory reserves | 286,048 | 5 | 214,568 | 3 |
| 3320 | Special reserves | 37,523 | 1 | 55,815 | 1 |
| 3350 | undistributed earnings | 432,801 | 8 | 960,086 | 15 |
| 3300 | Total retained earnings | 756,372 | 14 | 1,230,469 | 19 |
| 3400 | Other equities | ( 46,383 ) | ( 1 ) | ( 22,435 ) | - |
| 31XX | Total equity attributable to owners of the company | 3,960,085 | 73 | 4,457,896 | 70 |
| 36XX | Non-controlling interests (Notes 12 and 24) | 35,496 | 1 | 38,540 | 1 |
| 3XXX | Total equity | 3,995,581 | 74 | 4,496,436 | 71 |
| | Total liabilities and equity | $ 5,430,018 | 100 | $ 6,314,687 | 100 |

The accompanying notes are an integral part of the consolidated financial statements
(With Deloitte & Touche review report dated February 22, 2023)

Chairman: Lee, Biing-Jye  Manager: Will Chou  Head of Accounting: Li, Hsiao-Ping

TYNTEK Corporation and Its Subsidiaries
Consolidated Statements of Comprehensive Income
For the Year Ended December 31, 2022 and 2021

Unit: NTD thousands; EPS (loss) in NTD

| Code | | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|
| 4000 | Operating revenue (Notes 25 and 32) | $ 2,419,509 | 100 | $ 3,163,375 | 100 |
| 5000 | Operating costs (Notes 11, 26, and 32) | 2,032,905 | 84 | 2,446,714 | 77 |
| 5900 | Gross income from operations | 386,604 | 16 | 716,661 | 23 |
| | Operating expenses | | | | |
| 6100 | Selling and marketing expenses (Notes 23 and 26) | 41,767 | 1 | 41,493 | 1 |
| 6200 | Administrative expenses (Notes 23 and 26) | 166,179 | 7 | 231,702 | 8 |
| 6300 | Research and development expense (Notes 23 and 26) | 141,652 | 6 | 132,896 | 4 |
| 6000 | Total operating expenses | 349,598 | 14 | 406,091 | 13 |
| 6500 | Other income and expenses, net (Note 26) | 431 | - | ( 23 ) | - |
| 6900 | Operating profit | 37,437 | 2 | 310,547 | 10 |
| | Non-operating income and expense | | | | |
| 7100 | Interest revenue (Note 26) | 4,564 | - | 5,489 | - |
| 7010 | Other income (Notes 26 and 32) | 41,128 | 2 | 26,212 | 1 |
| 7020 | Other gains or losses (Notes 26 and 35) | ( 255,340 ) | ( 11 ) | 485,335 | 15 |
| 7050 | Financial costs (Note 26) | ( 12,862 ) | - | ( 20,531 ) | ( 1 ) |
| 7060 | Share of profit (loss) on associates using the equity method | 21,065 | 1 | 14,038 | 1 |
| 7000 | Total non-operating income and expenses | ( 201,445 ) | ( 8 ) | 510,543 | 16 |
| 7900 | Net income (loss) before tax | ( 164,008 ) | ( 6 ) | 821,090 | 26 |
| 7950 | Income tax expense (Note 27) | 20,415 | 1 | 94,958 | 3 |
| 8200 | Net income (loss) for this year | ( 184,423 ) | ( 7 ) | 726,132 | 23 |

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| Code | | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|
| | Other comprehensive income (Note 24) | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss: | | | | |
| 8311 | Remeasurement of defined benefit plans | $ 8,030 | - | ( $ 2,054 ) | - |
| 8316 | Unrealized gains (losses) on investments in equity instruments at FVTOCI | ( 33,159 ) | ( 1 ) | 40,778 | 1 |
| 8349 | Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 27) | 5,963 | - | ( 6,112 ) | - |
| 8360 | Items that may be reclassified subsequently to profit or loss: | | | | |
| 8361 | Exchange Differences in Translating the Financial Statements of Foreign Operations | 4,121 | - | ( 2,428 ) | - |
| 8399 | Income tax (expense) income related to the components of other comprehensive income (Note 27) | ( 812 ) | - | 480 | - |
| 8300 | Other comprehensive income of the current year (net amount after tax) | ( 15,857 ) | ( 1 ) | 30,664 | 1 |
| 8500 | Total comprehensive income of the current year | ( $ 200,280 ) | ( 8 ) | $ 756,796 | 24 |
| 8600 | Net income (loss) attributable to: | | | | |
| 8610 | Owners of the company | ( $ 181,505 ) | ( 8 ) | $ 724,850 | 23 |
| 8620 | Non-controlling interests | ( 2,918 ) | - | 1,282 | - |
| | | ( $ 184,423 ) | ( 8 ) | $ 726,132 | 23 |
| 8700 | Total comprehensive income attributable to: | | | | |
| 8710 | Owners of the company | ( $ 197,423 ) | ( 8 ) | $ 755,540 | 24 |
| 8720 | Non-controlling interests | ( 2,857 ) | - | 1,256 | - |
| | | ( $ 200,280 ) | ( 8 ) | $ 756,796 | 24 |
| | Earnings (loss) per share (Note 28) | | | | |
| 9710 | Basic | ( $ 0.60 ) | | $ 2.41 | |
| 9810 | Diluted | ( $ 0.60 ) | | $ 2.39 | |

The accompanying notes are an integral part of the consolidated financial statements
(With Deloitte & Touche review report dated February 22, 2023)

Chairman: Lee, Biing-Jye　　Manager: Will Chou　　Accounting Supervisor: Li, Hsiao-Ping

TYNTEK Corporation and Its Subsidiaries
Consolidated Statements of Equity Changes
For the Year Ended December 31, 2022 and 2021

Unit: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

| | | Equity attributable to owners of the company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital | | | Retained earnings | | | Other equities | | | | |
| Code | | Shares (thousand) | Amount | Capital surplus | Statutory reserves | Special reserve | Undistributed earnings | Exchange differences in translating the financial statements of foreign operations | Unrealized gains or losses on financial assets at FVTOCI | Total | Non-controlling interests | Total equity |
| A1 | Balance at January 1, 2021 | 300,621 | $ 3,006,223 | $ 224,694 | $ 186,082 | $ 89,035 | $ 466,022 | ( $ 20,929 ) | ( $ 42,249 ) | $ 3,908,878 | $ 37,284 | $ 3,946,162 |
| | Earning appropriation and distribution for 2020 | | | | | | | | | | | |
| B1 | Appropriated as statutory reserves | - | - | - | 28,486 | - | ( 28,486 ) | - | - | - | - | - |
| B17 | Reversed special reserve | - | - | - | - | ( 33,220 ) | 33,220 | - | - | - | - | - |
| B5 | Cash dividends to shareholders | - | - | - | - | - | ( 225,467 ) | - | - | ( 225,467 ) | - | ( 225,467 ) |
| C7 | Changes in associates and joint ventures accounted for using the equity method | - | - | 18,945 | - | - | - | - | - | 18,945 | - | 18,945 |
| D1 | 2021 net income | - | - | - | - | - | 724,850 | - | - | 724,850 | 1,282 | 726,132 |
| D3 | 2021 other comprehensive income after tax | - | - | - | - | - | ( 2,054 ) | ( 1,922 ) | 34,666 | 30,690 | ( 26 ) | 30,664 |
| D5 | 2021 total comprehensive income | - | - | - | - | - | 722,796 | ( 1,922 ) | 34,666 | 755,540 | 1,256 | 756,796 |
| Q1 | Disposal of equity instruments measured at FVTOCI | - | - | - | - | - | ( 7,999 ) | - | 7,999 | - | - | - |
| Z1 | Balance at December 31, 2021 | 300,621 | 3,006,223 | 243,639 | 214,568 | 55,815 | 960,086 | ( 22,851 ) | 416 | 4,457,896 | 38,540 | 4,496,436 |
| | Earning appropriation and distribution for 2021 | | | | | | | | | | | |
| B1 | Appropriated as statutory reserves | - | - | - | 71,480 | - | ( 71,480 ) | - | - | - | - | - |
| B17 | Reversed special reserve | - | - | - | - | ( 18,292 ) | 18,292 | - | - | - | - | - |
| B5 | Cash dividends to shareholders | - | - | - | - | - | ( 300,622 ) | - | - | ( 300,622 ) | - | ( 300,622 ) |
| C7 | Changes in associates and joint ventures accounted for using the equity method | - | - | 234 | - | - | - | - | - | 234 | - | 234 |
| D1 | Net loss of 2022 | - | - | - | - | - | ( 181,505 ) | - | - | ( 181,505 ) | ( 2,918 ) | ( 184,423 ) |
| D3 | 2022 other comprehensive income after tax | - | - | - | - | - | 8,030 | 3,248 | ( 27,196 ) | ( 15,918 ) | 61 | ( 15,857 ) |
| D5 | 2022 total comprehensive income | - | - | - | - | - | ( 173,475 ) | 3,248 | ( 27,196 ) | ( 197,423 ) | ( 2,857 ) | ( 200,280 ) |
| O1 | Non-controlling interests | - | - | - | - | - | - | - | - | - | ( 187 ) | ( 187 ) |
| Z1 | Balance at December 31, 2022 | 300,621 | $ 3,006,223 | $ 243,873 | $ 286,048 | $ 37,523 | $ 432,801 | ( $ 19,603 ) | ( $ 26,780 ) | $ 3,960,085 | $ 35,496 | $ 3,995,581 |

The accompanying notes are an integral part of the consolidated financial statements
(With Deloitte & Touche review report dated February 22, 2023)

Chairman: Lee, Biing-Jye　　Manager: Will Chou　　Accounting Supervisor: Li, Hsiao-Ping

TYNTEK Corporation and Its Subsidiaries
Consolidated Statements of Cash Flow
For the Year Ended December 31, 2022 and 2021

Unit: NTD thousand

| Code | | 2022 | 2021 |
|---|---|---|---|
| | CASH FLOWS FROM OPERATING ACTIVITIES | | |
| A10000 | Net income (loss) before tax for this year | ( $ 164,008 ) | $ 821,090 |
| A20010 | Adjustments for: | | |
| A20100 | Depreciation expenses | 273,393 | 246,559 |
| A20200 | Amortization expenses | 1,409 | 818 |
| A20400 | Net loss (gain) on financial assets and liabilities at FVTPL | 346,710 | ( 126,101 ) |
| A20900 | Financial costs | 12,862 | 20,531 |
| A21200 | Interest income | ( 4,564 ) | ( 5,489 ) |
| A21300 | Dividend revenue | ( 23,604 ) | ( 14,930 ) |
| A22300 | Share of profit or loss of associates accounted for using equity method | ( 21,065 ) | ( 14,038 ) |
| A22500 | (Gains) losses on disposal of property, plant and equipment | ( 431 ) | 23 |
| A23000 | Gains on disposal of non-current assets held for sale | - | ( 379,527 ) |
| A23200 | Gains on disposal of investments accounted for using the equity method | - | ( 282 ) |
| A23800 | Losses on inventory valuation and obsolescence losses | 27,880 | - |
| A24100 | Unrealized gains on foreign currency exchange | ( 8,889 ) | ( 28,753 ) |
| A29900 | Gains on lease modification | ( 1 ) | - |
| A30000 | Changes in operating assets and liabilities | | |
| A31130 | Note receivable | 289 | ( 12,639 ) |
| A31150 | Accounts receivable - related parties | 422,484 | ( 226,187 ) |
| A31180 | Other receivables | 626 | ( 1,452 ) |
| A31200 | Inventories | 4,313 | ( 115,057 ) |
| A31230 | Pre-payments | 2,231 | ( 7,337 ) |
| A31240 | Other current assets | 3,983 | ( 1,699 ) |
| A32125 | contract liability | 174 | ( 1,919 ) |
| A32130 | Note payable | 1,581 | ( 1,340 ) |
| A32150 | Accounts payable - related parties | ( 148,808 ) | 115,709 |
| A32180 | Other payables | ( 48,193 ) | 60,421 |
| A32200 | Provisions | 1,637 | 1,379 |
| A32230 | Other current liabilities | ( 18,075 ) | 5,691 |
| A32240 | Net defined benefit liability | ( 11,013 ) | ( 11,407 ) |
| A33000 | Cash from operations | 650,921 | 324,064 |
| A33300 | Interest paid | ( 12,115 ) | ( 20,980 ) |
| A33500 | Income tax paid | ( 8,694 ) | ( 47,418 ) |
| AAAA | Net cash inflow from operating activities | 630,112 | 255,666 |

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| Code | | 2022 | 2021 |
|---|---|---|---|
| | Cash flows from investing activities | | |
| B00010 | Acquisition of financial assets at FVTOCI | ( $ 4,344 ) | $ - |
| B00020 | Disposal of financial assets at FVTOCI | - | 28,880 |
| B00050 | Disposal of financial assets at amortized cost | 43,521 | 518,945 |
| B00100 | Purchase of financial assets at fair value through profit or loss | ( 67,349 ) | ( 20,754 ) |
| B00200 | Disposal of financial assets at FVTPL | 357,906 | 185,303 |
| B01800 | Acquisition of long-term investments in equity using the equity method | - | ( 1,470 ) |
| B01900 | Disposal of long-term investments in equity using the equity method | - | 12,054 |
| B02600 | Proceeds from disposal of non-current assets held for sale | - | 600,161 |
| B02700 | Acquisition of property, plant and equipment | ( 196,322 ) | ( 105,459 ) |
| B02800 | Proceeds from disposal of property, plant and equipment | 2,259 | 1,374 |
| B03700 | Decrease (increase) in refundable deposits | ( 1,447 ) | 213 |
| B04500 | Acquisition of intangible assets | ( 6,609 ) | ( 211 ) |
| B06500 | Decrease in other financial assets | 2,590 | 12,671 |
| B07100 | Increase in pre-payments for equipment | ( 175,320 ) | ( 151,946 ) |
| B07500 | Interest received | 4,788 | 5,616 |
| B07600 | Dividends received | 23,604 | 14,930 |
| BBBB | Net cash inflows from investing activities | ( 16,723 ) | 1,100,307 |
| | Cash flows from financing activities | | |
| C00100 | Increase in short-term borrowings | 276,647 | 1,099,231 |
| C00200 | Decrease in short-term borrowings | ( 332,522 ) | ( 1,461,009 ) |
| C01600 | Proceeds from long-term borrowings | 80,060 | 518,917 |
| C01700 | Repayments of long-term borrowings | ( 141,863 ) | ( 763,713 ) |
| C03000 | Decrease in guarantee deposits received | ( 4,152 ) | ( 11,635 ) |
| C04020 | Repayment of the principal portion of leases | ( 9,540 ) | ( 43,353 ) |
| C04500 | Cash dividends distributed | ( 300,622 ) | ( 225,467 ) |
| C05000 | Changes in non-controlling interests | ( 187 ) | - |
| CCCC | Net cash outflows from financing activities | ( 432,179 ) | ( 887,029 ) |
| DDDD | Effects of exchange rate changes on the balance of cash held in foreign currencies | 15,552 | 20,689 |
| EEEE | Increase in cash and equivalents | 196,762 | 489,633 |
| E00100 | Balance of cash and cash equivalents at the beginning of the year | 1,145,382 | 655,749 |
| E00200 | Balance of cash and cash equivalents at the end of the year | $ 1,342,144 | $ 1,145,382 |

The accompanying notes are an integral part of the consolidated financial statements
(With Deloitte & Touche review report dated February 22, 2023)

Chairman: Lee, Biing-Jye Manager: Will Chou Accounting Supervisor: Li, Hsiao-Ping

TYNTEK Corporation and Its Subsidiaries
Notes to consolidated financial statements
For the Year Ended December 31, 2022 and 2021
(In thousand of New Taiwan Dollars, Unless Stated Otherwise)

I. Organization and operations

TYNTEK Corporation (hereinafter referred to as the "Company") was incorporated on April 4, 1987 in accordance with the Company Act of R.O.C. The main businesses are research and development, manufacturing, and sales of relevant products, including gallium arsenide, infrared, light-emitting diodes, laser diodes, phototransistors, photodiodes, single crystal and epitaxy, crystal grains, optoelectronic systems, radio transmitters and other electrical devices that can generate radio radiant energy.

The Company's shares had been listed for trading in Taipei Exchange (TEPx) since November 1998 and were approved by the Securities and Futures Commission, Ministry of Finance (currently known as the Securities and Futures Bureau, Financial Supervisory Commission) to be listed on the Taiwan Stock Exchange for trading instead since September 2000.

The consolidated financial statements of the Company and its subsidiaries are presented in the Company's functional currency, the New Taiwan dollar.

II. The Authorization of Financial Statements

The consolidated financial statements were approved by the board of directors and authorized for release on February 22, 2023.

III. Application of New and Revised International Financial Reporting Standards

(I) Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (hereinafter referred to collectively as the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the Group's accounting policies.

(II) IFRSs endorsed by FSC that are applicable from 2023 onwards

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|---|---|
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2023 (Note 1) |
| Amendments to IAS 8 "Definition of Accounting Estimates" | January 1, 2023 (Note 2) |
| Amendments to IAS 12 (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction) | January 1, 2023 (Note 3) |

Note 1: The amendments apply to the annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments apply to changes in accounting estimates and changes in accounting policies that occur during the annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments apply to transactions occurring after January 1, 2022, except for the recognition of temporary differences in lease and decommissioning obligations as deferred tax at January 1, 2022.

As of the publication date of the consolidated financial statements, the Group has assessed that other standards and amendments to the interpretations will not have a significant influence on the Group's financial position and financial performance.

(III) The IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

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

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

Note 2: The seller and lessee shall apply the amendments to IFRS 16 retrospectively to the sale and leaseback carried out after the date of initial application of IFRS 16.

As of the publication date of the consolidated financial statements, the Group is continuing to assess the impact of amendments to the aforementioned standards and interpretations on the Group's financial position and financial performance, and will disclose relevant impacts when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

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

(II) Basis of preparation

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

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

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

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities realized within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

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

(IV) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisition up to the effective dates of disposal. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control over a subsidiary, the gains or losses on the disposal are the differences between the following two: (1) The sum of the fair value of the consideration received and the fair value of the remaining investment in the former subsidiary on the date of loss of control, and ( 2) the sum of the carrying amounts of the assets (including goodwill), liabilities and non-controlling interests of the former subsidiary on the day of loss of control. All amounts recognized in other comprehensive income related to said subsidiary are accounted for on the same basis as the one adopted for the Group's direct disposal of the relevant assets or liabilities.

The remaining investment in the former subsidiary is adopted as the amount of financial assets initially recognized at FVTPL based on the fair value at the date of loss of control.

For details of subsidiaries, ownership percentage, and businesses, please refer to Note 12 and Table 3 and 4.

(V) Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When preparing the consolidated financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures, or branches that operate in countries or adopt the functional currencies different from the Company) are translated into New Taiwan dollar. Income and expense items are translated at the average exchange rates for the period. The resulting currency exchange differences are recognized in other comprehensive income (and attributable to the owners of the Company and non-controlling interests, respectively).

If the Group disposes of the ownership interest of a foreign operation, or disposes of part of the equity of a foreign operation's subsidiary and loses control, or disposes of a foreign operation's joint agreement or associate, and the retained equity is a financial asset and is treated based on the accounting policies adopted for financial instruments, then all accumulated exchange differences attributable to the owners of the Company and related to the foreign operation will be reclassified to profit or loss.

If the partial disposal of a subsidiary of a foreign operation does not result in the loss of control, the accumulated exchange differences are attributable to the non-controlling interest of the subsidiary proportionally again but are not recognized in profit or loss. In the case of any other partial disposal of foreign operations, the accumulated exchange differences will be reclassified to profit or loss according to the proportion of the disposal.

(VI) Inventories

Inventories include merchandise, raw materials, work-in-progress, and finished goods. The value of inventories shall be determined based on the cost and net realizable value (NRV), whichever is lower. The comparison of the cost and NRV is based on individual items except for inventories of the same category. The NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average method.

(VII) Investments in Associates

An associate is an entity over which the Group has significant influence and is not a subsidiary nor a joint venture.

The Group adopts the equity method to account for its investments in associates.

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

The amount of the acquisition cost in excess of the Group's share of the net fair value of the identifiable assets and liabilities of an associate that constitutes the business on the acquisition date is classified as goodwill, which is included in the book value of the investment and cannot be amortized. The amount of the Group's share of the net fair value of the identifiable assets and liabilities of an associate that constitutes the business on the acquisition date in excess of the amount of the acquisition cost is classified as profit or loss.

When an associate issues new shares, if the Group does not subscribe according to the ownership percentage, which causes the ownership percentage to change, and, thus, the net equity value of the investment increases or decreases, capital surplus - the changes in the net equity value of associates accounted for using the equity method and the investment accounted for using the equity method are adjusted for the increase or decrease. However, if the new shares is not subscribed to or acquired according to the ownership percentage, which results in a decrease in the ownership interests of the associate, the amount recognized in the other comprehensive income related to the associate is reclassified according to the percentage of the decrease, and the basis of the accounting treatment adopted is the same as the basis that the associate must follow in the case of direct disposal of relevant assets or liabilities. Where the adjustment in the preceding paragraph shall be debited to the capital surplus, and the balance of the capital surplus generated by the investment under the equity method is insufficient, the difference is debited to the retained earnings.

When the Group's share of losses on an associate equals or exceeds its interest in the associate (including any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of said associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized only to the extent that the recoverable amount of the investment subsequently increases.

The Group ceases to adopt the equity method on the day when its investment ceases to be an associate, and its retained equity in the original associate is measured at fair value. The differences between the fair value, the proceeds from the disposal, and the carrying amount of the investment on the day when the equity method ceases to be adopted are recognized in profit or loss. In addition, all amounts recognized in other comprehensive income related to said associate are accounted for on the same basis as the one adopted for the associate's direct disposal of the relevant assets or liabilities. If an investment in an associate becomes an investment in a joint venture, or an investment in a joint venture becomes an investment in an associate, the Group will continue to adopt the equity method without remeasuring the retained equity.

Profit or loss on upstream, downstream, and lateral transactions between the Group and its associates is recognized in the consolidated financial statements only to the extent that it does not affect the Group's interests in the associates.

(VIII) Property, plant, and equipment

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

Property, plant and equipment are depreciated using the straight-line method over their useful lives. Each significant part is depreciated separately. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, while applying the effect of changes in accounting estimates prospectively.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in loss or profit.

(IX) Investment Property

Investment property refers to property held for the purpose of earning rent or capital appreciation or both (including the assets that meet the definition of investment property and the right-of-use assets). Investment property also includes land held, in which the future use has not yet been determined.

Self-owned investment property is initially measured at cost (including transaction costs), and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The investment property is depreciated on a straight-line basis.

When investment property is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(X) Intangible asset

1. Acquired separately

   Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized using straight-line method over the useful lives. The Group conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

2. Internally generated— research and development (R&D) expenditure

   Research expenditure is recognized in expenses when incurred.

3. Derecognition

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

(XI) Impairment of assets related to property, plant and equipment, right-of-use assets, intangible assets (excluding goodwill), and assets related to contract costs

The Group assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets (excluding goodwill) at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis.

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

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit and loss.

The inventory, property, plant and equipment, and intangible assets related to customer contracts are first recognized as impairment in accordance with the inventory impairment regulations and the regulations above. Then, the carrying amount of the assets related to contract cost in excess of the expected amount of consideration received for the provision of the relevant goods or services less the direct relevant costs is recognized as an impairment loss. Subsequently, the carrying amount of the assets related to contract cost is included in the cash-generating unit to which they belong to perform impairment assessment of the cash-generating unit.

When the impairment loss is subsequently reversed, the carrying amount of the asset, the cash-generating unit, or the asset related to contract cost is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset, cash-generating unit, or the asset related to contract cost which was not recognized as impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

(XII) Financial instruments

Financial assets and financial liabilities shall be recognized in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial asset

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Group are those measured at fair value through profit or loss (FVTPL) and at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

A. Disposal of financial assets at FVTPL

Financial assets measured at FVTPL include those mandatorily measured at FVTPL and those designated as at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instrument that the Group has not designated to measure at FVTOCI, and debt instruments that are not classified as measured at amortized cost or at FVTOCI.

Financial assets measured at FVTPL are measured at fair value, and the gains or losses arising from remeasurement (not including any dividends or interest generated by the financial asset) are recognized in other gains or losses. Please refer to Note 31 for the method of determining the fair value.

B. Financial assets at amortized cost

When the Group's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

a. Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and

b. The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, such assets (including cash and cash equivalents, accounts receivable measured at amortized cost, and time deposits with the original maturity date of more than 3 months) are measured at the amortized cost of the total carrying amount determined by the effective interest method less any impairment loss, and any foreign currency exchange differences are recognized in profit or loss.

Except for the following two cases, interest revenue is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

a. For purchased or originated credit-impaired financial asset, interest revenue is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.
b. For financial asset that is not purchased or originated credit-impaired but subsequently becomes credit impaired, interest income is calculated by multiplying the effective interest rate from the next reporting period after the credit impairment by the amortized cost of the financial asset.

Credit-impaired financial assets refer to the fact that when an issuer or debtor has experienced major financial difficulties or default, the debtor is likely to apply for bankruptcy or other financial restructuring, or the active market for the financial assets disappears due to financial difficulties.

Equivalent cash includes time deposits that are highly liquid, convertible into imprest cash at any time with little risk of value changes within 3 months from the date of acquisition, and is used to meet short-term cash commitments.

C. Investments in equity instruments measured at FVTOCI

The Group may, upon initial recognition, make an irrevocable election to designate as at FVTOCI the investments in equity instruments that are not held for trading and the ones that are not recognized by an acquirer in a business combination or with the contingent consideration.

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. Upon disposal of investments, cumulative gain or loss is directly transferred to retained earnings and are not reclassified to profit or loss.

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

(2) Impairment of financial assets

The Group assesses the impairment loss of financial assets measured at amortized cost (including accounts receivable) based on the expected credit loss on each balance sheet date.

Accounts receivable are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to lifetime ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Group, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

A. Internal or external information indicates that it is impossible for the debtor to settle the debt.
B. B. It is overdue for more than 90 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

The Company recognizes an impairment loss for all financial assets with a corresponding downward adjustment to their carrying amount through a loss allowance account. However, the loss allowance for investment in debt instruments measured at FVTOCI is recognized in other comprehensive income without a downward adjustment to the carrying amount.

(3) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When the investment in debt instruments measured at FVTOCI is derecognized in its entirety, the difference between its carrying amount and the consideration received plus the sum of any accumulated gains or losses that have been recognized in other comprehensive income is recognized in profit or loss When derecognizing an investment in equity instrument at FVTOC in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instrument

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

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

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. The purchase, sale, issuance, or cancellation of the Group's own equity instruments is not recognized in profit or loss.

3. Financial liability

(1) Subsequent measurement

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

(2) Derecognition of financial liabilities

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

(XIII) Provisions

The amount recognized in provision is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The provisions are measured at the discounted value of the cash flow estimated to settle the obligation.

(XIV) Revenue recognition

After the Group identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

If several contracts are signed with the same customer (or the customer's related party) almost at the same time, as the goods or services promised in these contracts are single performance obligations, the Group deals with the contracts separately.

1. Sales revenue

Sales revenue comes from the sales of products. As when a product reaches the transaction conditions signed with a customer, the customer already has the right to set the price and the way the product is used while bearing the main responsibility for resale and the risk of obsolescence, at which the Group recognizes such revenue and reclassifies it to accounts receivable after fulfilling the remaining obligations. Advance receipts from sales are recognized as contract liabilities before a product reaches the transaction conditions signed with a customer.

In the case of export of raw materials overseas for processing, the control of the ownership of the processed product has not been transferred, so the income is not recognized when said materials are exported.

(XV) Leasing

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

1. The Group as lessor

   Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

2. The Group as lessee

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

   A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

   A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

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

   Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the lease term, the expected payment under the residual value guarantee, the evaluation of the underlying asset purchase options, or the index or rate used to determine the lease payment over the lease term lead to changes in future lease payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. For lease modifications that are not treated as a separate lease, remeasurement of the lease liabilities due to the reduced scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss of the partial or full termination of the lease; the remeasurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are presented on a separate line in the consolidated balance sheets.

(XVI) Borrowing costs

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

For specific borrowings, if the investment income earned by making a temporary investment before the capital expenditure that meets the requirements is incurred, it is deducted from the borrowing costs that meet the capitalization conditions.

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

(XVII) Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods, in which the Group recognizes as expenses the relevant costs for which the grants are intended to compensate. Government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets are recognized as deferred income and reclassified to profit or loss during the useful life of said assets on a reasonable and systematic basis.

If government grants are used to compensate expenses or losses incurred, or are given to the Group for the purpose of immediate financial support without relevant future costs, they can be recognized in profit or loss in the period, during which the Group can receive said grants.

For the government loan obtained by the Company with an interest rate lower than that in the market, the difference between the loan amount received and the fair value of the loan calculated at the prevailing market interest rate is recognized as a government grant.

(XVIII) Employee benefits

1. Short-term employee benefits

Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized as expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement ) is calculated based on the projected unit credit method. The service cost (including the service cost for the current period) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

3. Other long-term employee benefits

The accounting treatment of other long-term employee benefits is the same as that of the defined benefit pension plan, but the relevant remeasurement is recognized in profit or loss.

(XIX) Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

1. Tax currently payable

The Group determines the income (loss) of the current year in accordance with the laws and regulations in each jurisdiction area for income tax filings, and calculates the income tax payable (recoverable) accordingly.

A surtax imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized via a resolution at the annual shareholders' meeting.

Adjustments to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carryforwards, equipment purchase, research and development, as well as talent training expenditure.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments are recognized as deferred income tax only if it is probable that there will be sufficient taxable income to realize the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date, and its carrying amount will be increased as it has become probable that future taxable income will allow all or part of the asset to be recovered.

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

3. Current and deferred income tax

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

V. Critical Accounting Judgements and Key Sources of Estimation and Uncertainty

In the application of the Group's accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

The Group will include the recent developments of the COVID-19 pandemic in Taiwan, Russia-Ukraine War and relevant international sanctions and their potential impacts on the economic environment, inflation, and fluctuation of market interest rates in the consideration for estimation of cash flows, growth rates, discount rates and profitability and other relevant critical accounting estimates. The management will continue to examine the estimates and basic assumptions. If an amendment to estimates only affects the current period, it shall be recognized in the period of said amendment; if an amendment to accounting estimates affects the current year and future periods, it shall be recognized in the period of said amendment and future periods.

Key Sources of Estimation and Assumption Uncertainty

(I) Inventory impairment

The NRV of inventories is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. These estimates are based on current market conditions and historical and historical sales experience in similar products. Changes in market conditions may materially affect the results of these estimates.

VI. Cash and equivalents

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash on hand and petty cash | $ 533 | $ 660 |
| Check and demand (current) deposit | 841,611 | 644,722 |
| Cash equivalents (investments with original maturity date of less than 3 months) | | |
| Time deposits | 500,000 | 500,000 |
| | $ 1,342,144 | $ 1,145,382 |

The interest rate ranges of bank demand deposits and time deposits at the balance sheet date are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash in banks | 0.001%~1.050% | 0.001%~0.200% |

VII. Financial instruments at FVTPL

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Financial assets - current | | |
| Financial assets designated as at FVTPL | | |
| Derivatives (not designated for hedging) | | |
| - Forward foreign exchange contracts (2) | $ - | $ 496 |
| Non-derivative financial assets | | |
| - Domestic listed stocks | 186,267 | 582,805 |
| - Gold passbook | 15 | 15 |
| Hybrid financial assets | | |
| - structured deposit (1) | 31,912 | - |
| Subtotal | $ 218,194 | $ 583,316 |

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| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Financial assets - non-current | | |
| Financial assets designated as at FVTPL | | |
| Non-derivative financial assets | | |
| - Foreign unlisted stocks | $ - | $ 87,201 |
| Hybrid financial assets | | |
| - wealth management products (1) | - | 175,854 |
| | $ - | $ 263,055 |
| Financial liability - current | | |
| Financial assets designated as at FVTPL | | |
| Derivatives (not designated for hedging) | | |
| - Forward foreign exchange contracts (2) | $ 344 | $ - |

(I) The structured deposit and wealth management product contracts signed between the Group and the banks. The structured deposits and wealth management products include an embedded derivative that is not closely related to the host contract. Since the host contract included in the hybrid contract is an asset within the scope of IFRS 9, the hybrid contract is mandatorily classified as at FVTPL.

(II) The unexpired forward foreign exchange contracts without hedge accounting applied on the balance sheet date are as follows:

December 31, 2022

| | Currency | Duration | Contract amount (NTD thousand) |
|---|---|---|---|
| Sale of forward foreign exchange | USD: NTD | December 28, 2022 to January 5, 2023 | USD 790 |
| | USD: NTD | December 28, 2022 to January 19, 2023 | USD 1,100 |
| | USD: NTD | December 28, 2022 to February 3, 2023 | USD 470 |
| | USD: NTD | December 28, 2022 to February 6, 2023 | USD 500 |
| | USD: NTD | December 28, 2022 to February 21, 2023 | USD 1,300 |
| | USD: NTD | December 28, 2022 to March 6, 2023 | USD 1,200 |
| | USD: NTD | December 28, 2022 to March 20, 2023 | USD 990 |
| | USD: NTD | December 28, 2022 to March 30, 2023 | USD 330 |

December 31, 2021

| | Currency | Duration | Contract amount (NTD thousand) |
|---|---|---|---|
| Sale of forward foreign exchange | USD: NTD | Oct. 6, 2021, to Jan. 20, 2022 | USD 2,000 |

The Company's purpose of engaging in forward foreign exchange transactions is to hedge risks arising from foreign currency assets and liabilities due to exchange rate fluctuations. As the forward foreign exchange contracts held by the Company do not meet the conditions for effective hedging, hedge accounting is not applicable.

## VIII. Financial assets at FVTOCI

| Equity investment instruments | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Non-current | | |
| Domestic investment | | |
| Stocks listed on TWSE/TPEx and emerging stock markets | | |
| Brightek Optoelectronic Co., Ltd. | $ 27,030 | $ 56,845 |
| Unlisted stocks | | |
| Chipwell Tech Corporation | 13,871 | 7,860 |
| Chipstar Tech Corporation | 4,516 | 9,526 |
| | $ 45,417 | $ 74,231 |

The Group has invested in the common stocks of the above-mentioned companies in accordance with medium and long-term strategic purposes and expects to make profits through long-term investments. The management of the Group believes that if the short-term fair value fluctuations of these investments are recognized in profit or loss, it is inconsistent with the aforementioned long-term investment plan, so it has elected to designate these investments as at FVTOCI.

## IX. Financial assets at amortized cost

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | | |
| Time deposits with original maturity date of more than 3 months - pledge | $ - | $ 36,528 |
| Time deposits with original maturity date of less than 3 months - pledge | 1,000 | 7,663 |
| | $ 1,000 | $ 44,191 |
| Non-current | | |
| Time deposits with original maturity date of more than 1 year - pledge | $ 6,665 | $ 6,615 |

As of December 31, 2022 and 2021, the interest rate range of the pledged time deposits with the original maturity date of less 3 months and the those with more than 3 months were 1.185% and 0.20%-0.26% per annum, respectively.

As of December 31, 2022 and 2021, the interest rate range of the pledged time deposits with original maturity date of over one year was 1.325%-1.440% and 0.755%-0.815%, respectively.

For information on pledged financial assets measured at amortized cost, please refer to Note 33.

## X. Notes receivable, accounts receivable, and other receivables

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Note receivable | | |
| From operations | $ 21,574 | $ 21,863 |
| | | |
| Trade receivable | | |
| At amortized cost | | |
| Gross carrying amount | $ 624,154 | $ 1,010,311 |
| Less: Allowance for impairment loss | ( 1,156 ) | ( 11,955 ) |
| | 622,998 | 998,356 |
| Accounts receivable - related parties | 35,281 | 84,274 |
| | $ 658,279 | $ 1,082,630 |
| | | |
| Other receivables | | |
| Proceeds from disposal of right-of-use assets receivable (Note) | $ 58,430 | $ 57,581 |
| Business tax refund receivable | 5,595 | 9,263 |
| Others | 2,604 | 685 |
| | $ 66,629 | $ 67,529 |

Note: As for the proceeds from disposal of right-of-use assets receivable, the Group signed a state-owned land use right recovery agreement with the sub-center of the Donghu New Technology Development Zone, Wuhan Land Consolidation and Reserve Center, China, in the first half of 2020. The total price is CNY 61,624,000 (approximately NT$269,729,000) to recover part of the land use rights of Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. located in Wuhan, mainland China. As of December 31, 2022, the balance of the proceeds from the disposal in the amount of CNY13,255 thousand (approximately NT$58,430 thousand) has not been recovered. In January 2023, CNY5,000 thousand (approximately NT$22,225 thousand) has been recovered, with the outstanding amount of CNY8,255 thousand.

(I) Notes and accounts receivable

The average credit period for customers is open account with net 30 to 180 days. In addition to the loss allowance for individual customers' actual credit impairment loss, the Group refers to historical experience, considers individual customers' financial status, industries, competitive advantages, and prospects, and divides them into different risk groups and recognizes loss allowances for each group based on their expected loss rates. In addition, a 100% loss allowance is recognized for accounts receivable with an account opened for over 365 days and no other credit guarantee provided.

In order to reduce credit risk, the management of the Group is responsible for the determination of credit limit, credit approval, and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the Group reviews the recoverable amount of the receivables one by one at the balance sheet date to ensure that the appropriate impairment loss is recognized for uncollectible receivables. In this regard, the management of the Group believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables.

If there is evidence that the counterparty is facing serious financial difficulties and the Group cannot reasonably expect to recover the amount, the Group directly writes off the relevant accounts receivable, but will continue to try to collect the receivable. The recovered amount is recognized in profit or loss.

The aging analysis of notes and accounts receivable is as follows:

December 31, 2022

| | O/A 1–120 days | 121–180 days | 181–365 days | Over 365 days | Total |
|---|---|---|---|---|---|
| Gross carrying amount | $ 567,384 | $ 109,984 | $ 2,392 | $ 1,249 | $ 681,009 |
| Loss allowance (lifetime ECLs) | - | - | ( 1,062 ) | ( 94 ) | ( 1,156 ) |
| Amortized cost | $ 567,384 | $ 109,984 | $ 1,330 | $ 1,155 | $ 679,853 |

December 31, 2021

| | 1-120 days after account day | 121-180 days after account day | 181-365 days after account day | 181-365 days Over 365 days | Total |
|---|---|---|---|---|---|
| Gross carrying amount | $ 825,066 | $ 280,396 | $ 77 | $ 10,909 | $ 1,116,448 |
| Loss allowance (lifetime ECLs) | - | ( 969 ) | ( 77 ) | ( 10,909 ) | ( 11,955 ) |
| Amortized cost | $ 825,066 | $ 279,427 | $ - | $ - | $ 1,104,493 |

The information on the movements in the loss allowance for notes and accounts receivable is as follows:

| | 2022 | 2021 |
|---|---|---|
| Opening balance | $ 11,955 | $ 11,955 |
| Less: Write-off in this year | ( 10,799 ) | - |
| Closing balance | $ 1,156 | $ 11,955 |

(II) Other receivables

In order to reduce credit risk, the management of the Group will consider the publicly available financial information to give appropriate internal ratings for items without external information on ratings.

The Group considers the historical default loss rate, the debtor's current financial position, and business forecast for the industry in which it is located to measure the 12-month ECLs or lifetime ECLs of other receivables.

## XI. Inventories

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Finished goods | $ 292,077 | $ 333,237 |
| Work in process | 250,995 | 254,939 |
| Raw materials | 263,935 | 255,606 |
| Products | 4,582 | - |
| | $ 811,589 | $ 843,782 |

The inventory-related costs of sales in 2022 and 2021 were NT$2,032,905 thousand and NT$2,446,714 thousand respectively.

The cost of sales for 2022 and 2021 included the inventory valuation losses of NT$27,880 thousand and NT$0; and the loss of scrapped inventory was NT$40,034 thousand and NT$0, respectively.

## XII. Subsidiary

(I) Subsidiaries included in consolidated financial statements

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

| Investor | Investee | Main Business | Ownership (%) December 31, 2022 | Ownership (%) December 31, 2021 | Description |
|---|---|---|---|---|---|
| The Company | TEK Holding Co., Ltd. | Investment in various overseas businesses | 100.00 | 100.00 | Note 1 |
| | Long Benefit Investment Co., Ltd. (Long Benefit) | General investment | 100.00 | 100.00 | Note 1 |
| | Keeper Technology Co. Ltd. (Keeper Technology) | Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery. | 21.43 | 21.43 | Note 1 |
| | Xu Qi Co., Ltd. (Xu Qi) | Manufacturing of lighting equipment | - | 94.44 | Notes 1 and 2 |
| Long Benefit | Keeper Technology | Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery. | 40.79 | 40.79 | Note 1 |

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| Investor | Investee | Main Business | Ownership (%) December 31, 2022 | Ownership (%) December 31, 2021 | Description |
|---|---|---|---|---|---|
| TEK Holding Co., Ltd. | Keyway International L.L.C. | Investment in various overseas businesses | 100.00 | 100.00 | Note 1 |
| Keyway International L.L.C. | Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. | Other light-emitting diode production and sales business | 100.00 | 100.00 | Note 1 |
| Keeper Technology | Global Unity Int'l Co., Ltd. | Investment in various overseas businesses | 100.00 | 100.00 | Note 1 |
| Global Unity Int'l Co., Ltd. | Creation New Technology Inc. | Investment in various overseas businesses | 100.00 | 100.00 | Note 1 |
| Creation New Technology Inc. | Kaishin Technology (Wuhan) Corporation | R&D and manufacturing of LED lighting equipment products, electronic component manufacturing, automobile parts manufacturing, as well as electrical appliances and audiovisual electronic products manufacturing | 100.00 | 100.00 | Note 1 |

Note 1: It is a non-significant subsidiary, and its financial statements have not been audited by CPAs; however, the management of the Group believes that the financial statements of the aforementioned non-significant subsidiary would not be materially different if audited by CPAs.

Note 2: Xuqi 's liquidation was completed in March 2022.

## XIII. Investments accounted for using equity method

Investments in Associates

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Material associates | | |
| Hsinjing Holding Co. Ltd. (Hsinjing) | $ 165,874 | $ 149,194 |
| Associates that are not individually material | 34,405 | 34,043 |
| | 200,279 | 183,237 |
| Less: Accumulated impairment | ( 7,499 ) | ( 7,499 ) |
| | $ 192,780 | $ 175,738 |

(I) Material associates

The Group's percentages of ownership interests and voting rights in associates at the balance sheet date are as follows:

| Company name | Percentage of ownership and voting rights December 31, 2022 | Percentage of ownership and voting rights December 31, 2021 |
|---|---|---|
| Hsinjing (formerly known as Tynsolar) | 22.79% | 22.79% |

Refer to Table 3 in Note 36 "Information on Investees" for the nature of business, principal places of business, and countries of incorporation of the associates above.

The Group's investment in Hsinjing using the equity method and its share of profit and loss and other comprehensive income of Hsinjing were recognized based on financial statements audited by other CPAs in 2022 and 2021.

The information on Level 1 fair value of associate with open market quotes is as follows:

| Company name | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Hsinjing | $ 515,139 | $ 674,395 |

(II) Aggregate information on associates that are not individually material

| | 2022 | 2021 |
|---|---|---|
| The Group's share of | | |
| Net income of the continuing operations | $ 4,450 | $ 6,947 |

Refer to Table 3 in Note 36 "Information on Investees" for the nature of business, principal places of business, and countries of incorporation of the associates above.

The Group adopts the equity method to measure the above-mentioned associates that are not individually material, and its share of profits and losses and other comprehensive income is calculated based on financial statements that have not been audited by CPAs. However, the management of the Group believes that the financial statements of the aforementioned subsidiaries will not have a material impact if audited by CPAs.

## XIV. Property, plant, and equipment

### (I) Self-use

| | Self-owned land | Building | Equipment | Leased Improvements | Other Equipment | Unfinished construction and asset to be checked and accepted | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at January 1, 2022 | $ 62,273 | $ 1,794,181 | $ 2,158,294 | $ 21,639 | $ 116,692 | $ 43,796 | $ 4,196,875 |
| Additions | - | 113,901 | 68,980 | 3,358 | 15,279 | 482 | 202,000 |
| Disposal | - | - | ( 9,591 ) | ( 519 ) | ( 3,040 ) | - | ( 13,150 ) |
| Reclassification | - | 120,258 | 135,552 | - | 695 | ( 45,064 ) | 211,441 |
| Net exchange differences | - | 4,252 | 3,215 | - | 86 | 786 | 8,339 |
| Balance at December 31, 2022 | $ 62,273 | $ 2,032,592 | $ 2,356,450 | $ 24,478 | $ 129,712 | $ - | $ 4,605,505 |
| Accumulated depreciation and impairment | | | | | | | |
| Balance at January 1, 2022 | $ - | $ 658,669 | $ 1,743,116 | $ 21,467 | $ 87,430 | $ - | $ 2,510,682 |
| Depreciation expenses | - | 107,104 | 144,446 | 562 | 11,157 | - | 263,269 |
| Disposal | - | - | ( 9,556 ) | ( 519 ) | ( 3,027 ) | - | ( 13,102 ) |
| Net exchange differences | - | 3,018 | 2,725 | - | 70 | - | 5,813 |
| Balance at December 31, 2022 | $ - | $ 768,791 | $ 1,880,731 | $ 21,510 | $ 95,630 | $ - | $ 2,766,662 |
| Net amount at December 31, 2022 | $ 62,273 | $ 1,263,801 | $ 475,919 | $ 2,968 | $ 34,082 | $ - | $ 1,838,843 |

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| | Self-owned land | Building | Equipment | Leased Improvements | Other Equipment | Unfinished construction and asset to be checked and accepted | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at January 1, 2021 | $ 62,273 | $ 1,777,241 | $ 2,042,448 | $ 23,793 | $ 120,617 | $ 5,240 | $ 4,031,612 |
| Additions | - | 23,933 | 47,254 | - | 5,103 | 38,569 | 114,859 |
| Disposal | - | ( 30 ) | ( 17,736 ) | ( 2,154 ) | ( 14,051 ) | - | ( 33,971 ) |
| Reclassified to held for sale | - | ( 6,968 ) | - | - | - | - | ( 6,968 ) |
| Reclassification | - | 2,212 | 87,981 | - | 5,062 | - | 95,255 |
| Net exchange differences | - | ( 2,207 ) | ( 1,653 ) | - | ( 39 ) | ( 13 ) | ( 3,912 ) |
| Balance at December 31, 2021 | $ 62,273 | $ 1,794,181 | $ 2,158,294 | $ 21,639 | $ 116,692 | $ 43,796 | $ 4,196,875 |
| Accumulated depreciation and impairment | | | | | | | |
| Balance at January 1, 2021 | $ - | $ 568,453 | $ 1,634,266 | $ 23,504 | $ 90,796 | $ - | $ 2,317,019 |
| Depreciation expenses | - | 98,523 | 126,762 | 117 | 10,471 | - | 235,873 |
| Disposal | - | ( 30 ) | ( 16,588 ) | ( 2,154 ) | ( 13,802 ) | - | ( 32,574 ) |
| Reclassified to held for sale | - | ( 6,825 ) | - | - | - | - | ( 6,825 ) |
| Net exchange differences | - | ( 1,452 ) | ( 1,324 ) | - | ( 35 ) | - | ( 2,811 ) |
| Balance at December 31, 2021 | $ - | $ 658,669 | $ 1,743,116 | $ 21,467 | $ 87,430 | $ - | $ 2,510,682 |
| Net amount at December 31, 2021 | $ 62,273 | $ 1,135,512 | $ 415,178 | $ 172 | $ 29,262 | $ 43,796 | $ 1,686,193 |

Depreciation expenses of the property, plant and equipment are calculated on a straight-line basis over their estimated useful lives as shown in the following:

| | |
|---|---|
| Buildings | |
| Main buildings | 15 to 55 years |
| Electromechanical power equipment | 8 to 10 years |
| Engineering systems | 1.5 to 15 years |
| Equipment | 1 to 20 years |
| Leased Improvements | 9 to 15 years |
| Other Equipment | 1 to 17 years |

Please refer to Note 33 for the amount of property, plant and equipment pledged for loans.

(II) Investment Property

| | Investment property that has been completed | | |
|---|---|---|---|
| | Land | Building | Total |
| Cost | | | |
| From January 1, 2021 | $ 216,119 | $ 22,314 | $ 238,433 |
| Reclassified to held for sale | ( 216,119 ) | ( 22,314 ) | ( 238,433 ) |
| December 31, 2021 | $ - | $ - | $ - |
| Accumulated depreciation and impairment | | | |
| From January 1, 2021 | $ - | $ 17,469 | $ 17,469 |
| Reclassified to held for sale | - | ( 17,942 ) | ( 17,942 ) |
| Depreciation expenses | - | 473 | 473 |
| December 31, 2021 | $ - | $ - | $ - |
| Net amount at December 31, 2021 | $ - | $ - | $ - |

Investment property includes land and buildings, of which buildings are depreciated on a straight-line basis based on 55 years of useful life.

Due to the infrequent transactions in the comparable market and the inability to obtain reliable alternative fair value estimates for the Group's investment property, the fair value cannot be determined reliably.

All the Group's investment property is self-owned equity.

The actual selling price exceeded the carrying amount of the relevant net assets, so when these units were classified as non-current assets held for sale, there was no impairment loss that shall be recognized.

The Group signed a property transaction contract with a non-related person in May 2021 to dispose of the Group's land and buildings in Xiangshan District, Hsinchu City, at a total price of NT$607,865,000. The transfer procedure was completed in November 2021.

## XV. Lease arrangements

### (I) right-of-use asset

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Right-of-use assets amounts | | |
| Land | $ 85,215 | $ 86,104 |
| Buildings | 6,728 | 12,495 |
| Transport Equipment | 149 | 338 |
| Other Equipment | 475 | 1,012 |
| | $ 92,567 | $ 99,949 |

| | 2022 | 2021 |
|---|---|---|
| The additions of the right-of-use assets | $ 2,765 | $ 363 |
| Depreciation charge for right-of-use assets | | |
| Land | $ 3,209 | $ 3,205 |
| Buildings | 5,767 | 5,767 |
| Transport Equipment | 611 | 704 |
| Other Equipment | 537 | 537 |
| | $ 10,124 | $ 10,213 |

Except for the additions and depreciation listed above, the Group did not have significant subleases and impairment for 2022 and 2021.

### (II) lease liabilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Lease liabilities amounts | | |
| Current | $ 9,053 | $ 8,899 |
| Non-current | $ 82,612 | $ 89,618 |

Range of discount rate for lease liabilities is as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Land | 1.41%~1.80% | 1.80% |
| Buildings | 2.50% | 2.50% |
| Transport Equipment | 2.50% | 1.90%~2.50% |
| Other Equipment | 1.79%~1.80% | 1.79%~1.80% |

### (III) Material lease-in activities and terms

The Group has leased land and built buildings for offices. The lease term is 37 years. Upon the termination of the lease term, the Group does not have preferential rights to acquire the land and buildings leased and it is agreed that the Group shall not lease, sublease, or transfer all (including the right to use the parking space) or part of the asset leased or in other methods in disguise, to third parties without the consent of the lessor.

### (IV) Other lease information

| | 2022 | 2021 |
|---|---|---|
| Short-term lease expense | $ 332 | $ 521 |
| Low-value asset lease expense | $ 74 | $ - |
| Total cash outflow for leases | ( $ 11,734 ) | ( $ 45,852 ) |

XVI. Other intangible assets

| | Computer software | Other intangible assets | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2022 | $ 31,508 | $ 1,492 | $ 33,000 |
| Acquired separately | 6,609 | - | 6,609 |
| Net exchange differences | 81 | - | 81 |
| Balance at December 31, 2022 | $ 38,198 | $ 1,492 | $ 39,690 |
| Accumulated amortization and impairment | | | |
| Balance at January 1, 2022 | $ 31,024 | $ 415 | $ 31,439 |
| Amortization expenses | 1,323 | 86 | 1,409 |
| Net exchange differences | 80 | - | 80 |
| Balance at December 31, 2022 | $ 32,427 | $ 501 | $ 32,989 |
| Net amount at December 31, 2022 | $ 5,771 | $ 991 | $ 6,762 |
| Cost | | | |
| Balance at January 1, 2021 | $ 31,338 | $ 10,822 | $ 42,160 |
| Acquired separately | 211 | - | 211 |
| Disposal | - | ( 9,330 ) | ( 9,330 ) |
| Net exchange differences | ( 41 ) | - | ( 41 ) |
| Balance at December 31, 2021 | $ 31,508 | $ 1,492 | $ 33,000 |
| Accumulated amortization and impairment | | | |
| Balance at January 1, 2021 | $ 30,329 | $ 9,659 | $ 39,988 |
| Amortization expenses | 732 | 86 | 818 |
| Disposal | - | ( 9,330 ) | ( 9,330 ) |
| Net exchange differences | ( 37 ) | - | ( 37 ) |
| Balance at December 31, 2021 | $ 31,024 | $ 415 | $ 31,439 |
| Net amount at December 31, 2021 | $ 484 | $ 1,077 | $ 1,561 |

Amortization expenses of the property, plant and equipment are calculated on a straight-line basis over their estimated useful lives as shown in the following:

| | |
|---|---|
| Computer software | 1 to 6 years |
| Other intangible assets | 1 to 18 years |

XVII. Pre-payments

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | | |
| Input VAT | $ 3,131 | $ 5,445 |
| Pre-payment for purchases | 315 | 585 |
| Offset against value-added tax payable | 100 | 100 |
| Others | 15,107 | 16,595 |
| | $ 18,653 | $ 22,725 |

## XVIII. Other assets

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Other financial assets - current | | |
| Restricted demand deposits | $ 1,003 | $ 3,593 |
| | | |
| Current | | |
| Payments for others | $ 552 | $ 3,585 |
| Other current assets | 1,511 | 2,461 |
| | $ 2,063 | $ 6,046 |
| Non-current | | |
| Long-term prepayments | $ 6,463 | $ 4,622 |

For other information on financial assets pledged or mortgaged, please refer to Note 33.

## XIX. Loan

### (I) Short-term borrowings

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Secured borrowings | | |
| Bank loans | $ 53,800 | $ 48,000 |
| Unsecured borrowings | | |
| Credit borrowings and borrowings for purchase of materials | 54,629 | 109,977 |
| | $ 108,429 | $ 157,977 |

The interest rates of bank borrowings were 0.90%-2.80% and 0.90%-2.20% as of December 31, 2022 and 2021, respectively. Please refer to Note 33 for details of pledge and security for borrowings.

(II) Long-term borrowings

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Secured borrowings | | |
| Loan project for return to Taiwan for investment (1) | $ 152,215 | $ 139,350 |
| Bank revolving borrowings (2) | 18,612 | - |
| Bank loan (3) | 391,667 | 491,667 |
| Unsecured borrowings | | |
| Loan project for return to Taiwan for investment (1) | 16,400 | 16,400 |
| Less: Current portion | ( 146,195 ) | ( 116,558 ) |
| Government grant discount (1) | ( 1,607 ) | ( 1,768 ) |
| Long-term borrowings | $ 431,092 | $ 529,091 |

1. The loan project for return to Taiwan for investment is based on the program of "Loan for Welcoming Overseas Taiwanese Businesspeople to Return to Taiwan for Investment" launched by the National Development Fund, Executive Yuan. Since March 2020, the Group has successively taken out medium-term bank loans from domestic banks with maturity dates between October 14, 2024 and February 15, 2027 and the Company shall repay the principal and interest in an amortized manner on a monthly basis. The interest rates of bank borrowings were 1.075%-1.375% and 0.37%-1.00% as of December 31, 2022 and 2021, respectively.
3. The bank revolving loans are new bank loans of NT$5,000 thousand and NT$20,000 thousand obtained by the Group on February 25, 2022 and March 18, 2022, respectively, with the maturity dates of February 25, 2025 and March 18, 2025, respectively, and the principal and interest are amortized and repaid on a monthly basis. The interest rate of bank loans was 2.15% as of December 31, 2022.
4. The bank loan is a loan ofNT$500,000 thousand taken out by the Group on November 8, 2021. The loan term ends on November 8, 2026. The purpose of the loan is to repay the balance of the 2017 syndicated loan. The principal and interest are amortized on a monthly basis, and the bank borrowing interest rates were 1.655% and 1.00% as at December 31, 2022 and December 31, 2021.

Please refer to Note 33 for details of pledge and security for borrowings.

XX. Accounts payable and notes payable

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Note payable | | |
| From operations | $ 6,492 | $ 4,911 |
| | | |
| Accounts payable | | |
| From operations - related parties | $ 1,705 | $ 6,453 |
| From operations - non-related parties | 312,233 | 454,548 |
| | $ 313,938 | $ 461,001 |

XXI. Other liabilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | | |
| Other payables | | |
| Wages, salaries, and bonuses payable | $ 87,894 | $ 88,929 |
| Expenses payable | 42,889 | 30,777 |
| Employee compensation and remuneratio of directors payable | 42,180 | 87,158 |
| Plant and equipment payable | 20,203 | 14,524 |
| Labor and health insurance premium and pension payable | 14,892 | 19,171 |
| Others | 25,715 | 34,981 |
| | $ 233,773 | $ 275,540 |
| Unearned revenue | | |
| Government grants (Note 29) | $ 11,375 | $ 4,631 |
| Other current liabilities | | |
| Refund liabilities | $ 6,652 | $ 23,490 |
| Custodial receipts | 3,452 | 4,488 |
| Temporary credit | 314 | 559 |
| Others | 3,094 | 3,050 |
| | $ 13,512 | $ 31,587 |

XXII. Provisions

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Non-current | | |
| Employee benefits (Note) | $ 18,444 | $ 16,807 |

| | Employee benefits |
|---|---|
| Balance at January 1, 2022 | $ 16,807 |
| Increase for the current period | 3,799 |
| Used for the current period | ( 2,162 ) |
| Balance at December 31, 2022 | $ 18,444 |
| Balance at January 1, 2021 | $ 15,428 |
| Increase for the current period | 2,563 |
| Used for the current period | ( 1,184 ) |
| Balance at December 31, 2021 | $ 16,807 |

Note: Provision for employee benefits liability is the estimate of employee long-term service bonuses (medals).

XXIII. Post-employment benefit plans

(I) Defined contribution plans

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

The employees of the Group's subsidiary in mainland China are members of the retirement benefit plan managed by the mainland China government. The subsidiary must contribute a specific proportion of the salary cost to the retirement benefit plan to provide funding for the plan. The Group’s obligation for this government-managed retirement benefit plan is only to contribute a specific amount.

(II) Defined benefit plan

The defined benefit plan adopted by the Group in accordance with the Labor Standards Act is the defined benefit plan under the management of the government of R.O.C. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Group contributes an amount, which equals to 2% of each employee’ total monthly salary and wage, which is deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contributes an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Group has no right to influence the investment management strategy.

The amounts included in the consolidated balance sheets in respect of the Company's defined benefit plan are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Present value of defined benefit obligation | $ 91,213 | $ 103,556 |
| Fair value of plan assets | ( 72,351 ) | ( 65,651 ) |
| Net defined benefit liability | $ 18,862 | $ 37,905 |

The changes in net defined benefit liability:

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| From January 1, 2021 | $ 101,097 | ( $ 53,839 ) | $ 47,258 |
| servicing costs | | | |
| Service cost for the current year | 806 | - | 806 |
| Interest expense (income) | 352 | ( 185 ) | 167 |
| Recognized in loss (profit) | 1,158 | ( 185 ) | 973 |
| Remeasurement | | | |
| Return on plan assets (except for the amount included in the net interest) | - | ( 788 ) | ( 788 ) |
| Actuarial gains (losses) | | | |
| - Changes in demographic assumptions | 2,122 | - | 2,122 |
| - Changes in financial assumptions | ( 2,529 ) | - | ( 2,529 ) |
| - Experience adjustments | 3,249 | - | 3,249 |
| Recognized in other comprehensive (income) loss | 2,842 | ( 788 ) | 2,054 |
| Contributions from the employer | - | ( 12,380 ) | ( 12,380 ) |
| Benefits paid | ( 1,541 ) | 1,541 | - |
| December 31, 2021 | 103,556 | ( 65,651 ) | 37,905 |
| servicing costs | | | |
| Service cost for the current year | 599 | - | 599 |
| Interest expense (income) | 689 | ( 474 ) | 215 |
| Recognized in loss (profit) | 1,288 | ( 474 ) | 814 |
| Remeasurement | | | |
| Return on plan assets (except for the amount included in the net interest) | - | ( 4,227 ) | ( 4,227 ) |
| Actuarial gains (losses) | | | |
| - Changes in financial assumptions | ( 3,895 ) | - | ( 3,895 ) |
| - Experience adjustments | 92 | - | 92 |
| Recognized in other comprehensive (income) loss | ( 3,803 ) | ( 4,227 ) | ( 8,030 ) |
| Contributions from the employer | - | ( 11,827 ) | ( 11,827 ) |
| Benefits paid | ( 9,828 ) | 9,828 | - |
| December 31, 2022 | $ 91,213 | ( $ 72,351 ) | $ 18,862 |

Due to the pension plans under the Labor Standards Act, the Group is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the Group's amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.
2. Interest risk: A decrease in the interest rate in the government bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Discount rate | 1.30% | 0.69% |
| Salary adjustment rate | 2.50% | 2.50% |

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Discount rate | | |
| 0.25% increase | ($ 1,551) | ($ 1,864) |
| 0.25% decrease | $ 1,642 | $ 1,968 |
| Salary adjustment rate | | |
| 0.5% increase | $ 3,192 | $ 3,832 |
| 0.5% decrease | ($ 3,010) | ($ 3,624) |

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| The expected contributions to the plan for the following year | $ 3,980 | $ 13,750 |
| The weighted average duration of the defined benefit obligation | 9.6 years | 10 years |

## XXIV. Equity

### (I) Ordinary shares

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Authorized shares (in thousand) | 500,000 | 500,000 |
| Authorized capital | $ 5,000,000 | $ 5,000,000 |
| Issued and paid shares (in thousand) | 300,621 | 300,621 |
| Issued capital | $ 3,006,223 | $ 3,006,223 |

The ordinary shares issued, with a par value of NT$10 per share, are entitled to one voting right per share and to the right to receive dividends.

### (II) Capital surplus

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1) | | |
| Shares premium from issuance | $ 6 | $ 6 |
| Premium of corporate bond conversion | 28,983 | 28,983 |
| The difference between the equity price and the book value of acquisition or disposal of subsidiary | ( 3,064 ) | ( 3,064 ) |
| May be used to offset a deficit only | | |
| Changes in the net equity of subsidiaries and associates accounted for using equity method (2) | 82,234 | 82,000 |
| Treasury stock transactions | 37,403 | 37,403 |
| Expired employees share options | 16,410 | 16,410 |
| Others (Note) | 81,901 | 81,901 |
| | $ 243,873 | $ 243,639 |

Note: Reclassified from the difference in the repurchase of the convertible corporate bonds.

1. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and only once a year).
2. This type of capital surplus is the effect of equity transactions recognized due to changes in the Company's equity or the adjustment to the capital surplus of the subsidiary accounted for using the equity method by the Company when the Company has not actually acquired or disposed of the equity of the subsidiary.

The changes in capital surplus for the current period are as follows:

| | Changes in the net equity of subsidiaries and associates accounted for using the equity method |
|---|---|
| Balance at January 1, 2022 | $ 82,000 |
| Adjustment to the capital surplus of associates accounted for using the equity method | 234 |
| Balance at December 31, 2022 | $ 82,234 |
| | |
| Balance at January 1, 2021 | $ 63,055 |
| Adjustment to the capital surplus of associates accounted for using the equity method | 18,945 |
| Balance at December 31, 2021 | $ 82,000 |

(III) Retained earnings and dividends policy

Per the Company's Articles of Incorporation regarding the earnings distribution policy, the Company's earnings distribution or loss compensation shall be proposed by the board of directors after the end of each semi-annual fiscal period. In the case of issuance of new shares, it shall be submitted to the shareholders' meeting for a resolution. Any cash distribution of dividends, profits, legal reserves or capital surplus, either in whole or in part, must be resolved in a board meeting with more than two-thirds of the board members present, voted in favor by more than half of the attending directors and reported in the upcoming shareholders' meeting.

According to the earnings distribution policy under the Company's Articles of Incorporation, if there is a surplus as per the annual financial statements, the Company shall pay all taxes in accordance with the law and compensate the cumulative deficit first, and then allocate 10% as a legal reserve in accordance with the law unless it has reached the same amount of the Company's paid-in capital. Where there is any remaining balance, the Company shall allocate amount as or reverse the special reserve according to laws and regulations. If there is still any balance left, together with the cumulative undistributed earnings, the board of directors shall draft an earnings distribution proposal and submit it to the shareholders' meeting to resolve the distribution of shareholders' dividends. For information on the policy of the employee compensation and remuneration of directors and supervisors as in the Company's Articles of Incorporation, refer to Note 26 (9) regarding employee compensation and remuneration of directors.

In addition according to the Company's Articles of Incorporation, the Company adopts a dividend policy that allows the board of directors to propose dividends after taking into consideration its future capital requirements, long-term financial plans, and shareholders' needs for cash inflow. Profit sharing to shareholders can be paid in cash or shares, provided that the cash portion does not amount to less than 10% of total profit sharing.

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

The earnings distribution for 2021 and 2020 were resolved in the shareholders' meetings on June 8, 2022 and July 2, 2021, respectively, and the distribution was as follows:

| | 2021 | 2020 |
|---|---|---|
| Appropriated as statutory reserves | $ 71,480 | $ 28,486 |
| Reversed special reserve | $ 18,292 | ( $ 33,220 ) |
| Cash dividends | $ 300,622 | $ 225,467 |
| Cash dividend per share (NTD) | $ 1.00 | $ 0.75 |

The above cash dividends proposals have been approved by the board of directors on February 22, 2022 and March 25, 2021, respectively and the remaining items for earnings distribution were adopted at the general shareholders' meeting on June 8, 2022 and July 2, 2021, respectively.

The 2022 deficit compensation proposal approved by the Company's board of directors on February 22, 2023 is as follows:

| | 2022 |
|---|---|
| Appropriated as special reserve | $ 8,858 |

The aforesaid earnings distribution is pending a resolution at the shareholders' meeting expected to be held on May 29, 2023.

(IV) Special reserves

| | 2022 | 2021 |
|---|---|---|
| Opening balance | $ 55,815 | $ 89,035 |
| Reversed special reserve | | |
| Other equity items debited to the amount reversed | ( 18,292 ) | ( 33,220 ) |
| Closing balance | $ 37,523 | $ 55,815 |

(V) Other items of equity

1. Exchange Differences in Translating the Financial Statements of Foreign Operations

| | 2022 | 2021 |
|---|---|---|
| Opening balance | ( $ 22,851 ) | ( $ 20,929 ) |
| Incurred in the current year | | |
| Exchange differences on translating the financial statements of foreign operations | 4,060 | ( 2,402 ) |
| Relevant income taxes | ( 812 ) | 480 |
| Closing balance | ( $ 19,603 ) | ( $ 22,851 ) |

2. Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income

| | 2022 | 2021 |
|---|---|---|
| Opening balance | ( $ 416 ) | ( $ 42,249 ) |
| Incurred in the current year through other comprehensive income | ( 33,159 ) | 40,778 |
| Relevant income taxes | 5,963 | ( 6,112 ) |
| Other comprehensive income for the current year | ( 27,196 ) | 34,666 |
| Cumulative gains and losses on disposal of equity instruments reclassified to retained earnings | - | 7,999 |
| Closing balance | ( $ 26,780 ) | $ 416 |

(VI) Non-controlling interests

| | 2022 | 2021 |
|---|---|---|
| Opening balance | $ 38,540 | $ 37,284 |
| Share attributable to non-controlling interests | | |
| Net income of the current year | ( 2,918 ) | 1,282 |
| Exchange Differences in Translating the Financial Statements of Foreign Operations | 61 | ( 26 ) |
| Changes in non-controlling interests | ( 187 ) | - |
| Closing balance | $ 35,496 | $ 38,540 |

## XXV. Revenue

| | 2022 | 2021 |
|---|---|---|
| Sales revenue | $ 2,194,769 | $ 2,923,375 |
| Others | 224,740 | 240,000 |
| | $ 2,419,509 | $ 3,163,375 |

(I) Contract balance

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Accounts receivable (Note 10) | $ 658,279 | $ 1,082,630 |
| Lease liabilities - current | | |
| Sales | $ 477 | $ 303 |

The change in contract assets and liabilities is mainly due to the difference between the point of meeting the performance obligation and the time of payment by the customer. The contract liabilities at the beginning of the year and the performance obligations that have been satisfied in the prior years recognized as revenue in the current period is as follows:

| | 2022 | 2021 |
|---|---|---|
| Contract liabilities at the beginning of year | | |
| Sales | $ 174 | $ 1,919 |

## XXVI. Net income from continuing operations

(I) Net amount of other gains (losses)

| | 2022 | 2021 |
|---|---|---|
| (Gains) losses on disposal of property, plant and equipment | $ 431 | ( $ 23 ) |

(II) Interest income

| | 2022 | 2021 |
|---|---|---|
| Cash in banks | $ 4,415 | $ 2,297 |
| Financial assets at amortized cost | 149 | 3,192 |
| | $ 4,564 | $ 5,489 |

(III) Other income

| | 2022 | 2021 |
|---|---|---|
| Dividend revenue | $ 23,604 | $ 14,930 |
| Subsidy income | 7,611 | 4,019 |
| Rent income | 1,199 | 1,132 |
| Gains on write-off of accounts payable | - | 349 |
| Others | 8,714 | 5,782 |
| | $ 41,128 | $ 26,212 |

(IV) Other gains (losses)

| | 2022 | 2021 |
|---|---|---|
| Net loss (gain) on financial assets at FVTPL | ( $ 346,710 ) | $ 126,101 |
| Net foreign exchange gains (losses) | 95,848 | ( 6,783 ) |
| Gains on disposal of investments accounted for using the equity method | - | 307 |
| Gains on disposal of non-current assets held for sale | - | 379,527 |
| Gains on lease modification | 1 | - |
| Indemnify losses | - | ( 11,165 ) |
| Miscellaneous expenditure | ( 4,479 ) | ( 2,652 ) |
| | ( $ 255,340 ) | $ 485,335 |

(V) Financial costs

| | 2022 | 2021 |
|---|---|---|
| Interest on bank loans | $ 11,074 | $ 18,553 |
| Interest on lease liabilities | 1,788 | 1,978 |
| | $ 12,862 | $ 20,531 |

(VI) Impairment loss

| | 2022 | 2021 |
|---|---|---|
| Inventories (including operating costs) | $ 27,880 | $ - |

(VII) Depreciation and amortization

| | 2022 | 2021 |
|---|---|---|
| An analysis of depreciation by function | | |
| Operating costs | $ 236,236 | $ 211,040 |
| Operating expenses | 37,157 | 35,519 |
| | $ 273,393 | $ 246,559 |
| An analysis of amortization by function | | |
| Operating cost | $ 9 | $ 9 |
| Administrative expenses | 1,314 | 723 |
| R&D expenses | 86 | 86 |
| | $ 1,409 | $ 818 |

(VIII) Employee benefits expense

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $ 605,316 | $ 711,603 |

| | | |
|---|---|---|
| Long-term employee benefits | 3,799 | 2,563 |
| Post-employment benefits (Note 23) | | |
| Defined contribution plans | 21,112 | 20,407 |
| Defined benefit plan | 814 | 973 |
| Total employee benefits expense | $ 631,041 | $ 735,546 |
| | | |
| An analysis by function | | |
| Operating costs | $ 445,657 | $ 491,042 |
| Operating expenses | 185,384 | 244,504 |
| | $ 631,041 | $ 735,546 |

(IX) Employees' compensation and remuneration of directors

The Articles of Incorporation of the Company stipulate that the employees' compensation and remuneration of directors shall be appropriated at the rates from 5%–15% and no higher than 5%, respectively, of net income before tax and net of employees' compensation and remuneration of directors. However, the net loss before tax is made in 2022, and thus the employees' remuneration and directors' remuneration are not estimated.

The employees' remuneration and directors' remuneration for 2021 was resolved by the board of directors onFebruary 22, 2022 as below:

Ratio

| | 2021 |
|---|---|
| Employee compensation | 7% |
| Directors' remuneration | 1% |

Amount

| | 2021 | |
|---|---|---|
| | Cash | Stocks |
| Employee compensation | $ 61,702 | $ - |
| Directors' remuneration | $ 11,580 | $ - |

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and will be reflected on the following year.

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

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

(X) Foreign exchange gains (losses)

| | 2022 | 2021 |
|---|---|---|
| Foreign exchange gains | $ 193,890 | $ 105,077 |
| Total foreign exchange losses | ( 98,042 ) | ( 111,860 ) |
| Net gains (losses) | $ 95,848 | ( $ 6,783 ) |

## XXVII. Income tax

### (I) Income tax recognized in profit or loss

Major components of tax expense were as follows:

| | 2022 | 2021 |
|---|---|---|
| Tax currently payable | | |
| Incurred in the current year | $ 17,503 | $ 76,876 |
| Levied on unappropriated earnings | 3,967 | - |
| Prior years adjustment | ( 39,354 ) | 12,895 |
| | ( 17,884 ) | 89,771 |
| Deferred tax | | |
| Incurred in the current year | 38,299 | 5,187 |
| Income tax expense recognized in profit or loss | $ 20,415 | $ 94,958 |

The adjustment to accounting income and income tax expenses is as follows:

| | 2022 | 2021 |
|---|---|---|
| Net income (loss) before tax | ( $ 164,008 ) | $ 821,090 |
| Income tax expense calculated based on statutory tax rate for net income tax before tax | ( $ 74,322 ) | $ 196,313 |
| Permanent difference | 100,140 | ( 125,735 ) |
| Levied on unappropriated earnings | 3,967 | - |
| Basic tax difference payable | - | - |
| Loss credit and temporary difference | 29,984 | ( 5,998 ) |
| Adjustments to income tax expenses of prior years | ( 39,354 ) | 12,895 |
| Land value increment tax | - | 17,483 |
| Income tax expense recognized in profit or loss | $ 20,415 | $ 94,958 |

### (II) Income tax recognized in other comprehensive income

| | 2022 | 2021 |
|---|---|---|
| Deferred tax | | |
| Incurred in the current year | | |
| - Translation of foreign operations | ( $ 812 ) | $ 480 |
| - Unrealized gain (loss) on financial assets at FVTOC | 5,963 | ( 6,112 ) |
| Income tax recognized in other comprehensive income | $ 5,151 | ( $ 5,632 ) |

(III) Current tax liabilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current tax liabilities | | |
| Income tax payable | $ 35,945 | $ 62,522 |

(IV) Deferred tax assets and liabilities

The changes in the deferred tax assets and liabilities are as follows:

2022

| Deferred tax assets | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Temporary difference | | | | |
| Impairment losses, including loss allowance | $ 22,737 | $ 5,576 | $ - | $ 28,313 |
| Property, plant and equipment | 1,363 | - | - | 1,363 |
| Financial assets at FVTOCI | ( 8,370 ) | - | 5,963 | ( 2,407 ) |
| Provisions | ( 3,642 ) | 7,331 | - | 3,689 |
| Refund liabilities | 4,698 | ( 2,080 ) | - | 2,618 |
| Defined benefit pension plan | 1,441 | ( 2,203 ) | - | ( 762 ) |
| Investment losses | 3,503 | ( 5,747 ) | - | ( 2,244 ) |
| Exchange differences on translating the financial statements of foreign operations | 5,711 | - | ( 812 ) | 4,899 |
| Temporary difference | 27,441 | 2,877 | 5,151 | 35,469 |
| Loss carryforwards | 53,846 | ( 53,846 ) | - | - |
| | $ 81,287 | ( $ 50,969 ) | $ 5,151 | $ 35,469 |

| Deferred tax liabilities | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Temporary difference | | | | |
| Unrealized foreign exchange gains | $ 5,751 | ( $ 3,973 ) | $ - | $ 1,778 |
| Financial assets at FVTPL | 9,574 | ( 8,697 ) | - | 877 |
| | $ 15,325 | ( $ 12,670 ) | $ - | $ 2,655 |

2021

| Deferred tax assets | Opening balance | Recognized in profit or loss | Recognized in Other comprehensive income | Closing balance |
|---|---|---|---|---|
| Temporary difference | | | | |
| Impairment losses, including loss allowance | $ 22,737 | $ - | $ - | $ 22,737 |
| Property, plant, and equipment | 1,364 | ( 1 ) | - | 1,363 |

(Continued on next page)

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| | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Financial assets at FVTOCI | ( $ 2,258 ) | $ - | ( $ 6,112 ) | ( $ 8,370 ) |
| Provisions | 3,086 | ( 6,728 ) | - | ( 3,642 ) |
| Refund liabilities | 3,410 | 1,288 | - | 4,698 |
| Defined benefit pension plan | 3,723 | ( 2,282 ) | - | 1,441 |
| Investment losses | 664 | ( 2,839 ) | - | 3,503 |
| Exchange differences on translating the financial statements of foreign operations | 5,231 | - | 480 | 5,711 |
| Temporary difference | 37,957 | ( 4,884 ) | ( 5,632 ) | 27,441 |
| Loss carryforwards | 53,868 | ( 22 ) | - | 53,846 |
| | $ 91,825 | ( $ 4,906 ) | ( $ 5,632 ) | $ 81,287 |
| Deferred tax liabilities | | | | |
| Temporary difference | | | | |
| Unrealized foreign exchange gains | $ 4,243 | $ 1,508 | $ - | $ 5,751 |
| Financial assets at FVTPL | 10,801 | ( 1,227 ) | - | 9,574 |
| | $ 15,044 | $ 281 | $ - | $ 15,325 |

(V) Deductible temporary difference of deferred tax assets and unused loss carryforwards not recognized in the consolidated balance sheet

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Loss carryforwards | | |
| Due in 2023 | $ 21,002 | $ 21,481 |
| Due in 2026 | 274 | 274 |
| Due in 2030 | 8,306 | - |
| Due in 2031 | 32,787 | - |
| | $ 62,369 | $ 21,755 |
| Deductible temporary difference | | |
| Unrealized net (gains) losses on exchange | ( $ 149 ) | $ 249 |
| Impairment losses, including loss allowance | 7,499 | 7,499 |
| | $ 7,350 | $ 7,748 |

(VI) Information on unused loss carryforwards

As of December 31, 2022, the information on loss credit is as follows:

| Balance of unused loss carryforwards | Last valid year |
|---|---|
| $ 21,002 | 2023 |
| 274 | 2026 |
| 8,306 | 2030 |
| 32,787 | 2031 |
| $ 62,369 | |

(VII) Income tax assessments

The Company's profit-seeking enterprise income tax returns before 2018 and 2020 had been examined and approved by the tax authorities.

XXVIII. Earnings (loss) per share

Unit: NT$ Per Share

| | 2022 | 2021 |
|---|---|---|
| Basic earnings (loss) per share | ( $ 0.60 ) | $ 2.41 |
| Diluted earnings (loss) per share | ( $ 0.60 ) | $ 2.39 |

The net income and weighted average number of ordinary shares outstanding in calculating earnings per share were as follows:

Net income (loss) for this year

| | 2022 | 2021 |
|---|---|---|
| Net income (loss) used to calculate basic earnings (losses) per share | ( $ 181,505 ) | $ 724,850 |

Number of shares

Unit: Thousand Shares

| | 2022 | 2021 |
|---|---|---|
| Weighted average number of ordinary shares in computation of basic earnings per share | 300,621 | 300,621 |
| Effect of potentially diluted ordinary shares: | | |
| Employee compensation | - | 2,383 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 300,621 | 303,004 |

If the Group may choose to distribute employee compensation in cash or shares, it assumes the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share if the effect is diluted. Such a diluted effect of the potential shares is included in the computation of diluted earnings (losses) per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

XXIX. Government grants

As of December 31, 2022, the Company has obtained a government loan of NT$210,810 thousand with preferential interest rates under the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan for capital expenditure and purchase of equipment. The loan will be repaid in installments over a period of five to seven years. The fair value of the loan is estimated to be NT$207,038 thousand based on the market interest rate of 0.87% to 1.95% when the loan was taken out. The difference between the amount obtained and the fair value of the loan is in the amount of NT$3,772 thousand as a government low-interest loan grant and recognized as unearned revenue. The unearned revenue is reclassified to profit or loss over the useful life of the relevant assets. Other income recognized by the Company for 2022 and 2021 is NT$816 thousand and NT$711 thousand, respectively, and the loan interest expenses recognized are NT$1,528 thousand and NT$987 thousand, respectively.

If the Company fails to meet the requirements of the project loan regulations during the loan term and the National Development Fund has to stop the loan, and when the processing fee should be charged, the Company shall pay at the initial agreed interest rate plus the annual interest rate.

In addition, the Company has obtained a grant of NT$3,894 thousand under the Demonstration and Promotion Subsidy Program for the Energy Conservation Performance Guarantee Project and achieved the promised energy saving rate of 70% in July 2022 in the project proposal. The remaining grant of NT$9,088 thousand was received. As of December 31, 2022, the Company has recognized the government grant of NT$10,615 thousand in deferred income.

XXX. Capital risk management

In accordance with the overall business environment and the Group's future development, the Group's capital structure is regularly reviewed by the main management personnel in consideration of external competition, changes in the environment and other factors. The review includes consideration for various types of capital costs and relevant risks to determine an appropriate capital structure of the Group. The purpose is to satisfy the Group's requirements for working capital, research and development expenses, and dividend expenditures in the future, while ensuring that the Group can continue to operate, give back to shareholders, and take into account the interests of other stakeholders, and maintaining the best capital structure to enhance shareholders' value on a long term.

The capital structure of the Group consists of net debt (borrowings less cash and cash equivalents) and equity attributable to owners of the Company (comprising share capital, capital surplus, retained earnings, and other equity items), as well as non-controlling interests.

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

Key management personnel of the Group reviews the capital structure annually. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Under the suggestions of the key management personnel, the Group may pay dividends, issue new shares, buy back shares, and issue new debts or repay old debts to balance the overall capital structure.

XXXI. Financial instruments

(I) Fair value—financial instruments not at fair value

The carrying amount of the Group's financial assets and liabilities measured at amortized cost was close to their fair value in the financial statements at the end of the financial reporting period.

(II) Fair value—financial instruments at fair value on a recurring basis

1. Degree of fair value measurements

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Domestic listed stocks | $ 186,267 | $ - | $ - | $ 186,267 |
| Gold passbook | 15 | - | - | 15 |
| Structured deposit | - | 31,912 | - | 31,912 |
| Total | $ 186,282 | $ 31,912 | $ - | $ 218,194 |
| Financial assets at FVTOCI | | | | |
| Investment in equity instruments | | | | |
| - Domestic stocks listed on TWSE/TPEx and emerging stock markets | $ 27,030 | $ - | $ - | $ 27,030 |
| - Domestic unlisted stocks | - | - | 18,387 | 18,387 |
| | $ 27,030 | $ - | $ 18,387 | $ 45,417 |
| Financial liability at FVTPL | | | | |
| Derivatives | $ - | $ 344 | $ - | $ 344 |

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Domestic listed stocks | $ 582,805 | $ - | $ - | $ 582,805 |
| Foreign unlisted stocks | - | - | 87,201 | 87,201 |
| Wealth management products | - | 175,854 | - | 175,854 |

(Continued from previous page)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Gold passbook | $ 15 | $ - | $ - | $ 15 |
| Derivatives | - | 496 | - | 496 |
| Total | $ 582,820 | $ 176,350 | $ 87,201 | $ 846,371 |
| Financial assets at FVTOCI | | | | |
| Investment in equity instruments | | | | |
| - Stocks listed in emerging stock markets and unlisted stocks | $ 56,845 | $ - | $ 17,386 | $ 74,3231 |

There were no transfers between Level 1 and Level 2 fair value in 2022 and 2021.

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

| Class of financial instruments | Valuation technique and inputs |
|---|---|
| Structured deposits and wealth management products | Discounted cash flow method: discounted at a discount rate that reflects the current interest rate of a financial product at the end of the period. |
| Derivatives - forward foreign exchange contracts | Discounted cash flow method: Future cash flows are estimated based on the observable forward exchange rates at the end of the period and the exchange rates and interest rates specified in the contract and discounted at a discount rate that can indicate each counterparty' credit risk. |

3. Reconciliation of Level 3 fair value measurements of financial assets

2022

| Financial asset | Financial assets at FVTPL<br>Equity instrument | Financial assets at FVTOCI<br>Equity instrument |
|---|---|---|
| Opening balance | $ 87,201 | $ 17,386 |
| Purchases | - | 4,344 |
| Recognized in profit or loss (other gains or losses) | ( 87,201 ) | - |
| Recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOC) | - | ( 3,343 ) |
| Closing balance | $ - | $ 18,387 |

2021

| Financial asset | Financial assets at FVTPL<br>Equity instrument | Financial assets at FVTOCI<br>Equity instrument |
|---|---|---|
| Opening balance | $ 142,166 | $ 41,754 |
| Recognized in profit or loss (other gains or losses) | ( 54,965 ) | - |
| Recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOC) | - | 32,477 |
| Transferred out from Level 3 | - | ( 56,845 ) |
| Closing balance | $ 87,201 | $ 17,386 |

4. Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of domestic stocks traded on emerging stock markets is estimated based on the closing prices of the stocks in the emerging stock markets and the liquidity. Investments in domestic and foreign unlisted equity are estimated by the market approach based on the transaction price of comparable targets and the difference between the evaluation target and the comparable target is considered to estimate the value of the target evaluated using an appropriate multiplier.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Price-book ratio | 0.74~4.09 | 1.35~16.67 |
| Liquidity Discounts | 30% | 30% |

(III) Categories of financial instruments

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Financial assets | | |
| Financial assets as at FVTPL | | |
| Financial assets designated as at FVTPL | $ 218,194 | $ 846,371 |
| Financial assets at amortized cost (Note 1) | 2,100,704 | 2,373,766 |
| Financial assets at FVTOCI | | |
| Investment in equity instruments | 45,417 | 74,231 |
| Financial liability | | |
| Financial assets as at FVTPL | | |
| Financial assets designated as at FVTPL | 344 | - |
| At amortized cost (Note 2) | 1,252,533 | 1,555,285 |

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including from related parties), other receivables, other financial assets and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable (including to related parties), other payables, current portion of long-term borrowings, unearned revenue, long-term borrowings, long-term deferred revenue, and guarantee deposits received.

(IV) Financial risk management objective and policies

The Group's main financial instruments include equity investment, accounts receivable, accounts payable, borrowings and lease liabilities. The Group's financial management department provides services to various business units, coordinates the operations in the domestic and international financial markets and supervises and manages the financial risks related to the Group's operations by analyzing internal risk reports based on the degree and breadth of risks. These risks include market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk.

The Group uses derivative financial instruments to avoid risk exposure to mitigate the impact of these risks. The use of derivative financial instruments is regulated by the policies adopted by the Group's board of directors, which are written principles for exchange rate risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of remaining working capital. Compliance with policies and exposure limits is being reviewed by the internal auditors continuously. The Group does not trade financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risk

The main financial risks for the Group’s operating activities are the risk of changes in foreign currency exchange rates (see (1) below) and the risk of changes in interest rates (see (2) below). The Group engages in various derivative financial instruments to manage foreign currency exchange rate risk and interest rate risk.

The Group's exposure to the market risk of financial instruments and its management and measurement methods for the risk exposure have remained unchanged.

(1) Exchange rate risk

The Group is engaged in sale and purchase transactions denominated in foreign currencies, which has caused the Group to be exposed to the risk of exchange rate fluctuations. Approximately 82.88% of the Group's sales are not denominated in the functional currency, and approximately 59.44% of the cost is not denominated in the functional currency. The Group's management of the exposure to the exchange rate risk is to use foreign currency options to manage risks within the scope permitted by the policy.

The carrying amounts of the Group’s foreign currency-denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the balance sheet date are set out in Note 35.

<u>Sensitivity analysis</u>

The Group was mainly affected by the fluctuations in the exchange rates of USD, JPY and CNY.

The following table details the Group’s sensitivity analysis when the New Taiwan dollar (functional currency) increases and decreases by 1% against each relevant foreign currency. The sensitivity to a 1% change in New Taiwan dollars is used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis only included monetary items in foreign currencies in circulation and the year-end translation was adjusted with a 1% change in the exchange rates. The positive numbers in the table below indicate the amount by which the net income before tax will be reduced when the New Taiwan dollar appreciates by 1% against the relevant currencies; when the New Taiwan dollar depreciates by 1% against the relevant foreign currencies, the net income before tax will be the negative number of the same amount.

| | Impact of USD | | Impact of JPY | | Impact of CNY | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Gains (losses) | $ 4,871(i) | $ 7,653(i) | ($ 544)(ii) | ($ 1,479)(ii) | $ 1,562(iii) | $ 3,349(iii) |

(i) Mainly derived from the Group's USD-denominated receivables and payables still outstanding at the balance sheet date, against which a cash flow hedge has not been conducted.

(ii) Mainly derived from the Group's JPY-denominated payables still outstanding at the balance sheet date, against which a cash flow hedge has not been conducted.

(iii) Mainly derived from the Group's CNY-denominated receivables and payables still outstanding at the balance sheet date, against which a cash flow hedge has not been conducted.

Sales denominated in USD are seasonal, so the exposure to the foreign currency risk at the balance sheet date cannot reflect the risk exposure throughout the year.

(2) Interest rate risk

Because individual entities within the Group borrow funds at fixed and floating interest rates at the same time, the exposure to the interest rate risk arises. The Group manages the interest rate risk by maintaining an appropriate combination of fixed and floating interest rates.

The carrying amounts of the Group’s financial assets and financial liabilities with exposure to the interest rate risk at the balance sheet date are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Fair value interest rate risk | | |
| -Financial assets | $ 504,524 | $ 547,691 |
| -Financial liabilities | 73,240 | 116,677 |
| Cash flow interest rate risk | | |
| -Financial assets | 845,283 | 650,978 |
| -Financial liabilities | 612,476 | 686,949 |

Sensitivity analysis

The sensitivity analysis below is determined based on the exposure to the interest rate risk of derivatives and non-derivatives at the balance sheet date. For liabilities with floating interest rates, the analysis method is based on the assumption that the amount of liabilities outstanding at the balance sheet date is in outstanding throughout the reporting period. The sensitivity to a 1% change in interest rate is used when reporting the interest rate risk internally to key management personnel and also represents the management’s assessment of the reasonably possible change in interest rates.

If the interest rate increased/decreased by 1% and all other variables remain unchanged, the Group’s net income before tax for 2022 and 2021 would have decreased/increased by NT$111 thousand and NT$74 thousand, respectively.

(3) Other price risk

The Group's exposure to the equity price risk is due to the investment in the listed equity securities. The management of the Group manages the risk by holding investment portfolios with different risk factors. The Group's equity price risk is mainly concentrated on Taiwan Stock Exchange’s equity instruments in specific industries.

Sensitivity analysis

The sensitivity analysis below is based on the equity price risk exposure at the balance sheet date.

If the equity price increased/decreased by 1%, the profit or loss before tax for 2022 and 2021 would have increased/decreased by NT$1,863 thousand and NT$5,828 thousand due to the increase/decrease in the fair value of financial assets at FVTPL. Other comprehensive income before tax for 2022 and 2021 would have increased/decreased by NT$270 thousand and NT$0 due to the increase/decrease in the fair value of financial assets at FVTOCI.

The Group's sensitivity to the price risk decreased in 2020 because of the decrease in investment in equity securities held.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to perform an obligation and financial guarantees provided by the Company could arise from:

(1) The carrying amount of the financial assets recognized in the consolidated balance sheet.

(2) The amount of contingent liabilities arising from the financial guarantee provided by the Group.

The policy adopted by the Group is to conduct transactions only with reputable counterparties, and obtain sufficient guarantees under necessary circumstances to reduce the risk of financial losses due to defaults. The Group only conducts transactions with companies whose ratings are equal to or higher than the investment grade Such information is provided by independent rating agencies; if such information is not available, the Group will refer to other publicly available financial information and mutual transaction records to rate its major customers. The Group continuously monitors credit risk and the credit rating of its counterparties and distributes the total transaction amount to customers with qualified credit ratings, and controls the exposure to credit risk through the counterparty credit limits that are reviewed and approved by the financial management department every year.

In order to mitigate the credit risk, the management of the Group assigns a dedicated team responsible for the determination of credit limits, credit approval and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the Group reviews the recoverable amount of the receivables one by one at the balance sheet date to ensure that the appropriate impairment loss is recognized for uncollectible receivables. In this regard, the management of the Group believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives is not high because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's customer base is large and unrelated, so the concentration of credit risk is not high.

3. Liquidity risk

The Group manages and maintains sufficient cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The management of the Group monitors the use of the bank financing facilities and ensures compliance with the terms of the borrowing terms.

Bank borrowings were an important source of liquidity for the Group. As of December 31, 2022 and 2021, for the Group's unutilized credit facilities, please refer to (2) below for description of financing facilities.

(1) Liquidity and interest rate risk tables for non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Group might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period, regardless of the probability of exercise of the right by banks. The maturity analysis of other non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

December 31, 2022

| | Less than 1 year | Over 1 year |
|---|---|---|
| Non-derivative financial liabilities | | |
| Non-interest-bearing liabilities | | |
| Note payable and accounts payable | $ 320,430 | $ - |
| Other payables (Note) | 82,980 | - |
| Floating interest rate instruments | $ 190,056 | $ 422,420 |
| Fixed interest rate instruments | 62,962 | 10,278 |
| lease liabilities | 10,649 | 108,840 |
| | $ 667,077 | $ 541,538 |

Further information on the analysis of undiscounted lease liabilities maturity dates is as follows:

| | Less than One Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | Over 20 Years |
|---|---|---|---|---|---|---|
| lease liabilities | $ 10,649 | $ 15,191 | $ 16,193 | $ 16,193 | $ 16,193 | $ 45,070 |

December 31, 2021

| | Less than 1 year | Over 1 year |
|---|---|---|
| Non-derivative financial liabilities | | |
| Non-interest-bearing liabilities | | |
| Note payable and accounts payable | $ 465,912 | $ - |
| Other payables (Note) | 315,167 | - |
| Floating interest rate instruments | 156,091 | 530,858 |
| Fixed interest rate instruments | 116,677 | - |
| lease liabilities | 10,668 | 117,410 |
| | $ 1,064,515 | $ 648,268 |

Further information on the analysis of undiscounted lease liabilities maturity dates is as follows:

| | Less than One Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | Over 20 Years |
|---|---|---|---|---|---|---|
| lease liabilities | $ 10,668 | $ 20,523 | $ 16,193 | $ 16,193 | $ 16,193 | $ 48,308 |

Note: The other payables mentioned above do not include salaries, employee compensation payable, directors' remuneration payable, and pensions payable.

(2) Financing facilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Unsecured bank borrowings facility (review every year) | | |
| - Amount used | $ 71,029 | $ 126,377 |
| - Amount unused | 932,521 | 1,030,623 |
| | $ 1,003,550 | $ 1,157,000 |
| Secured bank borrowings facility | | |
| - Amount used | $ 616,293 | $ 679,017 |
| - Amount unused | 571,707 | 1,120,983 |
| | $ 1,188,000 | $ 1,800,000 |

## XXXII. Related party transaction

Balances and transactions between the Company and its subsidiaries have all been eliminated on consolidation and are not disclosed in this note. The transactions between the Group and other related parties are as follows.

(I) Related party name and category

| Related Party Name | Related Party Category |
|---|---|
| Associate | |
| Coretech Optical Co., Ltd. | Associate by investment using the equity method |
| Hsinjing Holding Co., Ltd. | Associate by investment using the equity method |
| Substantive related party | |
| Summit-tech Resource Corp. | Substantive related party before Jul. 2, 2021 (Note 1) |
| Epistar Corporation | Its parent company is a director of the Company (Note 2). |
| Lextar Electronics Corporation | Its parent company is a director of the Company (Note 2). |
| Prolight Opto Technology Corporation | Its parent company is a director of the Company (Note 3). |
| best Epitaxy Manufacturing Co. Ltd. | Its parent company is a director of the Company (Note 3). |
| Lextar Electronics (Chuzhou) Corp. | Its parent company is a director of the Company (Note 3). |
| iReach Corporation | Its parent company is a director of the Company (Note 3). |
| Unikorn Semiconductor Corp. | Its parent company is a director of the Company (Note 3). |
| Li, Bin-Jie | Key managerial officer (the Chairman of the Company) |
| Raymond Sheu | Key management personnel |
| Wang, Wen-Hu | Key management personnel |

Note 1: The Company's supervisor is a relative within the second degree of kinship of the former Chairman of the Company. On July 2, 2021, the Company's board of directors re-elected a new chairman due to the end of the term of office of the former one. As the former chairman did not hold another position, Summit-tech Resource Corp. is not a related party, so the amounts of transactions after the date will not be disclosed.

Note 2: The Company's board of directors re-elected a new chairman on July 2, 2021. As the Chairman of the Company also serves as the Chairman of Ennostar Inc. (hereinafter referred to as "Ennostar") and Epistar Corporation and Lextar Electronics Corporation is a subsidiary of Ennostar, so it is determined to be a substantive related party.

Note 3: The Company's board of directors re-elected a new chairman on July 2, 2021. As the Chairman of the Company also serves as the Chairman of Ennostar and best Epitaxy Manufacturing Co. Ltd., Prolight Opto Technology Corporation and Unikorn Semiconductor Corp. are the sub-subsidiaries of Ennostar, so it is determined to be a substantive related party.

(II) Operating income

| Line Item | Category of related party | 2022 | 2021 |
|---|---|---|---|
| Sale | Substantive related party | | |
| | Lextar Electronics Corporation | $ 121,205 | $ 93,034 |
| | Lextar Electronics (Chuzhou) Corp. | 15,851 | 10,883 |
| | Summit-tech Resource Corp. | - | 5,940 |
| | Others | 2,461 | 4,800 |
| | | $ 139,517 | $ 114,657 |

The selling prices to related parties are equivalent to those to ordinary customers, and the payment terms are implemented in accordance with the Group's payment policy.

(III) Purchase of goods

| Line Item | Category of related party | 2022 | 2021 |
|---|---|---|---|
| Inventories - raw materials | Substantive related party | | |
| | Epistar Corporation | $ 15,990 | $ 15,188 |
| | Summit-tech Resource Corp. | - | 6,010 |
| | best Epitaxy Manufacturing Co. Ltd. | 112 | 387 |
| | | $ 16,102 | $ 21,585 |

The purchase prices from related parties are equivalent to those to ordinary clients and the purchase terms are implemented in accordance with the Group's policy.

(IV) Receivables from related parties

| Line Item | Category of related party | | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|---|
| Accounts receivable - related parties | Substantive related party | | | | |
| | Lextar Electronics Corporation | $ | 27,277 | $ | 72,623 |
| | Lextar Electronics (Chuzhou) Corp. | | 6,926 | | 8,486 |
| | Others | | 1,078 | | 3,165 |
| | | $ | 35,281 | $ | 84,274 |

The sales between the Group and the related parties are processed per the terms and prices agreed upon by both parties and the payment terms are 90 to 120 days after the end of each month. No guarantee is received for the accounts receivable from related parties still outstanding. No loss allowance was provided for accounts receivable from related parties in 2022 and 2021.

(V) Payables to related parties (excluding loans from related parties)

| Line Item | Category of related party | | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|---|
| Accounts payable - related parties | Substantive related party | | | | |
| | Epistar Corporation | $ | 1,692 | $ | 6,122 |
| | best Epitaxy Manufacturing Co. Ltd. | | 13 | | 331 |
| | | $ | 1,705 | $ | 6,453 |
| Other receivables - related parties | Substantive related party | | | | |
| | Epistar Corporation | $ | 37 | $ | 39 |

The Group's purchase price from and processing contracted to related parties are handled in accordance with the general purchase terms; the payment period to related parties and non-related parties is implemented in accordance with the Company's payment policy.

No guarantee is provided for the balance of the outstanding accounts payable to related parties.

(VI) Contract processing

The processing fees to the Group's other related party Summit-tech contracted to process products for the Company in 2021 were NT$5,759 thousand, respectively. As of December 31, 2021, the outstanding balance was NT$0, respectively, accounted for under the processing expense payable.

The pricing of the contract processing expenses is not able to be compared with other manufacturers' OEM prices and conditions because the Company did not commission other manufacturers for contract processing.

(VII) Transactions with other related parties

| Line Item | Category of related party | | 2022 | | 2021 |
|---|---|---|---|---|---|
| Production overheads | Substantive related party | | | | |
| | Epistar Corporation | $ | - | $ | 1,051 |

(Continued on next page)

(Continued from previous page)

| Line Item | Category of related party | 2022 | 2021 |
|---|---|---|---|
| Operating expenses | Substantive related party | | |
| | Epistar Corporation | $ 467 | $ 54 |
| | Unikorn Semiconductor Corp. | 197 | - |
| | | $ 664 | $ 54 |

(VIII) The joint guarantor of the Group's borrowings and actual amount used is as follows:

| Category of related party | 2022 | 2021 |
|---|---|---|
| Key management personnel | $ 72,411 | $ 48,000 |

(IX) Compensation of key management personnel

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $ 25,740 | $ 52,628 |
| Post-employment benefits | 526 | 583 |
| | $ 26,266 | $ 53,211 |

The remuneration of directors and other key management personnel was determined by the remuneration committee based on the performance of individuals and market trends.

XXXIII. Pledged Assets

The following assets have been provided as collateral for financing loans and security for tariff of imported raw materials:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Restricted time deposits (accounted for in financial assets at amortized cost) | $ 7,665 | $ 50,806 |
| Restricted demand deposits (accounted for in financial assets) | 1,003 | 3,593 |
| Land | 62,273 | 62,273 |
| Buildings | 631,796 | 651,283 |
| | $ 702,737 | $ 767,954 |

XXXIV. Significant Contingent Liabilities and Unrecognized Commitments

Except for those already mentioned in other notes, the Group's significant commitments as of the balance sheet date are as follows:

(I) As of December 31, 2022 and 2021, the balance of unused letters of credit issued by the Group for imported raw materials and machinery and equipment was equivalent to NT$10,006 thousand and NT$7,410 thousand, respectively.

(II) As of December 31, 2022, the total price of the uncompleted important equipment and engineering procurement contracts of the Group was equivalent to NT169,264 thousand; NT$50,790 thousand had been paid, which was recognized in prepayments for equipment and unfinished construction, and the remaining NT$118,474 thousand had not been paid.

XXXV. Significant assets and liabilities denominated in foreign currencies

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2022

| | Foreign currency | Exchange rate | Carrying amount |
|---|---|---|---|
| Foreign currency asset | | | |
| Monetary items | | | |
| USD | $ 16,145 | 30.71 | $ 495,813 |
| CNY | 38,180 | 4.41 | 168,297 |
| JPY | 3,768 | 0.23 | 876 |
| Foreign currency liabilities | | | |
| Monetary items | | | |
| USD | 284 | 30.71 | 8,722 |
| CNY | 2,755 | 4.41 | 12,144 |
| JPY | 237,981 | 0.23 | 55,306 |
| EUR | 161 | 32.72 | 5,268 |

December 31, 2021

| | Foreign currency | Exchange rate | Carrying amount |
|---|---|---|---|
| Foreign currency asset | | | |
| Monetary items | | | |
| USD | $ 28,661 | 27.68 | $ 793,336 |
| CNY | 81,080 | 4.34 | 352,212 |
| JPY | 2,547 | 0.24 | 613 |
| Foreign currency liabilities | | | |
| Monetary items | | | |
| USD | 1,013 | 27.68 | 28,040 |
| CNY | 3,980 | 4.34 | 17,289 |
| JPY | 617,421 | 0.24 | 148,489 |

The amount of foreign currency exchange losses of the Group in 2022 and 2021 was NT$95,848 thousand and NT$(6,783) thousand, respectively. Due to the wide variety of foreign currency transactions and the functional currencies of the entities of the Group, it is impossible to disclose the foreign currency exchange gains and losses based on each foreign currency of significance.

XXXVI. Additional Disclosures

(I) Information on significant transactions and (II) investees:

1. Financing provided to others: (Table 1)
2. Marketable securities held (excluding investment in subsidiaries, associates, and joint venture equity): Table 2.
3. Marketable securities acquired or sold at costs or prices at least NT$300 million or 20% of the paid-in capital: none.
4. Acquisition of individual property at costs of at least NT$300 million or 20% of the paid-in capital: none.
5. Disposal of individual property at costs of at least NT$300 million or 20% of the paid-in capital: none.
6. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: none.
7. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: none.
8. Trading in derivative instruments: None.
9. Other: Significant transactions between the parent company and its subsidiaries: Table 6.

10. Information on investees: Table 3.

(III) Information on investments in Mainland China:

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income and limit on the amount of investment in the Mainland China area: Table 4.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms and unrealized gains or losses: Table 5.
   (1) The amount and percentage of purchase.
   (2) The amount and percentage of sales.

(IV) Information on major shareholders: list of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 7.

XXXVII. Segments Information

Information reported to the chief operating decision-maker for resource allocation and segment performance assessment focuses on types of goods or services delivered or provided. The Group's segments to be reported are as follows:

Si Component Operation Center

(I) Segment revenues and results

The following was an analysis of the Group's revenue and results by the reporting department:

| | Segment Revenue | | segment profit or loss | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Compound semiconductor components | $ 827,289 | $ 1,167,311 | $ 28,087 | $ 82,156 |
| Si Component Operation Center | 1,367,480 | 1,756,064 | 10,212 | 209,331 |
| Others | 224,740 | 240,000 | ( 862 ) | 19,060 |
| Total revenue of continuing operations | $ 2,419,509 | $ 3,163,375 | 37,437 | 310,547 |
| Share of losses on associates using the equity method | | | 21,065 | 14,038 |
| Interest income | | | 4,564 | 5,489 |
| Gains on disposal of investments accounted for using the equity method | | | - | 307 |
| Net foreign exchange gains (losses) | | | 95,848 | ( 6,783 ) |
| Net gains on financial assets and liabilities at FVTPL | | | ( 346,710 ) | 126,101 |
| Financial costs | | | ( 12,862 ) | ( 20,531 ) |
| Gains on disposal of non-current assets held for sale | | | - | 379,527 |
| Other income | | | 36,650 | 12,395 |
| Net income before tax | | | ( $ 164,008 ) | $ 821,090 |

The segment revenue above is all generated from transactions with external customers. There were sales between segments in 2022 and 2021.

Segment gains refer to the profits earned by each segment, excluding the headquarters' administrative costs and directors' remuneration to be allocated, share of profits and losses on associates using the equity method, gains or losses on disposal of investment using the equity method, net (gains) losses on foreign currency exchange, rental income, gains and losses on disposal of property, plant and equipment, gains and losses on valuation of financial instruments, financial costs, penalty losses, fire losses, disaster loss claim income, and income tax expenses. This is the measure reported to the chief operating decision-maker for resource allocation and assessment of segment performance.

(II) Segment assets and liabilities

Since the measured amount of assets and liabilities has not been provided to the operating decision makers, the undisclosed measured amount of assets and liabilities is zero.

(III) Income from main products and services

The income analysis of the main products and services of the Group is as follows:

| | 2022 | 2021 |
|---|---|---|
| Compound semiconductor components | $ 827,289 | $ 1,167,311 |
| SI components | 1,367,480 | 1,756,064 |
| Others | 224,740 | 240,000 |
| | $ 2,419,509 | $ 3,163,375 |

(IV) Segment by geographical location

The Group mainly operates in two regions: Taiwan and China.

The information on the Group's revenue of continuing operations from external customers based on operating location and non-current assets based on asset location is listed below:

| | Revenue from external customers | | non-current assets | |
|---|---|---|---|---|
| | 2022 | 2021 | December 31, 2022 | December 31, 2021 |
| Taiwan | $ 2,419,509 | $ 3,163,375 | $ 1,842,512 | $ 1,718,312 |
| China | - | - | 162,637 | 172,429 |
| | $ 2,419,509 | $ 3,163,375 | $ 2,005,149 | $ 1,890,741 |

Non-current assets do not include financial instruments, investments using the equity method, guarantee deposits paid, and deferred income tax assets.

(V) Information on major customers

Single customers contributing at least 10% of the Group's total income are as follows:

| | 2022 | 2021 |
|---|---|---|
| Client A. | $ 428,283 | $ 541,409 |
| Client A. | 266,586 | 496,892 |
| Client C (Note) | 233,241 | 141,992 |

Client C did not contribute at least 10% of the Group's total revenue in 2021.

TYNTEK Corporation and Its Subsidiaries
Financing provided to others
January 1 to December 31, 2022

Table 1

Unit: NTD thousand

| Serial No. | Lender | Borrower | Financial Statement Account | Related Party Status | Maximum Balance for the Period | Ending balance | Transaction Amounts | Interest Rate Range (Note 3) | Category of Financing Provided | Business Transaction Amounts | Reasons for Necessity of Short-term Financing | Loss Allowance | Collateral | | Limit of Financing to Individual Borrower (Note 1) | Total Limit of Financing Provided (Note 2) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | | |
| 0 | TYNTEK Corporation | Keeper Technology | Other receivables - related parties | Yes | $ 20,000 | $ 10,000 | $ 8,000 | Floating interest rate | Need for short-term financing | $ - | Repayment of borrowings | $ - | — | $ - | $ 396,009 | $ 792,017 | |

Note 1: TYNTEK Corporation's limit of financing to individual borrowers does not exceed 10% of the net value stated in the most recent financial statements reviewed/audited by CPAs.
Note 2: TYNTEK Corporation's total limit of financing to borrowers does not exceed 20% of the net value stated in the most recent financial statements reviewed/audited by CPAs.
Note 3: TYNTEK Corporation's interest rate ranges of financing to others are based on the borrowing interest rate of financial institutions plus 5%. The interest rate range on December 31, 2022 was 2.03%- 2.155%.

TYNTEK Corporation and Its Subsidiaries
Marketable Securities Held at the End of Year
December 31, 2022

Table 2

Unit: in thousand of New Taiwan Dollars/Thousand Units/Thousand Shares

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | March 31, 2021 | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares/Units | Carrying amount | Percentage of Ownership | Market price | |
| TYNTEK Corporation | Unity Opto/stock/common stock | None | Financial assets at FVTPL - Current | 264 | $ - | - | $ - | Note 1 |
| | First Commercial Bank/gold passbook | None | Financial assets at FVTPL - Current | - | 15 | - | 15 | |
| | Fittech Co., Ltd./stock/common stock | Investee with 0.37% of shares held | Financial assets at FVTPL - Current | 275 | 24,233 | 0.37 | 24,233 | |
| | Fujian Zhaoyuan Photoelectric Co., Ltd. | Investee with 4.28% of shares held | Financial assets at FVTPL - Non-current | - | - | 4.28 | - | |
| | Unity Opto/stock/common stock | None | Financial assets at FVTOCI - current | 836 | - | - | - | Note 1 |
| | Chipwell Tech Corporation/stock/common stock | Investee with 1.84% of shares held | Financial assets at FVTOCI - non-current | 437 | 8,827 | 1.84 | 8,827 | |
| | Brightek Optoelectronic Co., Ltd./stock/common stock | Investee with 1.5% of shares held | Financial assets at FVTOCI - non-current | 1,020 | 27,030 | 1.5 | 27,030 | |
| Long Benefit Investment Co., Ltd. | Hanpin Electron Co., Ltd./stock/common stock | None | Financial assets at FVTPL - Current | 220 | 6,336 | - | 6,336 | |
| | Elite Advanced Laser Corporation/stock/common stock | None | Financial assets at FVTPL - Current | 70 | 2,573 | - | 2,573 | |
| | Fittech Co., Ltd./stock/common stock | Investee with 2.37% of shares held | Financial assets at FVTPL - Current | 1,740 | 153,125 | 2.37 | 153,125 | |
| | Chipwell Tech Corporation/stock/common stock | Investee with 0.76% of shares held | Financial assets at FVTOCI - non-current | 180 | 5,044 | 0.76 | 5,044 | |
| | Chipstar Tech Corporation/stock/common stock | Investee with 10.95% of shares held | Financial assets at FVTOCI - non-current | 698 | 4,516 | 10.95 | 4,516 | |

Note 1: Because the public company Unity Opto Technology co., Ltd. (hereinafter referred to as Unity Opto) failed to publish its financial statements for 2019 within the specified time limit, it was sanctioned by the Taiwan Stock Exchange on April 1, 2020, and it stock was stopped to be traded starting from April 7, 2020. After prudent evaluation, the Group recognized all shares of Unity Opto held as financial asset valuation losses.

Note 2: Refer to Table 3 for the information on subsidiaries and associates.

TYNTEK Corporation and Its Subsidiaries
Information on Investees (excluding investees in mainland China)
January 1 to December 31, 2022

Table 3

Unit: In thousand of New Taiwan Dollars/Thousand Shares

| Investor | Investor Company | Location | Main Businesses and Products | Investment Amount | | As of March 31, 2021 | | | Gains (losses) on investee | Gains (losses) on investment recognized by the Company | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | March 31, 2021 | March 31, 2020 | Shares | Percentage (%) | Carrying amount | | | |
| TYNTEK Corporation | TEK Holding Co., Ltd. | 3RD FLOOR, YAMRAJ BUILDING, MARKET SQUARE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS. | Investment in various overseas businesses | $ 258,290 | $ 258,290 | 6,700 | 100.00 | $ 267,383 | ( $ 6,295 ) | ( $ 6,295 ) | |
| | Long Benefit Investment Co., Ltd. | No. 15, Kezhong Road, Dingpu Village, Zhunan Township, Miaoli County | General investment | 185,000 | 185,000 | 42,390 | 100.00 | 285,214 | ( 205,350 ) | ( 205,350 ) | |
| | Hsinjing Holding Co., Ltd. | 3F-1, No. 193, Fuxing 2nd Road, Zhubei City, Hsinchu County | General investment | 591,378 | 591,378 | 17,794 | 22.79 | 165,874 | 72,201 | 16,455 | |
| | Coretech Optical Co., Ltd. | 7F-6, No. 35, Xintai Road, Zhubei City, Hsinchu County | Machinery, electronic components, power generation, transmission, and distribution machinery, as well as precision equipment manufacturing | 5,000 | 5,000 | 200 | 2.08 | 2,445 | 19,440 | 405 | |
| | Keeper Technology | No. 29, Wuquan 7th Road, Wugu District, New Taipei City | Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery. | 30,000 | 30,000 | 3,000 | 21.43 | 20,134 | ( 7,723 ) | ( 1,655 ) | |
| | Xu Qi Co., Ltd. | No. 1387, Renai Road, Zhunan Township, Miaoli County | Lighting Equipment Manufacturing | - | 8,500 | - | - | - | - | - | Note |
| TEK Holding Co., Ltd. | Keyway International L.L.C. | 3500 South Dupont Highway, Dover, Delaware 19901, U.S.A. | Investment in various overseas businesses | 258,768 | 258,768 | - | 100.00 | 264,496 | ( 6,314 ) | ( 6,314 ) | |
| Long Benefit Investment Co., Ltd. | Coretech Optical Co., Ltd. | 7F-6, No. 35, Xintai Road, Zhubei City, Hsinchu County | Machinery, electronic components, power generation, transmission, and distribution machinery, as well as precision equipment manufacturing | 25,228 | 25,228 | 2,000 | 20.81 | 24,460 | 19,440 | 4,045 | |
| | Keeper Technology | No. 29, Wuquan 7th Road, Wugu District, New Taipei City | Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery. | 48,977 | 48,977 | 5,711 | 40.79 | 38,324 | ( 7,723 ) | ( 3,151 ) | |
| Keeper Technology | Global Unity Int'l Co., Ltd. | Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius | Investment in various overseas businesses | 32,376 | 32,376 | 1,000 | 100.00 | 1 | ( 9,128 ) | ( 9,128 ) | |
| Global Unity Int'l Co., Ltd. | Creation New Technology Inc. | Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road. Apia Samoa | Investment in various overseas businesses | 32,376 | 32,376 | 1,000 | 100.00 | 1 | ( 9,128 ) | ( 9,128 ) | |

Note: Xuqi Co., Ltd.'s liquidation was completed in March 2022.

TYNTEK Corporation and Its Subsidiaries
Information on investments in Mainland China
January 1 to December 31, 2022

Table 4

Unit: Unless otherwise indicated, In Thousands of New Taiwan Dollars

I. Information on investments in mainland China:

(I) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, gains or losses on investment, carrying amount of the investment, and repatriations of investment income:

| Name of Investee | Main Businesses and Products | Paid-in Capital | Method of Investments | Accumulated Investment Amount from Taiwan at Beginning of Period | Investment Flows | | Accumulated Investment Amount from Taiwan at End of Period | % Ownership of Direct or Indirect Investment | Gains (losses) on Investment | Carrying Amount of Investments at End of Period | The Repatriated Proceeds of Investments as of This Period |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | |
| Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. | Other light-emitting diode production and sales business | $ 258,290 ( US$ 6,700,000 ) | Investment in China via a company set up in a third region | $ 475,208 ( US$ $14,500,000) ) | $ - | $ 216,918 ( USD 7,800 NT$ thousand ) | $ 258,290 ( US$ 6,700,000 ) | 100% | ( $ 6,317 ) | $ 264,476 | $ - |
| Fujian Zhaoyuan Photoelectric Co., Ltd. | Other light-emitting diode production and sales business | 6,692,823 (CNY 1,437,000,000) | Direct investment in companies in China | 468,652 ( US$ 8,565,000 and CNY 45,890 thousand ) | - | - | 468,652 ( US$ 8,565,000 and CNY 45,890 thousand ) | 4.28% (Note) | - | - | - |
| Kaishin Technology (Wuhan) Corporation | R&D and manufacturing of LED lighting equipment products, electronic component manufacturing, automobile parts manufacturing, as well as electrical appliances and audiovisual electronic products manufacturing | 32,376 ( US$ $1,000,000 ) | Investment in China via a company set up in a third region | 32,376 ( US$ $1,000,000 ) | - | - | 32,376 ( US$ $1,000,000 ) | 62.22% | ( 5,679 ) | 1 | - |

Note: The Company failed to subscribe to shares arising from capital increase in the proportion of the ownership and disposed of a portion of its investment equity in the company in June 2018 and thus lost significant influence. Therefore, it was reclassified as financial assets measured at FVTPL.

(II) Limit on investment amount in mainland China:

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 | Investment Amount Authorized by Investment Commission, MOEA | Limit on Investment Amount Stipulated by Investment Commission, MOEA |
|---|---|---|
| $742,324 (USD 15,749 thousand and CNY 45,890 thousand) | $742,370 (USD 23,042 thousand) | $2,376,051 |

TYNTEK Corporation and Its Subsidiaries
Significant Transactions with Investee Companies in Mainland China, Either Directly or Indirectly Through a Third Party and Their Prices, Payment Terms, Unrealized Gains Or Losses and Relevant Information
January 1 to December 31, 2022

Table 5

Unite: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

| Name of Investee | Transaction Type | Amount | Transaction Terms | | | Accounts Receivable (Payable) | | Unrealized Gains or Losses |
|---|---|---|---|---|---|---|---|---|
| | | | Price | Payment Term | Comparison with General Transaction | Balance | Percentage | |
| Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. | Contract processing | $ 109,461 (Processing expense) | By negotiation | T/T | O/A with net 120 days | Processing expense payable $ 11,779 | 5.71% | $ - |

TYNTEK Corporation and Its Subsidiaries
Significant Transactions Between the Parent Company and Its Subsidiaries
January 1 to December 31, 2022

Table 6 Unit: NTD thousand

| Serial No. (Note 1) | Transaction Company | Counterparty | Relationship with Counterparty (Note 2) | Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | Account | Amount (Note 4) | Transaction Terms | Percentage in Consolidated Total Revenue or Total Assets (Note 3) |
| 0 | TYNTEK Corporation | Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. | 1 | Processing expense | $ 109,461 | The Company's selling prices to related parties are equivalent to those to general customers | 4.52% |
| | | | | Expenses payable | 11,779 | Same as general payment terms | 0.22% |
| | | | | Sale | 5,570 | The Company's selling prices to related parties are equivalent to those to general customers | 0.23% |
| | | | | Trade receivable | 15 | Same as general payment collection terms | - |
| | | Long Benefit Investment Co., Ltd. | 1 | Rent income | 34 | — | - |
| | | Keeper Technology | 1 | Other receivables | 8,014 | — | 0.15% |
| | | | | Interest income | 168 | — | 0.01% |

Note 1: The types of business transactions are indicated by the following numbers shown in the No. column:
1. 0 - ITEQ (parent company).
2. The subsidiaries are coded sequentially beginning from “1” by each individual company.

Note 2: The transaction relationships are as follows. Please indicate the type:
1 Parent to subsidiary
2 Subsidiary to parent
3 Subsidiary to subsidiary

Note 3: For the calculation of the ratio of the transaction amount to the consolidated total revenue or total assets, if it is an asset-liability account, it is calculated based on the ending balance as a percentage of the consolidated total assets; if it is a profit-loss account, it is calculated based on the accumulated amount throughout the year as a percentage of the consolidated total revenue.

Note 4: The transactions between the parent and subsidiaries have been eliminated when the consolidated financial statements are prepared.

TYNTEK Corporation
Information on main investors
December 31, 2022

Table 7

| Name of major shareholder | Shares | |
|---|---|---|
| | Shares held (shares) | Shares Ratio |
| Ennostar Inc. | 23,799 thousand | 7.91% |

Note: The information on major shareholders in this table is calculated by Taiwan Depository and Clearing Corporation on the last business day at the end of the quarter when the shareholders as a whole hold at least 5% of the ordinary shares and preference shares with the dematerialized registration and delivery (including treasury shares) completed. The share capital in the Company's consolidated financial statements and the actual number of shares with the dematerialized registration and delivery completed may differ due to different calculation bases.

**Appendix 2**

## Independent Auditors' Review Report

To TYNTEK Corporation,

**Audit opinion**

We have reviewed the standalone balance sheet of TYNTEK Corporation (the "Company") for the years ended December 31, 2022 and 2021 and the related standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies "(collectively referred to as the standalone financial statements)".

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

**Basis for audit opinion**

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards in the Republic of China. Our responsibility under those standards is further described in the section of "Auditor's Responsibilities for the Audit of the Parent-only Financial Statements". We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

**Key audit matters**

Key audit matters refer to the most vital matters in our audit of the standalone financial statements of the Company for the year ended December 31, 2022 based on our professional judgment. These matters were addressed in our audit of the parent-only financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters.

Key audit matters of the standalone financial statements of the Company for the year ended December 31, 2022 are stated as follows

<u>Sales recognition</u>

The Company's 2022 consolidated operating income was NT$2,203,396 thousand. Please refer to Notes 4 and 24 to the consolidated financial statements for the accounting policy and information related to revenue recognition. The Company's operating income is mainly from the sale of optoelectronic products. As it has many sales clients at home and abroad, the sales, in which transactions increased compared to the prior year, the transaction amounts were significant, and the transaction counterparties were not publicly listed, are listed as a key audit matter for 2021.

The main audit procedures we performed for said matter are as follows:

1. Understand and test the effectiveness of the design and the implementation of the main internal control mechanism for the sales.
2. Select samples randomly to check the receipts and payment status related to the sales, and inquire the existence of the transaction counterparties to verify the actual occurrence of the sales, and check whether there is any anomaly existing in the sales counterparties and the payment recipients.

**Other Matters**

Some of the investees included in the standalone financial statements using the equity method have not been audited by us but by other CPAs. Therefore, in the opinion we expressed about the standalone financial statements, the above-mentioned investees using the equity method and its relevant shares of profit or loss are recognized according to the audit report by other CPAs. As of December 31, 2022 and 2021, the balance of investment in the aforementioned investees using the equity method was NT$165,874 thousand and NT$149,194 thousand, accounting for 3.17% and 2.44% of the total assets, respectively, and the share of profit or loss on associates recognized using the equity method for the year ended December 31, 2022 and 2021 was NT$16,455 thousand and NT$7,459 thousand, accounting for (10.16)% and 0.92% of the net income before tax.

**Responsibilities of the management and the governing body for the parent-only financial statements**

The responsibilities of the management are to prepare the parent-only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and to maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

In preparing the standalone financial statements, the management is responsible for assessing the ability of the Company in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations without other viable alternatives.

The governing body of the Company (including the Audit Committee) is responsible for supervising the financial reporting process.

**Auditor's responsibilities for the audit of the parent-only financial statements**

Our objectives are to obtain reasonable assurance on whether the parent-only financial statements as a whole are free from material misstatement arising from fraud or error, and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards in the Republic of China will always detect a material misstatement when it exists. Misstatement may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the parent-only financial statements, they are considered material.

We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards in the Republic of China. We also perform the following tasks:

1. Identify and assess the risks of material misstatement arising from fraud or error within the parent-only financial statements; design and execute countermeasures in response to said risks, and obtain sufficient and appropriate audit evidence to provide a basis of our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error.
2. Understand the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Conclude on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the parent-only financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the parent-only financial statements (including relevant notes), and whether the parent-only financial statements adequately present the relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence concerning the financial information of entities within the Company, to express an opinion on the standalone financial statements. We are responsible for guiding, supervising, and performing the audit and forming an audit opinion on the Company.

The matters communicated between us and the governing body include the planned scope and times of the audit and significant audit findings (including any significant deficiencies in internal control identified during the audit).

We also provided the governing body with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence, and communicated with them all relationships and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing body, we determined the key audit matters for the audit of the Company's standalone financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the auditors' report unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, we decided not to communicate over specific items in the auditors' report, for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

Deloitte Taiwan

CPA Su-Li Fang

CPA Chen, Ming-Hui

The Financial Supervisory Commission R.O.C. Approved No.
Jing-Guang-Zheng-Liu No. 0940161384

Securities and Futures Commission Approval Document No.
Tai-Cai-Zeng-VI No. 0930128050

February 22, 2023

TYNTEK Corporation
parent-only Balance Sheet
For the Years Ended December 31, 2022 and 2021

Unit: NTD thousand

| Code | Asset | December 31, 2022 Amount | % | Dec. 31, 2021 Amount | % |
|---|---|---|---|---|---|
| | CURRENT ASSETS | | | | |
| 1100 | Cash and cash equivalents (Notes 6 and 30) | $ 1,232,790 | 24 | $ 940,225 | 15 |
| 1110 | Financial assets at FVTPL - current (Notes 7 and 30) | 24,248 | - | 187,838 | 3 |
| 1136 | Financial assets at amortized cost - current (Notes 9, 30, and 32) | - | - | 43,191 | 1 |
| 1150 | Notes receivable, net (Notes 10 and 30) | 615 | - | 1,377 | - |
| 1170 | Accounts receivable, net (Notes 10 and 30) | 580,928 | 11 | 951,876 | 16 |
| 1180 | Accounts receivable - related parties, net (Notes 10, 30, and 31) | 35,296 | 1 | 89,099 | 1 |
| 1200 | Other receivables (Notes 10 and 30) | 7,949 | - | 9,300 | - |
| 1210 | Other receivables - related parties (Notes 10, 30, and 31) | 8,014 | - | 224,934 | 4 |
| 130X | Inventories (Note 11) | 715,679 | 14 | 752,560 | 12 |
| 1479 | Other current assets (Note 17) | 9,771 | - | 10,249 | - |
| 11XX | Total current assets | 2,615,290 | 50 | 3,210,649 | 52 |
| | non-current assets | | | | |
| 1510 | Financial assets at fair value through profit or loss - non-current (Note 7 and 30) | - | - | 87,201 | 2 |
| 1517 | Financial assets at fair value through profit or loss - non-current (Note 8 and 30) | 35,857 | 1 | 63,425 | 1 |
| 1535 | Financial assets at amortized cost - non-current (Notes 9, 30, and 32) | 6,665 | - | 6,615 | - |
| 1550 | Investments accounted for using equity method (Note 12) | 741,050 | 14 | 989,924 | 16 |
| 1600 | Property, plant and equipment (Notes 13, 32, and 33) | 1,651,585 | 31 | 1,494,318 | 25 |
| 1755 | Right-of-use assets (Note 14) | 82,174 | 2 | 83,732 | 1 |
| 1780 | Intangible assets (Note 16) | 6,708 | - | 1,458 | - |
| 1840 | Deferred tax assets (Note 26) | 35,469 | 1 | 81,287 | 1 |
| 1915 | Prepayments for equipment (Note 33) | 60,488 | 1 | 96,072 | 2 |
| 1990 | Other non-current assets (Note 17) | 1,603 | - | 449 | - |
| 15XX | Total non-current assets | 2,621,599 | 50 | 2,904,481 | 48 |
| 1XXX | Total assets | $ 5,236,889 | 100 | $ 6,115,130 | 100 |

| Code | LIABILITIES AND EQUITY | December 31, 2022 Amount | % | December 31, 2021 Amount | % |
|---|---|---|---|---|---|
| | CURRENT LIABILITIES | | | | |
| 2100 | Short-term borrowings (Notes 18 and 30) | $ 54,629 | 1 | $ 91,677 | 2 |
| 2120 | Financial liabilities at fair value through profit or loss - current (Note 7 and 30) | 344 | - | - | - |
| 2150 | Notes payable (Notes 9 and 30) | 27 | - | - | - |
| 2170 | Accounts payable (Notes 19 and 30) | 283,695 | 6 | 421,267 | 7 |
| 2180 | Accounts payable to related parties (Notes 19, 30, and 31) | 1,705 | - | 6,453 | - |
| 2200 | Other payables (Notes 20 and 30) | 206,332 | 4 | 251,753 | 4 |
| 2230 | Current tax liabilities (Note 26) | 20,236 | - | 44,609 | 1 |
| 2280 | Lease liabilities - current (Notes 14 and 30) | 2,872 | - | 2,857 | - |
| 2320 | Current portion of long-term borrowings (Notes 18 and 30) | 137,861 | 3 | 116,558 | 2 |
| 2313 | Unearned revenue (Notes 20, 28, and 30) | 11,375 | - | 4,631 | - |
| 2399 | Other current liabilities (Note 20) | 10,390 | - | 28,518 | - |
| 21XX | Total current liabilities | 729,466 | 14 | 968,323 | 16 |
| | non-current liabilities | | | | |
| 2540 | Long-term borrowings (Notes 18 and 30) | 420,814 | 8 | 529,091 | 9 |
| 2550 | Provisions - non-current (Note 21) | 18,444 | - | 16,807 | - |
| 2570 | Deferred tax liabilities (Note 26) | 2,655 | - | 15,325 | - |
| 2580 | Lease liabilities - non-current (Notes 14 and 30) | 81,679 | 2 | 82,656 | 1 |
| 2630 | Long-term deferred revenue (Notes 28 and 30) | 846 | - | 1,031 | - |
| 2640 | Defined benefit liability - non-current (Note 22) | 18,862 | - | 37,905 | 1 |
| 2670 | Other non-current liabilities (Note 20) | 4,038 | - | 6,096 | - |
| 25XX | Total non-current liabilities | 547,338 | 10 | 688,911 | 11 |
| 2XXX | Total liabilities | 1,276,804 | 24 | 1,657,234 | 27 |
| | Equity (Note 23) | | | | |
| 3110 | Ordinary shares | 3,006,223 | 57 | 3,006,223 | 49 |
| 3200 | Capital surplus | 243,873 | 5 | 243,639 | 4 |
| | Retained earnings | | | | |
| 3310 | Statutory reserves | 286,048 | 6 | 214,568 | 3 |
| 3320 | Special reserves | 37,523 | 1 | 55,815 | 1 |
| 3350 | undistributed earnings | 432,801 | 8 | 960,086 | 16 |
| 3300 | Total retained earnings | 756,372 | 15 | 1,230,469 | 20 |
| 3400 | Other equities | ( 46,383 ) | ( 1 ) | ( 22,435 ) | - |
| 3XXX | Total equity | 3,960,085 | 76 | 4,457,896 | 73 |
| | Total liabilities and equity | $ 5,236,889 | 100 | $ 6,115,130 | 100 |

The accompanying notes are an integral part of the parent-only financial statements.

Chairman: Lee, Biing-Jye    Manager: Will Chou    Head of Accounting: Li, Hsiao-Ping

TYNTEK Corporation
parent-only Statement of Comprehensive Income
For the Year Ended December 31, 2022 and 2021
Unit: NTD thousands; EPS (loss) in NTD

| Code | | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|
| 4000 | Operating revenue (Notes 24 and 31) | $ 2,203,396 | 100 | $ 2,953,154 | 100 |
| 5000 | Operating costs (Notes 11, 25, and 30) | 1,869,095 | 85 | 2,329,703 | 79 |
| 5900 | Gross income from operations | 334,301 | 15 | 623,451 | 21 |
| | Operating expenses | | | | |
| 6100 | Selling and marketing expenses (Notes 21 and 25) | 32,127 | 1 | 32,637 | 1 |
| 6200 | Administrative expenses (Notes 21 and 25) | 131,412 | 6 | 195,442 | 6 |
| 6300 | Research and development expense (Notes 21 and 25) | 114,102 | 5 | 110,274 | 4 |
| 6000 | Total operating expenses | 277,641 | 12 | 338,353 | 11 |
| 6550 | Other income and expenses, net (Note 25) | 452 | - | ( 12 ) | - |
| 6900 | Operating profit | 57,112 | 3 | 285,086 | 10 |
| | Non-operating income and expense | | | | |
| 7100 | Interest revenue (Notes 25 and 30) | 4,231 | - | 4,543 | - |
| 7010 | Other income (Notes 25 and 30) | 12,658 | 1 | 12,505 | 1 |
| 7020 | Other gains or losses (Note 25) | ( 28,585 ) | ( 1 ) | 379,483 | 13 |
| 7050 | Financial costs (Note 25) | ( 10,955 ) | ( 1 ) | ( 18,619 ) | ( 1 ) |
| 7070 | Share of profit or loss of subsidiaries and associates accounted for using equity method (Note 12) | ( 196,440 ) | ( 9 ) | 145,179 | 5 |
| 7000 | Total non-operating income and expenses | ( 219,091 ) | ( 10 ) | 523,091 | 18 |

(Continued on next page)

(Continued from previous page)

| Code | | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|
| 7900 | Net income (loss) before tax | ( $ 161,979 ) | ( 7 ) | $ 808,177 | 28 |
| 7950 | Income tax expense (Note 26) | 19,526 | 1 | 83,327 | 3 |
| 8200 | Net income (loss) for this year | ( 181,505 ) | ( 8 ) | 724,850 | 25 |
| | Other comprehensive income (net amount) | | | | |
| 8310 | Items that will not be reclassified subsequently to profit or loss: | | | | |
| 8311 | Remeasurement of defined benefit plans (Note 22) | 8,030 | - | ( 2,054 ) | - |
| 8316 | Unrealized gains (losses) on investments in equity instruments at FVTOCI (Note 23) | ( 29,815 ) | ( 1 ) | 30,424 | 1 |
| 8336 | Unrealized gains (losses) on equity instruments of subsidiaries, associates, and joint ventures at FVOCI accounted for using the equity method (Note 23) | ( 3,344 ) | - | 10,354 | - |
| 8349 | Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 23) | 5,963 | - | ( 6,112 ) | - |
| 8360 | Items that may be reclassified subsequently to profit or loss (Note 23): | | | | |
| 8380 | Share of other comprehensive income of subsidiaries accounted for using the equity method | 4,060 | - | ( 2,402 ) | - |
| 8399 | Income tax relating to items that may be reclassified subsequently to profit or loss | ( 812 ) | - | 480 | - |
| 8300 | Other comprehensive income of the current year (net amount after tax) | ( 15,918 ) | ( 1 ) | 30,690 | 1 |
| 8500 | Total comprehensive income of the current year | ( $ 197,423 ) | ( 9 ) | $ 755,540 | 26 |
| | Earnings (loss) per share (Note 27) | | | | |
| 9710 | Basic | ( $ 0.60 ) | | $ 2.41 | |
| 9810 | Diluted | ( $ 0.60 ) | | $ 2.39 | |

The accompanying notes are an integral part of the parent-only financial statements.

Chairman: Lee, Biing-Jye Manager: Will Chou Accounting Supervisor: Li, Hsiao-Ping

TYNTEK Corporation
parent-only Statement of Changes in Equity
For the Year Ended December 31, 2022 and 2021

Unit: NTD thousand

| Code | | Share capital | | | Retained earnings | | | Other items of equity | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Shares (thousand) | Amount | Capital surplus | Statutory reserves | Special reserve | Undistributed earnings | Exchange Differences in Translating the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Total equity |
| A1 | Balance at January 1, 2021 | 300,621 | $ 3,006,223 | $ 224,694 | $ 186,082 | $ 89,035 | $ 466,022 | ($ 20,929) | ($ 42,249) | $ 3,908,878 |
| | Earning appropriation and distribution for 2020 | | | | | | | | | |
| B1 | Statutory reserves | - | - | - | 28,486 | - | (28,486) | - | - | - |
| B3 | Appropriated as special reserve | - | - | - | - | (33,220) | 33,220 | - | - | - |
| B5 | Cash dividends for shareholders | - | - | - | - | - | (225,467) | - | - | (225,467) |
| C7 | Changes in associates and joint ventures accounted for using the equity method | - | - | 18,945 | - | - | - | - | - | 18,945 |
| D1 | 2021 net income | - | - | - | - | - | 724,850 | - | - | 724,850 |
| D3 | 2021 other comprehensive income after tax | - | - | - | - | - | (2,054) | (1,922) | 34,666 | 30,690 |
| D5 | 2021 total comprehensive income | - | - | - | - | - | 722,796 | (1,922) | 34,666 | 755,540 |
| Q1 | Disposal of equity instruments measured at FVTOCI | - | - | - | - | - | (7,999) | - | 7,999 | - |
| Z1 | Balance at December 31, 2021 | 300,621 | 3,006,223 | 243,639 | 214,568 | 55,815 | 960,086 | (22,851) | 416 | 4,457,896 |
| | Earning appropriation and distribution for 2021 | | | | | | | | | |
| B1 | Appropriated as statutory reserves | - | - | - | 71,480 | - | (71,480) | - | - | - |
| B3 | Reversed special reserve | - | - | - | - | (18,292) | 18,292 | - | - | - |
| B5 | Cash dividends for shareholders | - | - | - | - | - | (300,622) | - | - | (300,622) |
| C7 | Changes in associates and joint ventures accounted for using the equity method | - | - | 234 | - | - | - | - | - | 234 |
| D1 | Net loss of 2022 | - | - | - | - | - | (181,505) | - | - | (181,505) |
| D3 | 2022 other comprehensive income after tax | - | - | - | - | - | 8,030 | 3,248 | (27,196) | (15,918) |
| D5 | 2022 total comprehensive income | - | - | - | - | - | (173,475) | 3,248 | (27,196) | (197,423) |
| Z1 | Balance at December 31, 2022 | 300,621 | $ 3,006,223 | $ 243,873 | $ 286,048 | $ 37,523 | $ 432,801 | ($ 19,603) | ($ 26,780) | $ 3,960,085 |

The accompanying notes are an integral part of the parent-only financial statements.

Chairman: Lee, Biing-Jye　　Manager: Will Chou　　Accounting Supervisor: Li, Hsiao-Ping

TYNTEK Corporation
parent-only Statement of Cash Flows
For the Year Ended December 31, 2022 and 2021

Unit: NTD thousand

| Code | | 2022 | 2021 |
|---|---|---|---|
| | CASH FLOWS FROM OPERATING ACTIVITIES | | |
| A10000 | Net income (loss) before tax for this year | ( $ 161,979 ) | $ 808,177 |
| A20010 | Adjustments for: | | |
| A20100 | Depreciation expenses | 230,834 | 202,803 |
| A20200 | Amortization expenses | 1,323 | 415 |
| A20400 | Net loss (gain) on financial assets and liabilities at FVTPL | 118,607 | ( 21,514 ) |
| A20900 | Financial costs | 10,955 | 18,619 |
| A21200 | Interest income | ( 4,231 ) | ( 4,543 ) |
| A21300 | Dividend revenue | ( 5,814 ) | ( 7,462 ) |
| A22400 | Share of profit or loss of subsidiaries and associates accounted for using equity method | 196,440 | ( 145,179 ) |
| A23000 | Gains on disposal of non-current assets held for sale | - | ( 379,527 ) |
| A23700 | Losses on inventory valuation and obsolescence losses | 27,880 | - |
| A22500 | (Gains) losses on disposal of property, plant and equipment | ( 452 ) | 11 |
| A24100 | Unrealized gains on foreign currency exchange | ( 8,889 ) | ( 28,753 ) |
| A29900 | Gains on lease modification | ( 1 ) | - |
| A30000 | Changes in operating assets and liabilities | | |
| A31130 | Note receivable | 762 | ( 1,146 ) |
| A31150 | Accounts receivable - related parties | 422,884 | ( 245,221 ) |
| A31180 | Other receivables (related parties) | 2,725 | ( 1,794 ) |
| A31200 | Inventories | 9,001 | ( 101,382 ) |
| A31230 | Pre-payments | 581 | ( 2,409 ) |
| A31240 | Other current assets | ( 187 ) | 20 |
| A32130 | Note payable | 27 | - |
| A32150 | Accounts payable - related parties | ( 144,065 ) | 107,573 |
| A32180 | Other payables | ( 49,866 ) | 75,321 |
| A32200 | Provisions | 1,637 | 1,379 |
| A32230 | Other current liabilities | ( 18,128 ) | 4,784 |
| A32240 | Net defined benefit liability - non-current | ( 11,013 ) | ( 11,407 ) |
| A33000 | Cash from operations | 619,031 | 268,765 |
| A33300 | Interest paid | ( 10,208 ) | ( 19,068 ) |
| A33500 | Income tax paid | ( 5,600 ) | ( 38,440 ) |
| AAAA | Net cash inflow from operating activities | 603,223 | 211,257 |

(Continued on next page)

(Continued from previous page)

| Code | | 2022 | 2021 |
|---|---|---|---|
| | Net cash flows of investing activities | | |
| B00010 | Acquisition of financial assets at FVTOCI | ($ 2,247 ) | $ - |
| B00050 | Disposal of financial assets at amortized cost | 43,521 | 473,773 |
| B00020 | Disposal of financial assets at FVTOCI | - | 6,615 |
| B00100 | Purchase of financial assets at fair value through profit or loss | - | ( 9,029 ) |
| B00200 | Disposal of financial assets at FVTPL | 144,051 | 112,081 |
| B01900 | Disposal of long-term investments in equity using the equity method | 3,186 | - |
| B02400 | Refunds for subsidiary's capital reduction | 215,631 | - |
| B02600 | Proceeds from disposal of non-current assets held for sale | - | 600,161 |
| B02700 | Acquisition of property, plant, and equipment | ( 124,148 ) | ( 55,031 ) |
| B02800 | Proceeds from disposal of property, plant and equipment | 2,232 | 1,375 |
| B03700 | Decrease in refundable deposits | 7 | 211 |
| B04500 | Acquisition of intangible assets | ( 6,573 ) | ( 161 ) |
| B06500 | Decrease in other financial assets | 84 | 3,791 |
| B07100 | Increase in pre-payments for equipment | ( 222,702 ) | ( 148,852 ) |
| B07500 | Interest received | 4,096 | 4,668 |
| B07600 | Dividends received | 5,814 | 7,462 |
| B09900 | Collection of dividends from subsidiaries | 50,198 | - |
| B09900 | Other investing activities | ( 1,161 ) | 475 |
| BBBB | Net cash inflows from investing activities | 111,989 | 997,539 |
| | Cash flows from financing activities | | |
| C00100 | Increase in short-term borrowings | ( 206,885 ) | 835,515 |
| C00200 | Decrease in short-term borrowings | 163,510 | ( 1,195,834 ) |
| C01600 | Proceeds from long-term borrowings | 55,060 | 518,917 |
| C01700 | Repayments of long-term borrowings | ( 135,475 ) | ( 762,046 ) |
| C03000 | Decrease in guarantee deposits received | ( 2,058 ) | ( 9,430 ) |
| C04020 | Repayment of the principal portion of leases | ( 3,152 ) | ( 3,186 ) |
| C04500 | Cash dividends distributed | ( 300,622 ) | ( 225,467 ) |
| CCCC | Net cash outflows from financing activities | ( 429,622 ) | ( 841,531 ) |
| DDDD | Effects of exchange rate changes on the balance of cash held in foreign currencies | 6,975 | 20,111 |
| EEEE | Increase in cash and equivalents | 292,565 | 387,376 |
| E00100 | Balance of cash and cash equivalents at the beginning of the year | 940,225 | 552,849 |
| E00200 | Balance of cash and cash equivalents at the end of the year | $ 1,232,790 | $ 940,225 |

The accompanying notes are an integral part of the parent-only financial statements.

Chairman: Lee, Biing-Jye　　Manager: Will Chou　　Accounting Supervisor: Li, Hsiao-Ping

TYNTEK Corporation
Notes to Standalone Financial Statements
For the Year Ended December 31, 2022 and 2021
(In thousand of New Taiwan Dollars, Unless Stated Otherwise)

I. Organization and operations

TYNTEK Corporation (hereinafter referred to as the "Company") was incorporated on April 4, 1987 in accordance with the Company Act of R.O.C. The main businesses are research and development, manufacturing, and sales of relevant products, including gallium arsenide, infrared, light-emitting diodes, laser diodes, phototransistors, photodiodes, single crystal and epitaxy, crystal grains, optoelectronic systems, radio transmitters and other electrical devices that can generate radio radiant energy.

The Company's shares had been listed for trading in Taipei Exchange (TEPx) since November 1998, and were approved by the Securities and Futures Commission, Ministry of Finance (currently known as the Securities and Futures Bureau, Financial Supervisory Commission) to be listed on the Taiwan Stock Exchange for trading instead since September 2000.

The standalone financial statements of the Company are presented in the Company's functional currency, i.e. the New Taiwan dollar.

II. The Authorization of Financial Statements

The standalone financial statements were approved by the board of directors and authorized for issue on February 22, 2023.

III. Application of New and Revised International Financial Reporting Standards

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

The application of the amendments to the IFRSs endorsed and issued into effect by the FSC does not have material impact on the Company's accounting policies.

(II) IFRSs endorsed by FSC that are applicable from 2023 onwards

| New, Revised or Amended Standards and Interpretations | Effective Date Issued by IASB |
|---|---|
| Amendments to IAS 1 "Disclosure of Accounting Policies" | January 1, 2023 (Note 1) |
| Amendments to IAS 8 "Definition of Accounting Estimates" | January 1, 2023 (Note 2) |
| Amendments to IAS 12 (Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction) | January 1, 2023 (Note 3) |

Note 1: The amendments apply to the annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments apply to changes in accounting estimates and changes in accounting policies that occur during the annual reporting periods beginning on or after January 1, 2023.

Note 3: The amendments apply to transactions occurring after January 1, 2022, except for the recognition of temporary differences in lease and decommissioning obligations as deferred tax at January 1, 2022.

As of the publication date of the standalone financial statements, the Company has assessed that other standards and amendments to the interpretations will not have a significant influence on the Company's financial position and financial performance.

(III) The IFRSs issued by the International Accounting Standards Board (IASB) but not yet endorsed and issued into effect by the FSC

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

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

Note 2: The seller and lessee shall apply the amendments to IFRS 16 retrospectively to the sale and leaseback carried out after the date of initial application of IFRS 16.

As of the publication date of the standalone financial statements, the Company is continuing to assess the impact of amendments to other standards and interpretations on the Company's financial position and financial performance, and will disclose relevant impacts when the assessment is completed.

IV. Summary of Significant Accounting Policies

(I) Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

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

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

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

When preparing the standalone financial statements, the Company adopted the equity method to account for its investments in subsidiaries and associates. In order to enable the amounts of the profit or loss for the year and other comprehensive income and equity for the year in the standalone financial statements to be the same as the ones attributable to the owners of the Company in its consolidated financial statements, regarding the differences arising from accounting treatments between the parent company only basis and the consolidation basis, adjustments were made to the investments accounted for using the equity method, the share of profit or loss of subsidiaries, associates, and joint ventures using the equity method, the share of other comprehensive income of subsidiaries and associates using the equity method, as well as relevant equity items, as appropriate, in the standalone financial statements.

(III) Classification of current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets realized within 12 months after the balance sheet date; and
3. Cash or cash equivalents (excluding assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities realized within 12 months after the balance sheet date; and
3. Liabilities with a repayment deadline that cannot be unconditionally deferred for at least 12 months after the balance sheet date.

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

(IV) Foreign currencies

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

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

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

When preparing the standalone financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates, joint ventures, or branches that operate in countries or adopt the functional currencies different from the Company) are translated into New Taiwan dollar. Income and expense items are translated at the average exchange rates for the period. The resulting currency exchange differences are recognized in other comprehensive income.

If the Company disposes of the ownership interest of a foreign operation, or disposes of part of the equity of a foreign operation's subsidiary and loses control, or disposes of a foreign operation's joint agreement or associate, and the retained equity is a financial asset and is treated based on the accounting policies adopted for financial instruments, then all accumulated exchange differences related to the foreign operation will be reclassified to profit or loss.

If the partial disposal of a subsidiary of a foreign operation does not result in the loss of control, the accumulated exchange differences are included in the calculation of the equity transaction proportionally but are not recognized in profit or loss. In the case of any other partial disposal of foreign operations, the accumulated exchange differences will be reclassified to profit or loss according to the proportion of the disposal.

(V) Inventories

Inventories include merchandise, raw materials, work-in-progress, and finished goods. The value of inventories shall be determined based on the cost and net realizable value (NRV), whichever is lower. The comparison of the cost and NRV is based on individual items except for inventories of the same category. The NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventories is calculated using the weighted average method.

(VI) Investment in subsidiaries

The Company adopts the equity method to account for its investments in subsidiaries.

A subsidiary is an entity (including structured entity) that is controlled by the Company.

Under the equity method, investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of its subsidiaries. In addition, changes in the Company's other equity interest of its subsidiaries are recognized based on its ownership percentage.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of an investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary exceeds its equity in said subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term equity that, in substance, forms part of the Company's net investment in said subsidiary), the Company continues recognizing its share of further losses.

The amount of the acquisition cost in excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes the business on the acquisition date is classified as goodwill, which is included in the book value of the investment and cannot be amortized. The amount of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes the business on the acquisition date in excess of the amount of the acquisition cost is classified as current income.

When the Company assesses the impairment, it considers the cash-generating unit as a whole in the financial statements and compares its recoverable amount with the carrying amount. If the recoverable amount of an asset increases subsequently, the reversal of the impairment loss shall be recognized in gains, but the carrying amount of the asset after the reversal of the impairment loss shall not exceed the carrying amount of the asset less amortization without impairment loss recognized. The impairment loss attributable to goodwill shall not be reversed in subsequent periods.

When the Company loses control over a subsidiary, it measures its remaining investment in said subsidiary based on the fair value on the day when the control is lost. The fair value of the remaining investment and the difference between any disposal price and the carrying amount of the investment on the day when the control is lost are recognized in profit or loss for the period. In addition, all amounts recognized in other comprehensive income related to said subsidiary are accounted for on the same basis as the one adopted for the Company's direct disposal of the relevant assets or liabilities.

The unrealized profit or loss on downstream transactions between the Company and its subsidiaries are eliminated in the standalone financial statements. Profit or loss on downstream and lateral transactions between the Company and its subsidiaries is recognized in the standalone financial statements only to the extent that it does not affect the Company's interests in the subsidiaries.

(VII) Investments in Associates

An associate is an entity over which the Company has significant influence and is not a subsidiary nor a joint venture.

The Company adopts the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in its share of the equity of associates based on the percentage of ownership.

The amount of the acquisition cost in excess of the Company’s share of the net fair value of the identifiable assets and liabilities of an associate that constitutes the business on the acquisition date is classified as goodwill, which is included in the book value of the investment and cannot be amortized. The amount of the Company’s share of the net fair value of the identifiable assets and liabilities of an associate that constitutes the business on the acquisition date in excess of the amount of the acquisition cost is classified as profit or loss.

When an associate issues new shares, if the Company does not subscribe according to the ownership percentage, which causes the ownership percentage to change, and, thus, the net equity value of the investment increases or decreases, capital surplus - the changes in the net equity value of associates and joint ventures accounted for using the equity method and the investment accounted for using the equity method are adjusted for the increase or decrease. However, if the new shares is not subscribed to or acquired according to the ownership percentage, which results in a decrease in the ownership interests of the associate, the amount recognized in the other comprehensive income related to the associate is reclassified according to the percentage of the decrease, and the basis of the accounting treatment adopted is the same as the basis that the associate must follow in the case of direct disposal of relevant assets or liabilities. Where the adjustment in the preceding paragraph shall be debited to the capital surplus, and the balance of the capital surplus generated by the investment under the equity method is insufficient, the difference is debited to the retained earnings.

When the Company’s share of losses on an associate equals or exceeds its interest in the associate (including any carrying amount of the investment accounted for using the equity method and other long-term interests that, in substance, form part of the Company’s net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of said associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized only to the extent that the recoverable amount of the investment subsequently increases.

The Company ceases to adopt the equity method on the day when its investment ceases to be an associate, and its retained equity in the original associate is measured at fair value. The differences between the fair value, the proceeds from the disposal, and the carrying amount of the investment on the day when the equity method ceases to be adopted are recognized in profit or loss. In addition, all amounts recognized in other comprehensive income related to said associate are accounted for on the same basis as the one adopted for the associate's direct disposal of the relevant assets or liabilities. If an investment in an associate becomes an investment in a joint venture, or an investment in a joint venture becomes an investment in an associate, the Company will continue to adopt the equity method without remeasuring the retained equity.

Profit or loss on upstream, downstream, and lateral transactions between the Company and its associates is recognized in the standalone financial statements only to the extent that it does not affect the Company's interests in the associates.

(VIII) Property, plant, and equipment

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

Property, plant and equipment are depreciated using the straight-line method over their useful lives. Each significant part is depreciated separately. The Company conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and depreciation methods, while applying the effect of changes in accounting estimates prospectively.

When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in loss or profit.

(IX) Investment Property

Investment property refers to property held for the purpose of earning rent or capital appreciation or both. (Including the assets that meet the definition of investment property and the right-of-use assets). Investment property also includes land held, in which the future use has not yet been determined.

Self-owned investment property is initially measured at cost (including transaction costs), and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

The investment property is depreciated on a straight-line basis.

When investment property is derecognized, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

(X) Intangible asset

1. Acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Intangible assets are amortized using straight-line method over the useful lives. The Company conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods, while applying the effects of changes in accounting estimates prospectively. Intangible assets with indefinite useful lives are recognized at cost less accumulated impairment loss.

2. Internally generated— research and development (R&D) expenditure

Research expenditure is recognized in expenses when incurred.

3. Acquired in a business combination

The intangible assets obtained in a business combination are recognized at the fair value on the acquisition date and recognized separately from goodwill, and subsequently measured in the same method for the intangible assets acquired separately.

4. Derecognition

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

(XI) Impairment of assets related to property, plant and equipment, right-of-use assets, intangible assets, and assets related to contract costs

The Company assesses if there are any signs of possible impairment in property, plant, and equipment as well as right-of-use and intangible assets at each balance sheet date. If there is any sign of impairment, an estimate is made of its recoverable amount. If it is not possible to determine the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis.

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

The recoverable amount is the fair value less cost of sales or its value in use, whichever is higher. If the recoverable amount of individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount is reduced to the recoverable amount, and the impairment loss is recognized in profit and loss.

The inventory, property, plant and equipment, and intangible assets related to customer contracts are first recognized as impairment in accordance with the inventory impairment regulations and the regulations above. Then, the carrying amount of the assets related to contract cost in excess of the expected amount of consideration received for the provision of the relevant goods or services less the direct relevant costs is recognized as an impairment loss. Subsequently, the carrying amount of the assets related to contract cost is included in the cash-generating unit to which they belong to perform impairment assessment of the cash-generating unit.

When the impairment loss is subsequently reversed, the carrying amount of the asset, the cash-generating unit, or the asset related to contract cost is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset, cash-generating unit, or the asset related to contract cost which was not recognized as impairment loss in prior years. The reversal of the impairment loss is recognized in profit or loss.

(XII) Financial instruments

Financial assets and financial liabilities shall be recognized in the standalone balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities not at fair value through profit or loss are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss is immediately recognized in profit or loss.

1. Financial asset

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting.

(1) Measurement types

Financial assets held by the Company are those measured at fair value through profit or loss (FVTPL) and at amortized cost, as well as investments in equity instruments measured at fair value through other comprehensive income (FVTOCI).

A. Disposal of financial assets at FVTPL

Financial assets measured at FVTPL include those mandatorily measured at FVTPL and those designated as at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instrument that the Company has not designated to measure at FVTOCI, and debt instruments that are not classified as measured at amortized cost or at FVTOCI.

Financial assets measured at FVTPL are measured at fair value, and the gains or losses arising from remeasurement (not including any dividends or interest generated by the financial asset) are recognized in other gains and losses. Please refer to Note 30 for the method of determining the fair value.

B. Financial assets at amortized cost

When the Company's investments in financial assets meet the following two conditions simultaneously, they are classified as financial assets measured at amortized cost:

a. Held under a certain business model, of which the objective is to collect contractual cash flows by holding the financial assets; and
b. The cash flows on specific dates specified in the contractual terms are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, such assets (including cash and cash equivalents, notes and accounts receivable measured at amortized cost, other receivables, other financial assets, guarantee deposits paid, and time deposits with the original maturity date of more than 3 months) are measured at the amortized cost of the total carrying amount determined by the effective interest method less any impairment loss, and any foreign currency exchange differences are recognized in profit or loss.

Except for the following two cases, interest revenue is calculated by multiplying the effective interest rate by the total carrying amount of financial assets:

a. For purchased or originated credit-impaired financial asset, interest revenue is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.
b. For financial asset that is not purchased or originated credit-impaired but subsequently becomes credit impaired, interest income is calculated by multiplying the effective interest rate from the next reporting period after the credit impairment by the amortized cost of the financial asset.

Credit-impaired financial assets refer to the fact that when an issuer or debtor has experienced major financial difficulties or default, the debtor is likely to apply for bankruptcy or other financial restructuring, or the active market for the financial assets disappears due to financial difficulties.

Equivalent cash includes time deposits that are highly liquid, convertible into imprest cash at any time with little risk of value changes within 3 months from the date of acquisition, and is used to meet short-term cash commitments.

C. Investments in equity instruments measured at FVTOCI

The Company may, upon initial recognition, make an irrevocable election to designate as at FVTOCI the investments in equity instruments that are not held for trading and the ones that are not recognized by an acquirer in a business combination or with the contingent consideration.

Investments in an equity instrument measured at FVTOCI are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. Upon disposal of investments, cumulative gain or loss is directly transferred to retained earnings and are not reclassified to profit or loss.

Dividends of investments in equity instruments measured at FVTOCI are recognized in profit or loss when the Company's right to receive dividends is established unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets

The Company assesses the impairment loss of financial assets measured at amortized cost (including accounts receivable) based on the expected credit loss on each balance sheet date.

Accounts receivable are recognized in allowance loss based on the lifetime expected credit losses (ECLs). Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in the risk, a loss allowance is recognized at an amount equal to 12-month ECLs. If the risks have increased significantly, a loss allowance is recognized at an amount equal to lifetime ECLs.

The ECLs refer to the weighted average credit loss with the risk of default as the weight. The 12-month ECLs represent the ECLs from possible defaults of a financial instrument within 12 months after the reporting date. The lifetime ECLs represent the ECLs from all possible defaults in a financial instrument over the expected life of a financial instrument.

For the purpose of internal credit risk management, the Company, without considering the collateral held, determines that the following situations represent defaults in the financial assets:

A. Internal or external information indicates that it is impossible for the debtor to settle the debt.

B. B. It is overdue for more than 90 days, unless there is reasonable and corroborative information showing that a default date postponed is more appropriate.

The Company recognizes an impairment loss for all financial assets with a corresponding downward adjustment to their carrying amount through a loss allowance account. However, the loss allowance for investment in debt instruments measured at FVTOCI is recognized in other comprehensive income without a downward adjustment to the carrying amount.

(3) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash inflow from the financial asset expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the consideration received is recognized in profit or loss. When the investment in debt instruments measured at FVTOCI is derecognized in its entirety, the difference between its carrying amount and the consideration received plus the sum of any accumulated gains or losses that have been recognized in other comprehensive income is recognized in profit or loss When derecognizing an investment in equity instrument at FVTOC in its entirety, the cumulative profit or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Equity instrument

Debt and equity instruments issued by the Company are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

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

The Company's own equity instruments reclaimed are recognized and deducted under the equity, and its carrying amount is calculated based on the weighted average of the total amount of shares. The purchase, sale, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

3. Financial liability

(1) Subsequent measurement

Except for the following circumstances, all financial liabilities are measured at amortized cost in the effective interest method:

A. Financial liability at FVTPL

Financial liability at FVTPL, including held for trading.

Financial liabilities held for trading are measured at fair value; and any gain or loss on remeasurement (including any dividends or interest paid on the financial liability) is recognized in profit or loss. Please refer to Note 30 for the method of determining the fair value.

(2) Derecognition of financial liabilities

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

4. Derivatives

The derivative instruments signed by the Company include forward foreign exchange contracts to manage the exchange rate risk.

Derivatives are initially recognized at fair value when the derivative contract is entered, and are subsequently re-measured at fair value on the balance sheet date. The gains or losses generated from the subsequent measurement are directly listed in profit or loss, and are designated as derivative instrument of effective hedging instruments, the timing of their recognition in profit or loss will depend on the nature of the hedging relationship. If the fair value of the derivative instrument is positive, it is listed as a financial asset; if negative, it is listed as a financial liability.

(XIII) Provisions

The amount recognized in provision is based on the risk and uncertainty of the obligation, and is the best estimate of the expenditure required to settle the obligation on the balance sheet date. The provisions are measured at the discounted value of the cash flow estimated to settle the obligation.

(XIV) Revenue recognition

After the Company identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts and recognizes revenue upon completion of performance obligations.

If several contracts are signed with the same customer (or the customer's related party) almost at the same time, as the goods or services promised in these contracts are single performance obligations, the Company deals with the contracts separately.

1. Sales revenue

Sales revenue comes from the sales of products. As when a product reaches the transaction conditions signed with a customer, the customer already has the right to set the price and the way the product is used while bearing the main responsibility for resale and the risk of obsolescence, at which the Company recognizes such revenue and reclassifies it to accounts receivable after fulfilling the remaining obligations. Advance receipts from sales are recognized as contract liabilities before a product reaches the transaction conditions signed with a customer.

In the case of export of raw materials overseas for processing, the control of the ownership of the processed product has not been transferred, so the income is not recognized when said materials are exported.

(XV) Leasing

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

1. The Company as lessor

Where almost all the risks and rewards attached to the ownership of an asset are transferred to the lessee in lease terms, such leases are classified as finance leases. All other leases are classified as operating leases.

2. The Company as lessee

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

A right-of-use asset is initially measured at cost (including the initial measured amount of lease liabilities, the amount of lease payments made to the lessor less lease incentives received prior to the inception of a lease, initial direct costs, and the estimated costs of restoring underlying assets), and subsequently measured at cost less accumulated depreciation and accumulated impairment and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the standalone balance sheets.

A right-of-use asset is depreciated on a straight-line basis over the period from the lease commencement date to the end of its useful life, or to the end of the lease term, whichever is earlier.

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

Subsequently, lease liabilities are measured at the amortized cost using the effective interest rate method, and interest expense is amortized over the lease term. If changes in the lease term, the expected payment under the residual value guarantee, the evaluation of the underlying asset purchase options, or the index or rate used to determine the lease payment over the lease term lead to changes in future lease payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets has been reduced to zero, the remaining remeasurement amount is recognized in profit or loss. For lease modifications that are not treated as a separate lease, remeasurement of the lease liabilities due to the reduced scope of the lease is to reduce the right-of-use assets, and to recognize the profit or loss of the partial or full termination of the lease; the remeasurement of the lease liabilities due to other modifications is to adjust the right-of-use assets. Lease liabilities are presented on a separate line in the standalone balance sheets.

(XVI) Borrowing costs

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

For specific borrowings, if the investment income earned by making a temporary investment before the capital expenditure that meets the requirements is incurred, it is deducted from the borrowing costs that meet the capitalization conditions.

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

(XVII) Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in profit or loss on a systematic basis over the periods, in which the Company recognizes in other income the relevant costs for which the grants are intended to compensate. Government grants whose primary condition is that the Company should purchase, construct, or otherwise acquire non-current assets are recognized as deferred income and reclassified to profit or loss during the useful life of said assets on a reasonable and systematic basis.

If government grants are used to compensate expenses or losses incurred, or are given to the Company for the purpose of immediate financial support without relevant future costs, they can be recognized in profit or loss in the period, during which it can receive said grants.

For the government loan obtained by the Company with an interest rate lower than that in the market, the difference between the loan amount received and the fair value of the loan calculated at the prevailing market interest rate is recognized as a government grant.

(XVIII) Employee benefits

1. Short-term employee benefits

Relevant liabilities for short-term employee benefits are measured by the non-discounted amount expected to be paid in exchange for employee services.

2. Post-employment benefits

For pension under the defined contribution plan, the amount of pension contributed is recognized as expenses during employees' service period.

The defined benefit cost under the defined benefit pension plan (including service cost, net interest, and remeasurement ) is calculated based on the projected unit credit method. The service cost (including the service cost for the current period) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The remeasurement (including actuarial gains and losses and the return on plan assets, net of interest) is recognized in other comprehensive income and presented in retained earnings when it occurs, and will not be reclassified to profit or loss.

The net defined benefit liabilities (assets) are the deficit (surplus) of the defined benefit pension plan. The net defined benefit assets may not exceed the present value of any refunds from the plan or reductions in future contributions to the plan.

3. Other long-term employee benefits

The accounting treatment of other long-term employee benefits is the same as that of post-employment benefits, but the relevant remeasurement is recognized in profit or loss.

(XIX) Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

1. Tax currently payable

The Company determines the income (loss) of the current year in accordance with the laws and regulations in each jurisdiction area for income tax filings, and calculates the income tax payable (recoverable) accordingly.

A surtax imposed on the undistributed earnings pursuant to the Income Tax Act of R.O.C. is recognized via a resolution at the annual shareholders' meeting.

Adjustments to income tax payable from prior years are recognized in the current income tax.

2. Deferred tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable income.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized when there are likely to be taxable income to deduct temporary differences, loss carryforwards, equipment purchase, research and development, as well as talent training expenditure.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that said temporary difference will not be reversed in the foreseeable future. The deductible temporary differences related to said investments and equity are recognized as deferred income tax only if it is probable that there will be sufficient taxable income to realize the temporary differences, and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each balance sheet date, and its carrying amount will be increased as it has become probable that future taxable income will allow all or part of the asset to be recovered.

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

3. Current and deferred income tax

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

V. Critical Accounting Judgements and Key Sources of Estimation and Uncertainty

In the application of the Company's accounting policies, the management is required to make judgments, estimations, and assumptions about the relevant information that is not readily accessible from other sources based on historical experience and other relevant factors. Actual results may differ from these estimates.

The Company will include the recent developments of the COVID-19 pandemic, Russia-Ukraine War and relevant international sanctions and their potential impacts on the economic environment, inflation, and fluctuation of market interest rates in the consideration for estimation of cash flows, growth rates, discount rates and profitability and other relevant critical accounting estimates. The management will continue to examine the estimates and basic assumptions. If an amendment to estimates only affects the current period, it shall be recognized in the period of said amendment; if an amendment to accounting estimates affects the current year and future periods, it shall be recognized in the period of said amendment and future periods.

Key Sources of Estimation and Assumption Uncertainty

(I) Inventory impairment

The NRV of inventories is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. These estimates are based on current market conditions and historical and historical sales experience in similar products. Changes in market conditions may materially affect the results of these estimates.

VI. Cash and equivalents

| | December 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Cash on hand and petty cash | $ 207 | $ 205 |
| Check and demand (current) deposit | 732,583 | 440,020 |
| Cash equivalents (bank time deposits with original maturity date of less than 3 months) | | |
| Time deposits | 500,000 | 500,000 |
| | $ 1,232,790 | $ 940,225 |

The interest rate ranges of bank demand deposits and time deposits at the balance sheet date are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Cash in banks | 0.001%~1.050% | 0.001%~0.200% |

VII. Financial instruments at FVTPL

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Financial assets - current | | |
| Financial assets designated as at FVTPL | | |
| Derivatives (not designated for hedging) | | |
| - Forward foreign exchange contracts (Note) | $ - | $ 496 |
| Non-derivative financial assets | | |
| - Domestic listed stocks | 24,233 | 187,327 |
| - Gold passbook | 15 | 15 |
| | $ 24,248 | $ 187,838 |
| Financial assets - non-current | | |
| Financial assets designated as at FVTPL | | |
| Non-derivative financial assets | | |
| - Foreign unlisted stocks | $ - | $ 87,201 |
| Financial liability - current | | |
| Financial assets designated as at FVTPL | | |
| Derivatives (not designated for hedging) | | |
| - Forward foreign exchange contracts (Note) | $ 344 | $ - |

Note: The unexpired forward foreign exchange contracts without hedge accounting applied on the balance sheet date are as follows:

December 31, 2022

| | Currency | Duration | Contract amount (NTD thousand) |
|---|---|---|---|
| Sale of forward foreign exchange | USD: NTD | December 28, 2022 to January 5, 2023 | USD 790 |
| | USD: NTD | December 28, 2022 to January 19, 2023 | USD 1,100 |
| | USD: NTD | December 28, 2022 to February 3, 2023 | USD 470 |
| | USD: NTD | December 28, 2022 to February 6, 2023 | USD 500 |
| | USD: NTD | December 28, 2022 to February 21, 2023 | USD 1,300 |
| | USD: NTD | December 28, 2022 to March 6, 2023 | USD 1,200 |
| | USD: NTD | December 28, 2022 to March 20, 2023 | USD 990 |
| | USD: NTD | December 28, 2022 to March 30, 2023 | USD 330 |

December 31, 2021

| | Currency | Duration | Contract amount (NTD thousand) |
|---|---|---|---|
| Sale of forward foreign exchange | USD: NTD | Oct. 6, 2021, to Jan. 20, 2022 | USD 2,000 |

The Company's purpose of engaging in forward foreign exchange transactions is to hedge risks arising from foreign currency assets and liabilities due to exchange rate fluctuations. As the forward foreign exchange contracts held by the Company do not meet the conditions for effective hedging, hedge accounting is not applicable.

VIII. Financial assets at FVTOCI

| Equity investment instruments | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Non-current | | |
| Domestic investment | | |
| Stocks listed on TWSE/TPEx and emerging stock markets | | |
| Brightek Optoelectronic Co., Ltd. | $ 27,030 | $ 56,845 |
| Unlisted stocks | | |
| Chipwell Tech Corporation | 8,827 | 6,580 |
| | $ 35,857 | $ 63,425 |

The Company has invested in the common stocks of the above-mentioned companies in accordance with medium and long-term strategic purposes, and expects to make profits through long-term investments. The management of the Company believes that if the short-term fair value fluctuations of these investments are recognized in profit or loss, it is inconsistent with the aforementioned long-term investment plan, so it has elected to designate these investments as at FVTOCI.

IX. Financial assets at amortized cost

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | | |
| Time deposits with original maturity date of more than 3 months - pledge | $ - | $ 35,528 |
| Time deposits with original maturity date of less than 3 months - pledge | - | 7,663 |
| | $ - | $ 43,191 |
| Non-current | | |
| Time deposits with original maturity date of more than 1 year - pledge | $ 6,665 | $ 6,615 |

As of December 31, 2021, the interest rate range of the pledged time deposits with the original maturity date of less 3 months and the those with more than 3 months was 0.20%=0.26% per annum.

As of December 31, 2022 and 2021, the interest rate range of the pledged time deposits with original maturity date of over one year was 1.325%-1.440% and 0.755%-0.815%, respectively.

For information on pledged financial assets measured at amortized cost, please refer to Note 32.

X. Notes receivable, accounts receivable, and other receivables

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Note receivable | | |
| From operations | $ 615 | $ 1,377 |
| Trade receivable | | |
| At amortized cost | | |
| Gross carrying amount | $ 582,084 | $ 963,310 |
| Less: Allowance for impairment loss | ( 1,156 ) | ( 11,434 ) |
| | 580,928 | 951,876 |
| Accounts receivable - related parties | 35,296 | 89,099 |
| | $ 616,224 | $ 1,040,975 |
| Other receivables | | |
| Loans receivable - related parties | $ 8,000 | $ 8,000 |
| Other receivables - related parties | 14 | 216,934 |
| | 8,014 | 224,934 |
| Business tax refund receivable | 5,595 | 9,263 |
| Others | 2,354 | 37 |
| | 7,949 | 9,300 |
| | $ 15,963 | $ 234,234 |

Notes and accounts receivable

The average credit period for customers is open account with net 30 to 180 days. In addition to the loss allowance for individual customers' actual credit impairment loss, the Company refers to historical experience, considers individual customers' financial status, industries, competitive advantages, and prospects, and divides them into different risk groups and recognizes loss allowances for each group based on their expected loss rates. In addition, a 100% loss allowance is recognized for accounts receivable with an account opened for over 365 days and no other credit guarantee provided.

In order to reduce credit risk, the management of the Company is responsible for the determination of credit limit, credit approval, and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the Company reviews the recoverable amount of the receivables one by one at the balance sheet date to ensure that the appropriate impairment loss is recognized for uncollectible receivables. With that, the management believes the Company's credit risk has been significantly reduced.

The Company adopts the simplified approach of IFRS 9 to recognize the loss allowance for accounts receivable based on the lifetime ECLs.

If there is evidence that the counterparty is facing serious financial difficulties and the Company cannot reasonably expect to recover the amount, e.g., the counterparty is in liquidation, the Company directly writes off the relevant accounts receivable, but will continue to try to collect the receivable. The recovered amount is recognized in profit or loss.

The aging analysis of notes and accounts receivable is as follows:

December 31, 2022

| | O/A 1–120 days | 121–180 days | 181–365 days | Over 365 days | Total |
|---|---|---|---|---|---|
| Gross carrying amount | $ 505,768 | $ 109,742 | $ 2,391 | $ 94 | $ 617,995 |
| Loss allowance (lifetime ECLs) | - | - | ( 1,062 ) | ( 94 ) | ( 1,156 ) |
| Amortized cost | $ 505,768 | $ 109,742 | $ 1,329 | $ - | $ 616,839 |

December 31, 2021

| | O/A 1–120 days | 121–180 days | 181–365 days | Over 365 days | Total |
|---|---|---|---|---|---|
| Gross carrying amount | $ 764,081 | $ 279,240 | $ 77 | $ 10,388 | $ 1,053,786 |
| Loss allowance (lifetime ECLs) | - | ( 969 ) | ( 77 ) | ( 10,388 ) | ( 11,434 ) |
| Amortized cost | $ 764,081 | $ 278,271 | $ - | $ - | $ 1,042,352 |

The information on the movements in the loss allowance for notes and accounts receivable is as follows:

| | 2022 | 2021 |
|---|---|---|
| Opening balance | $ 11,434 | $ 11,434 |
| Less: Write-off in this period | ( 10,278 ) | - |
| Closing balance | $ 1,156 | $ 11,434 |

XI. Inventories

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Finished goods | $ 256,749 | $ 304,710 |
| Work in process | 232,598 | 240,469 |
| Raw materials | 221,750 | 207,381 |
| Products | 4,582 | - |
| | $ 715,679 | $ 752,560 |

The inventory-related costs of sales in 2022 and 2021 were NT$1,869,095 thousand and NT$2,329,703 thousand, respectively.

The cost of sales for 2022 and 2021 included the inventory valuation losses of NT$27,880 thousand and NT$0; and the loss of scrapped inventory was NT$40,034 thousand and NT$0, respectively.

XII. Investments accounted for using equity method

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Investment in subsidiaries (I) | $ 572,731 | $ 838,318 |
| Investments in associates (II) | 168,319 | 151,606 |
| | $ 741,050 | $ 989,924 |

(I) Investment in subsidiaries

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| TEK Holding Co., Ltd. | $ 267,383 | $ 269,718 |
| Long Benefit Investment Co., Ltd. | 285,214 | 543,659 |
| Keeper Technology | 31,670 | 33,291 |
| Xu Qi Co., Ltd. | - | 3,186 |
| | 584,267 | 849,854 |
| Less: Accumulated impairment | ( 11,536 ) | ( 11,536 ) |
| | $ 572,731 | $ 838,318 |

| | Percentage of ownership interests and voting rights | |
|---|---|---|
| Name of Subsidiary | December 31, 2022 | December 31, 2021 |
| TEK Holding Co., Ltd. | 100.00% | 100.00% |
| Long Benefit Investment Co., Ltd. | 100.00% | 100.00% |
| Keeper Technology | 21.43% | 21.43% |
| Xu Qi Co., Ltd. | - | 94.44% |

Xuqi Co., Ltd.'s liquidation was completed in March 2022.

Please refer to Note 35 for the details of the investment in subsidiaries indirectly held by the Company.

As stated in Note 31, the Company provides financial guarantees for subsidiaries' bank loans.

(II) Investments in Associates

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Material associates | | |
| Hsinjing Holding Co. Ltd. (Hsinjing) | $ 165,874 | $ 149,194 |
| Associates that are not individually material | 6,655 | 6,622 |
| | 172,529 | 155,816 |
| Less: Accumulated impairment | ( 4,210 ) | ( 4,210 ) |
| | $ 168,319 | $ 151,606 |

1. Material associates

The Company's percentages of ownership interests and voting rights in associates at the balance sheet date are as follows:

| Company name | Percentage of ownership and voting rights December 31, 2022 | December 31, 2021 |
|---|---|---|
| Hsinjing (formerly known as Tynsolar) | 22.79% | 22.79% |

Refer to Table 3 in Note 35. "Information on Investees" for the nature of business, principal places of business, and countries of incorporation of the associates above.

The Company adopts the equity method to measure the above-mentioned associate. As for the investments using the equity method and the Company's share of profits or losses and other comprehensive income on such investments, associates that are not individually material are calculated based on financial statements that have not been audited by CPAs.

The Company's investment in Hsinjing using the equity method and its share of profit and loss and other comprehensive income of Hsinjing were recognized based on financial statements audited by other CPAs in 2022 and 2021. However, the management of the Company believes that the financial statements of the aforementioned investees, not audited by CPAs, will not have a material impact.

The information on Level 1 fair value of associate with open market quotes is as follows:

| Company name | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Hsinjing | $ 515,139 | $ 674,395 |

The following aggregate financial information on the material associate in 2022 and 2021 is prepared on the basis of IFRSs and has already reflected the adjustments made when the equity method is adopted.

Hsinjing

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current assets | $ 20,275 | $ 150,143 |
| non-current assets | 1,170,903 | 953,298 |
| Current liabilities | ( 2,500 ) | ( 3,891 ) |
| non-current liabilities | ( 503,585 ) | ( 488,604 ) |
| Equity | $ 685,093 | $ 610,946 |

| | 2022 | 2021 |
|---|---|---|
| Operating income | $ - | $ - |
| | | |
| Net income of the current year | $ 72,201 | $ 32,729 |
| Other comprehensive income | 50 | 117 |
| Total comprehensive income | $ 72,251 | $ 32,846 |
| | | |
| Cash flows | | |
| Operating activities | ( $ 19,829 ) | ( $ 12,875 ) |
| Investing activities | ( 10,163 ) | ( 489,549 ) |
| Financing activities | - | 549,335 |
| Net cash inflow (outflow) | ( $ 29,992 ) | $ 46,911 |

2. Aggregate information on associates that are not individually material

| | 2022 | 2021 |
|---|---|---|
| The Company's share of Net income of the continuing operations | $ 405 | $ 631 |

Refer to Table 3 in Note 35 “Information on Investees” for the nature of business, principal places of business, and countries of incorporation of the associates above.

The Company adopts the equity method to measure the above-mentioned associates that are not individually material, and its share of profits and losses and other comprehensive income is calculated based on financial statements that have not been audited by CPAs.

XIII. Property, plant, and equipment

(I) Self-use

| | Self-owned land | Building | Equipment | Leased Improvements | Other Equipment | Total |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance at January 1, 2022 | $ 62,273 | $ 1,492,778 | $ 1,884,807 | $ 20,867 | $ 89,085 | $ 3,549,810 |
| Additions | - | 54,206 | 62,187 | - | 11,453 | 127,846 |
| Disposal | - | - | ( 8,781 ) | - | ( 277 ) | ( 9,058 ) |
| Reclassification | - | 120,258 | 135,552 | - | 695 | 256,505 |
| Balance at December 31, 2022 | $ 62,273 | $ 1,667,242 | $ 2,073,765 | $ 20,867 | $ 100,956 | $ 3,925,103 |
| Accumulated depreciation and impairment | | | | | | |
| Balance at January 1, 2022 | $ - | $ 449,871 | $ 1,518,070 | $ 20,802 | $ 66,749 | $ 2,055,492 |
| Depreciation expenses | - | 88,586 | 129,901 | 19 | 8,578 | 227,084 |
| Disposal | - | - | ( 8,781 ) | - | ( 277 ) | ( 9,058 ) |
| Reclassification | - | - | - | - | - | - |
| Balance at December 31, 2022 | $ - | $ 538,457 | $ 1,639,190 | $ 20,821 | $ 75,050 | $ 2,273,518 |
| Net amount at December 31, 2022 | $ 62,273 | $ 1,128,785 | $ 434,575 | $ 46 | $ 25,906 | $ 1,651,585 |
| Cost | | | | | | |
| Balance at January 1, 2021 | $ 62,273 | $ 1,483,542 | $ 1,763,032 | $ 20,867 | $ 83,125 | $ 3,412,839 |
| Additions | - | 14,021 | 46,075 | - | 4,335 | 64,431 |
| Disposal | - | ( 30 ) | ( 11,229 ) | - | ( 1,713 ) | ( 12,972 ) |
| Reclassification | - | ( 4,755 ) | 86,929 | - | 3,338 | 85,512 |
| Balance at December 31, 2021 | $ 62,273 | $ 1,492,778 | $ 1,884,807 | $ 20,867 | $ 89,085 | $ 3,549,810 |
| Accumulated depreciation and impairment | | | | | | |
| Balance at January 1, 2021 | $ - | $ 374,441 | $ 1,419,564 | $ 20,784 | $ 60,606 | $ 1,875,395 |
| Depreciation expense | - | 82,284 | 108,596 | 18 | 7,609 | 198,507 |
| Disposal | - | ( 30 ) | ( 10,090 ) | - | ( 1,466 ) | ( 11,586 ) |
| Reclassification | - | ( 6,824 ) | - | - | - | ( 6,824 ) |
| Balance at December 31, 2021 | $ - | $ 449,871 | $ 1,518,070 | $ 20,802 | $ 66,749 | $ 2,055,492 |
| Net amount at December 31, 2021 | $ 62,273 | $ 1,042,907 | $ 366,737 | $ 65 | $ 22,336 | $ 1,494,318 |

Depreciation expenses of the property, plant and equipment are calculated on a straight-line basis over their estimated useful lives as shown in the following:

| | |
|---|---|
| Buildings | |
| Main buildings | 15 to 55 years |
| Electromechanical power equipment | 8 to 10 years |
| Engineering systems | 1.5 to 15 years |
| Equipment | 1 to 20 years |
| Leased Improvements | 9 to 15 years |
| Other Equipment | 1 to 17 years |

Please refer to Note 32 for the amount of property, plant and equipment pledged for loans.

XIV. Lease arrangements

(I) right-of-use asset

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Right-of-use assets amounts | | |
| Land | $ 81,699 | $ 82,538 |
| Transport Equipment | - | 182 |
| Other Equipment | 475 | 1,012 |
| | $ 82,174 | $ 83,732 |

| | 2022 | 2021 |
|---|---|---|
| The additions of the right-of-use assets | $ 2,267 | $ 363 |
| Depreciation charge for right-of-use assets | | |
| Land | $ 3,107 | $ 3,105 |
| Transport Equipment | 106 | 181 |
| Other Equipment | 537 | 537 |
| | $ 3,750 | $ 3,823 |

Except for the additions and depreciation listed above, the Company did not have significant subleases and impairment during the nine months ended December 31, 2022 and 2021.

(II) lease liabilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Lease liabilities amounts | | |
| Current | $ 2,872 | $ 2,857 |
| Non-current | $ 81,679 | $ 82,656 |

Range of discount rate for lease liabilities is as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Land | 1.41%~1.80% | 1.8% |
| Transport Equipment | - | 1.9% |
| Other Equipment | 1.79%~1.80% | 1.79%~1.80% |

(III) Material lease-in activities and terms

The Company has leased land and built buildings for offices. The lease term is 37 years. Upon the termination of the lease term, the Company does not have preferential rights to acquire the land and buildings leased, and it is agreed that the Company shall not lease, sublease, or transfer all (including the right to use the parking space) or part of the asset leased, or in other methods in disguise, to third parties without the consent of the lessor.

(IV) Other lease information

| | 2022 | 2021 |
|---|---|---|
| Short-term lease expense | $ 277 | $ 474 |
| Total cash outflow for leases | ( $ 4,956 ) | ( $ 5,229 ) |

XV. Investment Property

(I) Investment Property

| | Investment property that has been completed | | |
|---|---|---|---|
| | Land | Building | Total |
| Cost | | | |
| Balance at January 1, 2021 | $ 216,119 | $ 22,314 | $ 238,433 |
| Reclassified to held for sale | ( 216,119 ) | ( 22,314 ) | ( 238,433 ) |
| Balance at December 31, 2021 | $ - | $ - | $ - |
| accumulated depreciation | | | |
| Balance at January 1, 2021 | $ - | $ 17,469 | $ 17,469 |
| Reclassified to held for sale | - | ( 17,942 ) | ( 17,942 ) |
| Depreciation expenses | - | 473 | 473 |
| Balance at December 31, 2021 | $ - | $ - | $ - |
| Net amount at December 31, 2021 | $ - | $ - | $ - |

Investment property includes land and buildings, of which buildings are depreciated on a straight-line basis based on 55 years of useful life. All the Company's investment property is self-owned equity.

Due to the infrequent transactions in the comparable market and the inability to obtain reliable alternative fair value estimates for the Company's investment property, the fair value cannot be reliably determined.

The actual selling price exceeded the carrying amount of the relevant net assets, so when these units were classified as non-current assets held for sale, there was no impairment loss that shall be recognized.

The Company signed a property transaction contract with a non-related person in May 2021 to dispose of the Group's land and buildings in Xiangshan District, Hsinchu City, at a total price of NT$607,865,000. The transfer procedure was completed in November 2021.

XVI. Intangible asset

| | Computer software | Other intangible assets | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2022 | $ 35,404 | $ 1,492 | $ 36,896 |
| Acquired separately | 6,573 | - | 6,573 |
| Balance at December 31, 2022 | $ 41,977 | $ 1,492 | $ 43,469 |
| Accumulated amortization | | | |
| Balance at January 1, 2022 | $ 35,023 | $ 415 | $ 35,438 |
| Amortization expenses | 1,238 | 85 | 1,323 |
| Balance at December 31, 2022 | $ 36,261 | $ 500 | $ 36,761 |
| Net amount at December 31, 2022 | $ 5,716 | $ 992 | $ 6,708 |

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| | Computer software | Other intangible assets | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2021 | $ 35,243 | $ 1,492 | $ 36,735 |
| Acquired separately | 161 | - | 161 |
| Balance at December 31, 2021 | $ 35,404 | $ 1,492 | $ 36,896 |
| Accumulated amortization | | | |
| Balance at January 1, 2021 | $ 34,693 | $ 330 | $ 35,023 |
| Amortization expenses | 330 | 85 | 415 |
| Balance at December 31, 2021 | $ 35,023 | $ 415 | $ 35,438 |
| Net amount at December 31, 2021 | $ 381 | $ 1,077 | $ 1,458 |

Amortization expenses of the property, plant and equipment are calculated on a straight-line basis over their estimated useful lives as shown in the following:

| | |
|---|---|
| Computer software | 1 to 6 years |
| Other intangible assets | 16 to 18 years |

XVII. Other assets

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | | |
| Prepayments | $ 9,562 | $ 10,143 |
| Restricted bank demand deposits (Note 32) | - | 84 |
| Others | 209 | 22 |
| | $ 9,771 | $ 10,249 |
| Non-current | | |
| Long-term prepayments | $ 1,310 | $ 150 |
| Refundable deposits | 293 | 299 |
| | $ 1,603 | $ 449 |

XVIII. Loan

(I) Short-term borrowings

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Unsecured borrowings | | |
| Credit borrowings and borrowings for purchase of materials | $ 54,629 | $ 91,677 |

The interest rates of bank borrowings were 0.90%-1.62% and 0.90%-1.07% as of December 31, 2022 and 2021, respectively.

Please refer to Note 32 for details of pledge and security for borrowings.

(II) Long-term borrowings

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Secured borrowings | | |
| Loan project for return to Taiwan for investment (1) | $ 152,215 | $ 139,350 |
| Bank loan (2) | 391,667 | 491,667 |
| Unsecured borrowings | | |
| Loan project for return to Taiwan for investment (1) | 16,400 | 16,400 |
| Less: Current portion | ( 137,861 ) | ( 116,558 ) |
| Government grant discount (1) | ( 1,607 ) | ( 1,768 ) |
| Long-term borrowings | $ 420,814 | $ 529,091 |

1. The loan project for return to Taiwan for investment is based on the program of "Loan for Welcoming Overseas Taiwanese Businesspeople to Return to Taiwan for Investment" launched by the National Development Fund, Executive Yuan. Since March 2020, the Company has successively taken out medium-term bank loans from domestic banks with maturity dates between October 14, 2024 and February 15, 2027, and the Company shall repay the principal and interest in an amortized manner on a monthly basis. The interest rate ranges of bank borrowings were 1.075%-1.375% as at September 30, 2022 and 0.37%–1.00% as at both December 31, 2022 and December 31, 2021.
2. The bank loan is a loan ofNT$500,000,000 taken out by the Company on November 8, 2021. The loan term ends on November 8, 2026. The purpose of the loan is to repay the balance of the 2017 syndicated loan. The principal and interest are amortized on a monthly basis, and the bank borrowing interest rates were 1.655% and 1.00% as at December 31, 2022 and December 31, 2021. Please refer to Note32 for details of pledge and security for borrowings.

XIX. Note payable and accounts payable

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Note payable | | |
| From operations | $ 27 | $ - |
| | | |
| Accounts payable | | |
| From operations - non-related parties | $ 283,695 | $ 421,267 |
| From operations - related parties | 1,705 | 6,453 |
| | $ 285,400 | $ 427,720 |

XX. Other liabilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current | | |
| Other payables | | |
| Wages, salaries, and bonuses payable | $ 72,553 | $ 69,852 |
| Employee remuneration payable | 42,180 | 75,578 |
| Expenses payable | 32,449 | 27,770 |
| Equipment payment payable | 18,222 | 14,524 |
| Processing expense payable | 15,525 | 28,516 |
| Labor and health insurance premium and pension payable | 12,789 | 13,559 |
| Director remuneration payable | - | 11,580 |
| Others | 12,614 | 10,374 |
| | $ 206,332 | $ 251,753 |
| Unearned revenue | | |
| Government grants (Note 28) | $ 11,375 | $ 4,631 |
| Other current liabilities | | |
| Refund liabilities | $ 6,652 | $ 23,490 |
| Custodial receipts | 3,424 | 4,468 |
| Temporary credit | 314 | 560 |
| | $ 10,390 | $ 28,518 |
| Non-current | | |
| Other liabilities | | |
| Deferred credits- unrealized gross profit from the sale of long-term investment | $ 3,834 | $ 3,834 |
| Guarantee deposits received | 204 | 2,262 |
| | $ 4,038 | $ 6,096 |

XXI. Provisions

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Non-current | | |
| Employee benefits (Note) | $ 18,444 | $ 16,807 |

| | Employee benefits |
|---|---|
| Balance at January 1, 2021 | $ 15,428 |
| Increase for the current year | 2,563 |
| Used in the current year | ( 1,184 ) |
| Balance at December 31, 2021 | 16,807 |
| Increase for the current year | 3,799 |
| Used in the current year | ( 2,162 ) |
| Balance at December 31, 2022 | $ 18,444 |

Note: Provision for employee benefits liability is the estimate of employee long-term service bonuses (medals).

XXII. Post-employment benefit plans

(I) Defined contribution plans

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

(II) Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is the defined benefit plan under the management of the government of R.O.C. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes an amount, which equals to 2% of each employee' total monthly salary and wage, which is deposited by the Pension Fund Monitoring Committee in the pension account with the Bank of Taiwan in the name of the committee. Before the end of each year, if the balance in the pension account assessed is inadequate to pay for the retirement benefits for employees who meet the retirement requirements in the following year, the Company will contributes an amount to make up for the difference in a lump sum by the end of March of the following year. The pension account is managed by the Bureau of Labor Funds, Ministry of Labor; the Company has no right to influence the investment management strategy.

The amounts included in the standalone balance sheets in respect of the Company's defined benefit plan are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Present value of defined benefit obligation | $ 91,213 | $ 103,556 |
| Fair value of plan assets | ( 72,351 ) | ( 65,651 ) |
| Net defined benefit liability | $ 18,862 | $ 37,905 |

The changes in net defined benefit liability:

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| From January 1, 2021 | $ 101,097 | ( $ 53,839 ) | $ 47,258 |
| servicing costs | | | |
| Service cost for the current year | 806 | - | 806 |
| Interest expense (income) | 352 | ( 185 ) | 167 |
| Recognized in loss (profit) | 1,158 | ( 185 ) | 973 |
| Remeasurement | | | |
| Return on plan assets (except for the amount included in the net interest) | - | ( 788 ) | ( 788 ) |

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| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| Actuarial gains (losses) | | | |
| - Changes in demographic assumptions | $ 2,122 | $ - | $ 2,122 |
| - Changes in financial assumptions | ( 2,529 ) | - | ( 2,529 ) |
| - Experience adjustments | 3,249 | - | 3,249 |
| Recognized in other comprehensive income | 2,842 | ( 788 ) | 2,054 |
| Contributions from the employer | - | ( 12,380 ) | ( 12,380 ) |
| Benefits paid | ( 1,541 ) | 1,541 | - |
| December 31, 2021 | 103,556 | ( 65,651 ) | 37,905 |
| servicing costs | | | |
| Service cost for the current year | 599 | - | 599 |
| Interest expense (income) | 689 | ( 474 ) | 215 |
| Recognized in loss (profit) | 1,288 | ( 474 ) | 814 |
| Remeasurement | | | |
| Return on plan assets (except for the amount included in the net interest) | - | ( 4,227 ) | ( 4,227 ) |
| Actuarial losses | | | |
| - Changes in financial assumptions | ( 3,895 ) | - | ( 3,895 ) |
| - Experience adjustments | 92 | - | 92 |
| Recognized in other comprehensive income | ( 3,803 ) | ( 4,227 ) | ( 8,030 ) |
| Contributions from the employer | - | ( 11,827 ) | ( 11,827 ) |
| Benefits paid | ( 9,828 ) | 9,828 | - |
| December 31, 2022 | $ 91,213 | ( $ 72,351 ) | $ 18,862 |

Due to the pension plans under the Labor Standards Act, the Company is exposed to the following risks:

1. Investment risk: The Bureau invests labor pension funds in domestic (foreign) equity securities, debt securities, and bank deposits on its own use and through agencies entrusted. However, the Company’s amount allocated to plan assets is calculated based on the interest rate not lower than the local bank's interest rate for 2-year time deposits.

2. Interest risk: A decrease in the interest rate in the government bonds will increase the present value of the defined benefit obligation; however, the return on the debt investment through the plan assets will also increase, and the increases will partially offset the effect of the net defined benefit liability.
3. Salary risk: The present value of the defined benefit obligation is calculated with reference to the future salaries of the participants in the plan. As such, an increase in the salary of the participants in the plan will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The critical assumptions made on the measurement date are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Discount rate | 1.30% | 0.69% |
| Salary adjustment rate | 2.50% | 2.50% |

If each of the critical actuarial assumptions is subject to reasonably possible changes, when all other assumptions remain unchanged, the amounts by which the present value of the defined benefit obligation would increase (decrease) are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Discount rate | | |
| 0.25% increase | ( $ 1,551 ) | ( $ 1,864 ) |
| 0.25% decrease | $ 1,642 | $ 1,968 |
| Salary adjustment rate | | |
| 0.5% increase | $ 3,192 | $ 3,832 |
| 0.5% decrease | ( $ 3,010 ) | ( $ 3,624 ) |

As actuarial assumptions may be correlated, it is unlikely that only a single assumption would occur in isolation of one another, so the sensitivity analysis above may not reflect the actual changes in the present value of the defined benefit obligation.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| The expected contributions to the plan for the following year | $ 3,980 | $ 13,750 |
| The weighted average duration of the defined benefit obligation | 9.6 years | 10 years |

## XXIII. Equity

### (I) Ordinary shares

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Authorized shares (in thousand) | 500,000 | 500,000 |
| Authorized capital | $ 5,000,000 | $ 5,000,000 |
| Issued and paid shares (in thousand) | 300,621 | 300,621 |
| Issued capital | $ 3,006,223 | $ 3,006,223 |

The ordinary shares issued, with a par value of NT$10 per share, are entitled to one voting right per share and to the right to receive dividends.

(II) Capital surplus

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| May be used to offset a deficit, distributed as cash dividends or transferred to share capital (1) | | |
| Shares premium from issuance | $ 6 | $ 6 |
| Premium of corporate bond conversion | 28,983 | 28,983 |
| The difference between the equity price and the book value of acquisition or disposal of subsidiary | ( 3,064 ) | ( 3,064 ) |
| May be used to offset a deficit only | | |
| Changes in the net equity of subsidiaries and associates accounted for using equity method (2) | 82,234 | 82,000 |
| Treasury stock transactions | 37,403 | 37,403 |
| Expired employees share options | 16,410 | 16,410 |
| Others (Note) | 81,901 | 81,901 |
| | $ 243,873 | $ 243,639 |

Note: Reclassified from the difference in the repurchase of the convertible corporate bonds.

1. Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and only once a year).
2. This type of capital surplus is the effect of equity transactions recognized due to changes in the Company's equity or the adjustment to the capital surplus of the subsidiary accounted for using the equity method by the Company when the Company has not actually acquired or disposed of the equity of the subsidiary.

The changes in capital surplus for the current period are as follows:

| | Changes in the net equity of subsidiaries and associates accounted for using the equity method |
|---|---|
| Balance at January 1, 2022 | $ 82,000 |
| Adjustment to the capital surplus of associates accounted for using the equity method | 234 |
| Balance at December 31, 2022 | $ 82,234 |
| | |
| Balance at January 1, 2021 | $ 63,055 |
| Adjustment to the capital surplus of associates accounted for using the equity method | 18,945 |
| Balance at December 31, 2021 | $ 82,000 |

(III) Retained earnings and dividends policy

Per the Company’s Articles of Incorporation regarding the earnings distribution policy, the Company's earnings distribution or loss compensation shall be proposed by the board of directors after the end of each semi-annual fiscal period. In the case of issuance of new shares, it shall be submitted to the shareholders’ meeting for a resolution. Any cash distribution of dividends, profits, legal reserves or capital surplus, either in whole or in part, must be resolved in a board meeting with more than two-thirds of the board members present, voted in favor by more than half of the attending directors and reported in the upcoming shareholders’ meeting.

According to the earnings distribution policy under the Company’s Articles of Incorporation, if there is a surplus as per the annual financial statements, the Company shall pay all taxes in accordance with the law and compensate the cumulative deficit first, and then allocate 10% as a legal reserve in accordance with the law unless it has reached the same amount of the Company’s paid-in capital. Where there is any remaining balance, the Company shall allocate amount as or reverse the special reserve according to laws and regulations. If there is still any balance left, together with the cumulative undistributed earnings, the board of directors shall draft an earnings distribution proposal and submit it to the shareholders’ meeting to resolve the distribution of shareholders’ dividends. For information on the policy of the employee compensation and remuneration of directors and supervisors as in the Company's Articles of Incorporation, refer to Note 25 (8) regarding employee compensation and remuneration of directors.

In addition according to the Company's Articles of Incorporation, the Company adopts a dividend policy that allows the board of directors to propose dividends after taking into consideration its future capital requirements, long-term financial plans, and shareholders' needs for cash inflow. Profit sharing to shareholders can be paid in cash or shares, provided that the cash portion does not amount to less than 10% of total profit sharing.

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

When the Company provides the special reserve for the net amount of other equity deduction accumulated in the previous period, if the undistributed earnings in the previous period is not sufficient for provision, sum of the net profit after tax of the period plus the items other than the net profit after tax included in the undistributed earnings of the same period, will be provided from.

The earnings distribution for 2021 and 2020 were approved in the shareholders’ meetings on June 8, 2022 and July 2, 2021, respectively, and the distribution was as follows:

| | 2021 | 2020 |
|---|---|---|
| Appropriated as statutory reserves | $ 71,480 | $ 28,486 |
| Reversed special reserve | ($ 18,292) | ($ 33,220) |
| Cash dividends | $ 300,622 | $ 225,467 |
| Cash dividend per share (NTD) | $ 1.00 | $ 0.75 |

The above cash dividends proposals have been approved by the board of directors on February 22, 2022 and March 25, 2021, respectively and the remaining items for earnings distribution were adopted at the general shareholders' meeting on June 8, 2022 and July 2, 2021, respectively.

The 2022 deficit compensation proposal approved by the Company's board of directors on February 22, 2023 is as follows:

| | 2022 |
|---|---|
| Appropriated as special reserve | $ 8,858 |

The aforesaid earnings distribution is pending a resolution at the shareholders' meeting expected to be held on May 29, 2023.

(IV) Special reserves

| | 2022 | 2021 |
|---|---|---|
| Opening balance | $ 55,815 | $ 89,035 |
| Reversed special reserve | | |
| Other equity items debited to the amount reversed | ( 18,292 ) | ( 33,220 ) |
| Closing balance | $ 37,523 | $ 55,815 |

(V) Other items of equity

1. Exchange Differences in Translating the Financial Statements of Foreign Operations

| | 2022 | 2021 |
|---|---|---|
| Opening balance | ( $ 22,851 ) | ( $ 20,929 ) |
| Incurred in the current year | | |
| Share of subsidiaries and associates accounted for using equity method | 4,060 | ( 2,402 ) |
| Relevant income taxes | ( 812 ) | 480 |
| Closing balance | ( $ 19,603 ) | ( $ 22,851 ) |

2. Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income

| | 2022 | 2021 |
|---|---|---|
| Opening balance | $ 416 | ( $ 42,249 ) |
| Incurred in the current year through other comprehensive income | ( 29,815 ) | 30,424 |
| Share of subsidiaries accounted for using equity method | ( 3,344 ) | 10,354 |
| Relevant income taxes | 5,963 | ( 6,112 ) |
| Other comprehensive income for the current year | ( 27,196 ) | 34,666 |
| Cumulative gains and losses on disposal of equity instruments reclassified to retained earnings | - | 7,999 |
| Closing balance | ( $ 26,780 ) | $ 416 |

XXIV. Revenue

| | 2022 | 2021 |
|---|---|---|
| Sales revenue | $ 2,203,396 | $ 2,953,154 |

Disaggregation of revenue from product contract revenue

| | 2022 | 2021 |
|---|---|---|
| Sales revenue is broken down by main products | | |
| Si component | $ 1,367,480 | $ 1,756,064 |
| Compound semiconductor components | 827,289 | 1,167,311 |
| Others | 8,627 | 29,779 |
| | $ 2,203,396 | $ 2,953,154 |

(I) Contract balance

| | December 31, 2022 | December 31, 2021 | From January 1, 2021 |
|---|---|---|---|
| Accounts receivable (Note 10) | $ 616,224 | $ 1,040,975 | $ 796,386 |
| Contract liability (listed in Other liabilities) | | | |
| Sales | $ - | $ - | $ 914 |

The change in contract liabilities is mainly due to the difference between the point of meeting the performance obligation and the time of payment by the customer.

XXV. Net income from continuing operations

Net income is from the following items:

(I) Net amount of other gains (losses)

| | 2022 | 2021 |
|---|---|---|
| (Gains) losses on disposal of property, plant and equipment | $ 452 | ( $ 12 ) |

(II) Interest income

| | 2022 | 2021 |
|---|---|---|
| Cash in banks | $ 3,914 | $ 1,171 |
| Financial assets at amortized cost | 149 | 3,193 |
| imputed interest on financing | 168 | 179 |
| | $ 4,231 | $ 4,543 |

(III) Other income

| | 2022 | 2021 |
|---|---|---|
| Dividend revenue | $ 5,814 | $ 7,462 |
| Rent income | 720 | 720 |
| Subsidy income | 2,288 | 711 |
| Gains on write-off of accounts payable | - | 349 |
| Others | 3,836 | 3,263 |
| | $ 12,658 | $ 12,505 |

(IV) Other gains or losses

| | 2022 | 2021 |
|---|---|---|
| Net loss (gain) on financial assets at FVTPL | ( $ 118,607 ) | $ 21,514 |
| Gains on disposal of non-current assets held for sale | - | 379,527 |
| Net foreign exchange gains (losses) | 94,283 | ( 7,791 ) |
| Indemnify losses | - | ( 11,165 ) |
| Miscellaneous expenditure | ( 4,261 ) | ( 2,602 ) |
| | ( $ 28,585 ) | $ 379,483 |

(V) Financial costs

| | 2022 | 2021 |
|---|---|---|
| Interest on bank loans | $ 9,428 | $ 17,050 |
| Interest on lease liabilities | 1,527 | 1,569 |
| | $ 10,955 | $ 18,619 |

(VI) Depreciation and amortization

| | 2022 | 2021 |
|---|---|---|
| Property, plant and equipment | $ 227,084 | $ 198,507 |
| right-of-use asset | 3,750 | 3,823 |
| Investment Property | - | 473 |
| Intangible assets | 1,323 | 415 |
| Total | $ 232,157 | $ 203,218 |
| | | |
| An analysis of depreciation by function | | |
| Operating costs | $ 201,623 | $ 178,022 |
| Operating expenses | 29,211 | 24,781 |
| | $ 230,834 | $ 202,803 |
| | | |
| An analysis of amortization by function | | |
| Operating cost | $ 9 | $ 9 |
| Operating expenses | 1,314 | 406 |
| | $ 1,323 | $ 415 |

(VII) Employee benefits expense

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $ 485,458 | $ 593,287 |
| Long-term employee benefits | 3,799 | 2,563 |
| Post-employment benefits (Note 22) | | |
| Defined contribution plans | 18,362 | 17,827 |
| Defined benefit plan | 814 | 973 |
| Total employee benefits expense | $ 508,433 | $ 614,650 |
| | | |
| An analysis by function | | |
| Operating costs | $ 361,010 | $ 407,547 |
| Operating expenses | 147,423 | 207,103 |
| | $ 508,433 | $ 614,650 |

(VIII) Employees' compensation and remuneration of directors

The Articles of Incorporation of the Company stipulate that the employees' compensation and remuneration of directors shall be appropriated at the rates from 5%–15% and no higher than 5%, respectively, of net income before tax and net of employees' compensation and remuneration of directors. However, the net loss before tax is made in 2022, and thus the employees' remuneration and directors' remuneration are not estimated.

The employees' remuneration and directors' remuneration for 2021 was resolved by the board of directors on February 22, 2022 as below:

Ratio

| | 2021 |
|---|---|
| Employee compensation | 7% |
| Directors' remuneration | 1% |

Amount

| | 2021 | |
|---|---|---|
| | Cash | Stocks |
| Employee compensation | $ 61,702 | $ - |
| Directors' remuneration | 11,580 | - |

If there is a change in the proposed amounts after the annual standalone financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and will be reflected in the following year.

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

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

(IX) Foreign exchange gains or losses

| | 2022 | 2021 |
|---|---|---|
| Foreign exchange gains | $ 191,398 | $ 102,589 |
| Total foreign exchange losses | ( 97,115 ) | ( 110,380 ) |
| Net gains or losses | $ 94,283 | ( $ 7,791 ) |

XXVI. Income tax

(I) Income tax recognized in profit or loss

Major components of tax expense were as follows:

| | 2022 | 2021 |
|---|---|---|
| Tax currently payable | | |
| Incurred in the current year | $ 16,614 | $ 65,245 |
| Levied on unappropriated earnings | 3,967 | - |
| Prior years adjustment | ( 39,354 ) | 12,895 |
| | ( 18,773 ) | 78,140 |
| Deferred tax | | |
| Incurred in the current year | 38,299 | 5,187 |
| Income tax expense recognized in profit or loss | $ 19,526 | $ 83,327 |

The adjustment to accounting income and income tax expenses is as follows:

| | 2022 | 2021 |
|---|---|---|
| Net income (loss) before tax for this year | ( $ 161,979 ) | $ 808,177 |
| Income tax expense calculated based on statutory tax rate for net income (loss) tax before tax | ( $ 32,396 ) | $ 161,635 |
| Permanent difference | 57,149 | ( 103,239 ) |
| Levied on unappropriated earnings | 3,967 | - |
| Loss credit and temporary difference | 34,127 | ( 5,447 ) |
| Adjustments to income tax expenses of prior years | ( 39,354 ) | 12,895 |
| Land value increment tax | - | 17,483 |
| Income tax expense recognized in profit or loss | $ 19,526 | $ 83,327 |

(II) Income tax recognized in other comprehensive income

| | 2022 | 2021 |
|---|---|---|
| Deferred tax | | |
| Incurred in the current year | | |
| - Translation of foreign operations | ($ 812 ) | $ 480 |
| - Unrealized gain (loss) on financial assets at FVTOC | 5,963 | ( 6,112 ) |
| Income tax recognized in other comprehensive income | $ 5,151 | ($ 5,632 ) |

(III) Current tax liabilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Current tax liabilities | | |
| Income tax payable | $ 20,236 | $ 44,609 |

(IV) Deferred tax assets and liabilities

The changes in the deferred tax assets and liabilities are as follows:

2022

| | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Deferred tax assets | | | | |
| Temporary difference | | | | |
| Impairment losses, including loss allowance | $ 22,737 | $ 5,576 | $ - | $ 28,313 |
| Financial assets at FVTOCI | ( 8,370 ) | - | 5,963 | ( 2,407 ) |
| Provisions | ( 3,642 ) | 7,331 | - | 3,689 |
| Refund liabilities | 4,698 | ( 2,080 ) | - | 2,618 |
| Defined benefit pension plan | 1,441 | ( 2,203 ) | - | ( 762 ) |
| Property, plant and equipment | 1,363 | - | - | 1,363 |
| Associate | 3,503 | ( 5,747 ) | - | ( 2,244 ) |
| Exchange differences on translating the financial statements of foreign operations | 5,711 | - | ( 812 ) | 4,899 |
| | 27,441 | 2,877 | 5,151 | 35,469 |
| Loss carryforwards | 53,846 | ( 53,846 ) | - | - |
| | $ 81,287 | ( $ 50,969 ) | $ 5,151 | $ 35,469 |
| Deferred tax liabilities | | | | |
| Unrealized foreign exchange gains | $ 5,751 | ( $ 3,973 ) | $ - | $ 1,778 |
| Financial assets at FVTPL | 9,574 | ( 8,697 ) | - | 877 |
| | $ 15,325 | ( $ 12,670 ) | $ - | $ 2,655 |

2021

| Deferred tax assets | Opening balance | Recognized in profit or loss | Recognized in other comprehensive income | Closing balance |
|---|---|---|---|---|
| Temporary difference | | | | |
| Impairment losses, including loss allowance | $ 22,737 | $ - | $ - | $ 22,737 |
| Financial assets at FVTOCI | ( 2,258 ) | - | ( 6,112 ) | ( 8,370 ) |
| Provisions | 3,086 | ( 6,728 ) | - | ( 3,642 ) |
| Refund liabilities | 3,410 | 1,288 | - | 4,698 |
| Defined benefit pension plan | 3,723 | ( 2,282 ) | - | 1,441 |
| Property, plant, and equipment | 1,364 | ( 1 ) | - | 1,363 |
| Associate | 664 | 2,839 | - | 3,503 |
| Exchange differences on translating the financial statements of foreign operations | 5,231 | - | 480 | 5,711 |
| | 37,957 | ( 4,884 ) | ( 5,632 ) | 27,441 |
| Loss carryforwards | 53,868 | ( 22 ) | - | 53,846 |
| | $ 91,825 | ( $ 4,906 ) | ( $ 5,632 ) | $ 81,287 |
| **Deferred tax liabilities** | | | | |
| Unrealized foreign exchange gains | $ 4,243 | $ 1,508 | $ - | $ 5,751 |
| Financial assets at FVTPL | 10,801 | ( 1,227 ) | - | 9,574 |
| | $ 15,044 | $ 281 | $ - | $ 15,325 |

(V) Deductible temporary difference of deferred tax assets not recognized in the standalone balance sheet

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Deductible temporary difference | | |
| Impairment losses, including loss allowance | $ 15,746 | $ 15,746 |

(VI) Information on unused loss carryforwards

As of December 31, 2022, the information on loss credit is as follows:

| Balance of unused loss carryforwards | Last valid year |
|---|---|
| $ 19,610 | 2030 |

(VII) Income tax assessments

The Company's profit-seeking enterprise income tax returns before 2018 and 2020 had been examined and approved by the tax authorities.

## XXVII. Earnings (loss) per share

Unit: NT$ Per Share

| | 2022 | 2021 |
|---|---|---|
| Basic earnings (loss) per share | ( $ 0.60 ) | $ 2.41 |
| Diluted earnings (loss) per share | ( $ 0.60 ) | $ 2.39 |

The net income and weighted average number of ordinary shares outstanding in calculating earnings per share were as follows:

Net income (loss) for this year

| | 2022 | 2021 |
|---|---|---|
| Net income (loss) used to calculate diluted earnings (losses) per share | ( $ 181,505 ) | $ 724,850 |

Number of shares

Unit: Thousand Shares

| | 2022 | 2021 |
|---|---|---|
| Weighted average number of ordinary shares in computation of basic earnings (losses) per share | 300,621 | 300,621 |
| Effect of potentially diluted ordinary shares: | | |
| Employee compensation | - | 2,383 |
| Weighted average number of ordinary shares in computation of diluted earnings (losses) per share | 300,621 | 303,004 |

If the Company may choose to distribute employee compensation in cash or shares, it assumes the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings (losses) per share if the effect is diluted. Such a diluted effect of the potential shares is included in the computation of diluted earnings (losses) per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## XXVIII. Government grants

As of December 31, 2022, the Company has obtained a government loan of NT$210,810 thousand with preferential interest rates under the Action Plan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan for capital expenditure and purchase of equipment. The loan will be repaid in installments over a period of five to seven years. The fair value of the loan is estimated to be NT$207,038 thousand based on the market interest rate of 0.87% to 1.95% when the loan was taken out. The difference between the amount obtained and the fair value of the loan is in the amount of NT$3,772 thousand as a government low-interest loan grant and recognized as unearned revenue. The unearned revenue is reclassified to profit or loss over the useful life of the relevant assets. Other income recognized by the Company for 2022 and 2021 is NT$816 thousand and NT$711 thousand, respectively, and the loan interest expenses recognized are NT$1,528 thousand and NT$987 thousand, respectively.

If the Company fails to meet the requirements of the project loan regulations during the loan term and the National Development Fund has to stop the loan, and when the processing fee should be charged, the Company shall pay at the initial agreed interest rate plus the annual interest rate.

In addition, the Company has obtained a grant of NT$3,894 under the Demonstration and Promotion Subsidy Program for the Energy Conservation Performance Guarantee Project and achieved the promised energy saving rate of 70% in July 2022 in the project proposal. The remaining grant of NT$9,088 thousand was received. As of December 31, 2022, the Company has recognized the government grant of NT$10,615 thousand in deferred income.

XXIX. Capital risk management

In accordance with the overall business environment and the Company's future development, the Company's capital structure is regularly reviewed by the main management personnel in consideration of external competition, changes in the environment, and other factors. The review includes consideration for various types of capital costs and relevant risks to determine an appropriate capital structure of the Company. The purpose is to satisfy the Company's requirements for working capital, research and development expenses, and dividend expenditures in the future, while ensuring that the Company can continue to operate, give back to shareholders, and take into account the interests of other stakeholders, and maintaining the best capital structure to enhance shareholders' value on a long term.

The capital structure of the Company consists of net debt (borrowings less cash and cash equivalents) and equity of the Company (comprising share capital, capital surplus, retained earnings, and other equity items).

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

The key management personnel of the Company reviews the capital structure annually. As part of this review, the key management personnel considers the cost of capital and the risks associated with each class of capital. Under the suggestions of the key management personnel, the Company may pay dividends, issue new shares, buy back shares, and issue new debts or repay old debts to balance the overall capital structure.

XXX. Financial instruments

(I) Fair value—financial instruments not at fair value

The carrying amount of the Company's financial assets and liabilities and lease payables measured at amortized cost was close to their fair value in the financial statements at the end of the financial reporting period.

(II) Fair value—financial instruments at fair value on a recurring basis

1. Degree of fair value measurements

December 31, 2022

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Domestic listed stocks | $ 24,233 | $ - | $ - | $ 24,233 |
| Foreign unlisted stocks | - | - | - | - |
| Gold passbook | 15 | - | - | 15 |
| Total | $ 24,248 | $ - | $ - | $ 24,248 |
| | | | | |
| Financial assets at FVTOCI | | | | |
| Investment in equity instruments | | | | |
| Domestic stocks listed on TWSE/TPEx and emerging stock markets | $ 27,030 | $ - | $ - | $ 27,030 |
| Domestic unlisted stocks | - | - | 8,827 | 8,827 |
| Total | $ 27,030 | $ - | $ 8,827 | $ 35,857 |
| | | | | |
| Financial liability at FVTPL | | | | |
| Derivatives | $ - | $ 344 | $ - | $ 344 |

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivatives | $ - | $ 496 | $ - | $ 496 |
| Domestic listed stocks | 187,327 | - | - | 187,327 |
| Foreign unlisted stocks | - | - | 87,201 | 87,201 |
| Gold passbook | 15 | - | - | 15 |
| Total | $ 187,342 | $ 496 | $ 87,201 | $ 275,039 |
| | | | | |
| Financial assets at FVTOCI | | | | |
| Investment in equity instruments | | | | |
| Stocks listed in emerging stock markets and unlisted stocks | $ 56,845 | $ - | $ 6,580 | $ 63,425 |

There were no transfers between Level 1 and Level 2 fair value in 2022 and 2021.

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

| Class of financial instruments | Valuation technique and inputs |
|---|---|
| Derivatives - forward foreign exchange contracts | Discounted cash flow method: Future cash flows are estimated based on the observable forward exchange rates at the end of the period and the exchange rates and interest rates specified in the contract and discounted at a discount rate that can indicate each counterparty' credit risk. |

3. Reconciliation of Level 3 fair value measurements of financial instruments

2022

| Financial asset | Financial assets at FVTPL Equity instrument | Financial assets at FVTOCI Equity instrument |
|---|---|---|
| Opening balance | $ 87,201 | $ 6,580 |
| Purchases | - | 2,247 |
| Recognized in profit or loss (other gains or losses) | ( 87,201 ) | - |
| Recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOC) | - | - |
| Closing balance | $ - | $ 8,827 |

2021

| Financial asset | Financial assets at FVTPL Equity instrument | Financial assets at FVTOCI Equity instrument |
|---|---|---|
| Opening balance | $ 142,166 | $ 32,865 |
| Recognized in profit or loss (other gains or losses) | ( 54,965 ) | - |
| Recognized in other comprehensive income (unrealized gain (loss) on financial assets at FVTOC) | - | 30,560 |
| Transferred out from Level 3 | - | ( 56,845 ) |
| Closing balance | $ 87,201 | $ 6,580 |

4. Valuation techniques and inputs applied for Level 3 fair value measurement

Investments in domestic and foreign unlisted equity are estimated by the market approach based on the transaction price of comparable targets, and the difference between the evaluation target and the comparable target is considered to estimate the value of the target evaluated using an appropriate multiplier.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Price-book ratio | 4.09 | 16.67 |
| Liquidity Discounts | 30% | 30% |

(III) Categories of financial instruments

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Financial assets | | |
| Financial assets as at FVTPL | | |
| Financial assets designated as at FVTPL | $ 24,248 | $ 275,039 |
| Financial assets at amortized cost (Note 1) | 1,872,550 | 2,267,001 |
| Financial assets at FVTOCI | | |
| Investment in equity instruments | 35,857 | 63,425 |
| Financial liability | | |
| Financial assets as at FVTPL | | |
| Financial assets designated as at FVTPL | 344 | - |
| Amortized cost (Note 2) | 1,117,488 | 1,424,723 |

Note 1: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable (including from related parties), other receivables (including from related parties), and refundable deposits.

Note 2: The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings, notes payable, accounts payable (including to related parties), other payables, current portion of long-term borrowings, unearned revenue, long-term borrowings, long-term deferred revenue, and guarantee deposits received.

(IV) Financial risk management objective and policies

The Company's main financial instruments include equity investment, accounts receivable, accounts payable, borrowings and lease liabilities. The Company's financial management department provides services to various business units, coordinates the operations in the domestic and international financial markets, and supervises and manages the financial risks related to the Company's operations by analyzing internal risk reports based on the degree and breadth of risks. These risks include market risk (including currency risk, interest rate risk, and other price risks), credit risk, and liquidity risk.

The Company uses derivative financial instruments to avoid risk exposure to mitigate the impact of these risks. The use of derivative financial instruments is regulated by the policies adopted by the Company's board of directors, which are written principles for exchange rate risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and the investment of remaining working capital. Compliance with policies and exposure limits is being reviewed by the internal auditors continuously. The Company does not trade financial instruments (including derivative financial instruments) for speculative purposes.

1. Market risk

The main financial risks for the Company’s operating activities are the risk of changes in foreign currency exchange rates (see (1) below) and the risk of changes in interest rates (see (2) below). The Company engages in various derivative financial instruments to manage foreign currency exchange rate risk, interest rate risk, and other price risks.

The Company's exposure to the market risk of financial instruments and its management and measurement methods for the risk exposure have remained unchanged.

(1) Exchange rate risk

The Company is engaged in sale and purchase transactions denominated in foreign currencies, which has caused the Company to be exposed to the risk of exchange rate fluctuations. Approximately 89.25% of the Company's sales are not denominated in the functional currency, and approximately 67.00% of the cost is not denominated in the functional currency. The Company's management of the exposure to the exchange rate risk is to use foreign currency options contracts to manage risks within the scope permitted by the policy.

For the carrying amount of monetary assets and monetary liabilities denominated in non-functional currencies at the balance sheet date, please refer to Note 34.

Sensitivity analysis

The Company was mainly affected by the fluctuations in the exchange rates of USD, JPY, and CNY.

The following table details the Company's sensitivity analysis when the New Taiwan dollar (functional currency) increases and decreases by 1% against each relevant foreign currency. The sensitivity to a 1% change in New Taiwan dollars is used when reporting foreign currency risk internally to key management personnel and also represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis only included monetary items in foreign currencies in circulation, and the year-end translation was adjusted with a 1% change in the exchange rates. The positive numbers in the table below indicate the amount by which the net income before tax will be reduced when the New Taiwan dollar appreciates by 1% against the relevant currencies; when the New Taiwan dollar depreciates by 1% against the relevant foreign currencies, the net income before tax will be the negative number of the same amount.

| | Impact of USD | | Impact of JPY | | Impact of CNY | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Gains (losses) | $ 4,702(i) | $ 7,673(i) | ($ 551)(ii) | ($ 1,484)(ii) | $ 1,562(iii) | $ 3,347(iii) |

(i) Mainly derived from the Company's USD-denominated receivables and payables still outstanding at the balance sheet date, against which a cash flow hedge has not been conducted.

(ii) Mainly derived from the Company's JPY-denominated borrowings and payables still outstanding at the balance sheet date, against which a cash flow hedge has not been conducted.

(iii) Mainly derived from the Company's CNY-denominated receivables and payables still outstanding at the balance sheet date, against which a cash flow hedge has not been conducted.

Sales denominated in USD are seasonal, so the exposure to the foreign currency risk at the balance sheet date cannot reflect the risk exposure throughout the year.

(2) Interest rate risk

Because individual entities within the Company borrow funds at fixed and floating interest rates at the same time, the interest rate risk risks arise. The Company manages the interest rate risk by maintaining an appropriate combination of fixed and floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to the interest rate risk at the balance sheet date are as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Fair value interest rate risk | | |
| -Financial assets | $ 503,524 | $ 546,691 |
| -Financial liabilities | 54,629 | 91,677 |
| Cash flow interest rate risk | | |
| -Financial assets | 735,253 | 442,775 |
| -Financial liabilities | 558,675 | 645,649 |

Sensitivity analysis

The sensitivity analysis below is determined based on the exposure to the interest rate risk of derivatives and non-derivatives at the balance sheet date. For liabilities with floating interest rates, the analysis method is based on the assumption that the amount of liabilities outstanding at the balance sheet date is in outstanding throughout the reporting period. The sensitivity to a 1% change in interest rate is used when reporting the interest rate risk internally to key management personnel and also represents the management's assessment of the reasonably possible change in interest rates.

If the interest rate increased/decreased by 1% and all other variables remain unchanged, the Company's net income before tax for 2022 and 2021 would have decreased/increased by NT$93 thousand and NT$70 thousand, respectively, mainly due to the Company's borrowings with variable interest rates.

(3) Other price risk

The Company's exposure to the equity price risk is due to the investment in the listed equity securities. The management of the Company manages the risk by holding investment portfolios with different risk factors. The Company's equity price risk is mainly concentrated on Taiwan Stock Exchange's equity instruments in specific industries.

Sensitivity analysis

The sensitivity analysis below is based on the equity price risk exposure at the balance sheet date.

If the equity price increased/decreased by 1%, the profit or loss before tax for 2022 and 2021 would have increased/decreased by NT$242 thousand and NT$1,873 thousand due to the increase in the fair value of financial assets at FVTPL.

Other comprehensive income before tax for 2021 and 2020 would have increased/decreased by NT$270 thousand and NT$0 thousand due to changes in the fair value of financial assets at FVTOCI.

The Company's sensitivity to price risks decreased for the current year, mainly due to the decrease in the positions exposed to other price risks.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the balance sheet date, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure of counterparties to perform an obligation and financial guarantees provided by the Company could arise from:

(1) The carrying amount of the financial assets recognized in the standalone balance sheet.
(2) The amount of contingent liabilities arising from the financial guarantee provided by the Company.

The policy adopted by the Company is to conduct transactions only with reputable counterparties, and obtain sufficient guarantees under necessary circumstances to reduce the risk of financial losses due to defaults. The Company only conducts transactions with companies whose ratings are equal to or higher than the investment grade Such information is provided by independent rating agencies; if such information is not available, the Company will refer to other publicly available financial information and mutual transaction records to rate its major customers. The Company continuously monitors credit risk and the credit rating of its counterparties, and distributes the total transaction amount to customers with qualified credit ratings, and controls the exposure to credit risk through the counterparty credit limits that are reviewed and approved by the financial management department every year.

In order to mitigate the credit risk, the management of the Company assigns a dedicated team responsible for the determination of credit limits, credit approval, and other monitoring procedures to ensure that appropriate actions have been taken in the recovery of overdue receivables. In addition, the Company reviews the recoverable amount of the receivables one by one at the balance sheet date to ensure that the appropriate impairment loss is recognized for uncollectible receivables. With that, the management believes the Company's credit risk has been significantly reduced.

The credit risk on liquid funds and derivatives is not high because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Company's customer base is large and unrelated, so the concentration of credit risk is not high.

3. Liquidity risk

The Company manages and maintains sufficient cash and cash equivalents to support its operations and mitigate the impact of cash flow fluctuations. The management of the Company monitors the use of the bank financing facilities and ensures compliance with the terms of the borrowing terms.

Bank borrowings were an important source of liquidity for the Company. As of December 31, 2022 and 2021, for the Company's unutilized credit facilities, please refer to (2) below for description of financing facilities.

(1) Liquidity and interest rate risk tables for non-derivative financial liabilities

The remaining contractual maturity analysis of non-derivative financial liabilities was based on the earliest date at which the Company might be required to repay and was compiled based on the undiscounted cash flows of financial liabilities (including principal and estimated interest). Therefore, the bank borrowings with a repayment on demand clause were included in the earliest time period, regardless of the probability of exercise of the right by banks. The maturity analysis of other non-derivative financial liabilities was compiled in accordance with the agreed repayment date.

December 31, 2022

| | Less than 1 year | Over 1 year |
|---|---|---|
| Non-derivative financial liabilities | | |
| Non-interest-bearing liabilities | | |
| Note payable and accounts payable | $ 285,427 | $ - |
| Other payables (Note) | 74,964 | - |
| Floating interest rate instruments | 136,255 | 422,420 |
| Fixed interest rate instruments | 54,629 | - |
| lease liabilities | 4,362 | 107,904 |
| | $ 555,637 | $ 530,324 |

Further information on the analysis of lease liabilities maturity is as follows (undiscounted total amount):

| | Less than One Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | Over 20 Years |
|---|---|---|---|---|---|---|
| lease liabilities | $ 4,362 | $ 14,255 | $ 16,193 | $ 16,193 | $ 16,193 | $ 45,070 |

December 31, 2021

| | Less than 1 year | Over 1 year |
|---|---|---|
| Non-derivative financial liabilities | | |
| Non-interest-bearing liabilities | | |
| Note payable and accounts payable | $ 427,720 | $ - |
| Other payables (Note) | 78,526 | - |
| Floating interest rate instruments | 114,791 | 530,858 |
| Fixed interest rate instruments | 91,677 | - |
| lease liabilities | 4,370 | 110,338 |
| | $ 717,084 | $ 641,196 |

Further information on the analysis of the above financial liabilities maturity dates is as follows:

| | Less than One Year | 1-5 Years | 5-10 Years | 10-15 Years | 15-20 Years | Over 20 Years |
|---|---|---|---|---|---|---|
| lease liabilities | $ 4,370 | $ 13,451 | $ 16,193 | $ 16,193 | $ 16,193 | $ 48,308 |

Note: The other payables mentioned above do not include salaries and bonuses payable, pensions payable, insurance premiums payable, directors' remuneration payable, and employee compensation payable.

The amount of floating interest rate instruments for the aforementioned non-derivative financial assets and liabilities will change due to the difference between the floating interest rate and the interest rate estimated at the balance sheet date.

The financial guarantee contract amount above is the maximum amount that the Company may have to pay to fulfill the guarantee obligation if the holder of the financial guarantee contract asks the guarantor to pay for the full guarantee amount. However, based on the expectations at the balance sheet date, the Company believes that it is unlikely that such contract payments will be paid.

(2) Financing facilities

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Unsecured bank borrowings facility (review every year) | | |
| - Amount used | $ 71,029 | $ 108,077 |
| - Amount unused | 932,521 | 1,018,923 |
| | $ 1,003,550 | $ 1,127,000 |
| Secured bank borrowings facility | | |
| - Amount used | $ 543,882 | $ 631,017 |
| - Amount unused | 506,118 | 1,108,983 |
| | $ 1,050,000 | $ 1,740,000 |

XXXI. Related party transaction

Details of transactions between the Company and related parties are as follows.

(I) Related party name and category

| Related Party Name | Related Party Category |
|---|---|
| Long Benefit Investment Co., Ltd. (Long Benefit) | Subsidiary |
| TEK Holding Co., Ltd. (TEK) | Subsidiary |
| Keeper Technology Co. Ltd. (Keeper Technology) | Subsidiary |
| Xu Qi Co., Ltd. (Xu Qi) | Subsidiaries (Note 1) |
| Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. (Yuanmao) | Sub-subsidiary |
| Associate | |
| Coretech Optical Co., Ltd. | Associate by investment using the equity method |
| Hsinjing Holding Co., Ltd. | Associate by investment using the equity method |
| Substantive related party | |
| Summit-tech Resource Corp. | Substantive related party before Jul. 2, 2021 (Note 1) (Note 2) |
| Epistar Corporation | Its parent company is a director of the Company (Note 3). |
| Lextar Electronics Corporation | Its parent company is a director of the Company (Note 3). |
| Prolight Opto Technology Corporation | Its parent company is a director of the Company (Note 4). |
| best Epitaxy Manufacturing Co. Ltd. | Its parent company is a director of the Company (Note 4). |
| Lextar Electronics (Chuzhou) Corp. | Its parent company is a director of the Company (Note 4). |
| iReach Corporation | Its parent company is a director of the Company (Note 4). |
| Unikorn Semiconductor Corp. | Its parent company is a director of the Company (Note 3). |
| Li, Bin-Jie | Key managerial officer (the Chairman of the Company) |
| Raymond Sheu | Key management personnel |
| Wang, Wen-Hu | Key management personnel |

Note 1: Xuqi 's liquidation was completed in March 2022.

Note 2: The Company's supervisor is a relative within the second degree of kinship of the former Chairman of the Company. On July 2, 2021, the Company's board of directors re-elected a new chairman due to the end of the term of office of the former one. As the former chairman did not hold another position, Summit-tech Resource Corp. is not a related party, so the amounts of transactions after the date will not be disclosed.

Note 3: The Company's board of directors re-elected a new chairman on July 2, 2021. As the Chairman of the Company also serves as the Chairman of Ennostar Inc. (hereinafter referred to as "Ennostar") and Epistar Corporation and Lextar Electronics Corporation is a subsidiary of Ennostar, so it is determined to be a substantive related party.

Note 4: The Company's board of directors re-elected a new chairman on July 2, 2021. As the Chairman of the Company also serves as the Chairman of Ennostar and best Epitaxy Manufacturing Co. Ltd., Prolight Opto Technology Corporation and Unikorn Semiconductor Corp. are the sub-subsidiaries of Ennostar, so it is determined to be a substantive related party.

(II) Operating income

| Line Item | Category of related party | 2022 | 2021 |
|---|---|---|---|
| Sale | Sub-subsidiary | $ 5,570 | $ 14,816 |
| | Substantive related party | | |
| | Lextar Electronics Corporation | 121,205 | 93,034 |
| | Lextar Electronics (Chuzhou) Corp. | 15,851 | 10,883 |
| | Summit-tech Resource Corp. | - | 5,940 |
| | Others | 2,461 | 4,800 |
| | | $ 145,087 | $ 129,473 |

The selling prices to related parties are equivalent to those to ordinary customers, and the payment terms are implemented in accordance with the Company's payment policy.

(III) Purchase of goods

| Category of related party | 2022 | 2021 |
|---|---|---|
| Substantive related party | | |
| Epistar Corporation | $ 15,990 | $ 15,188 |
| Summit-tech Resource Corp. | - | 6,010 |
| best Epitaxy Manufacturing Co. Ltd. | 112 | 387 |
| | $ 16,102 | $ 21,585 |

The purchase prices from related parties are equivalent to those to ordinary clients, and the purchase terms are implemented in accordance with the Company's policy.

(IV) Receivables from related parties

| Line Item | Category of related party | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Accounts receivable - related parties | Sub-subsidiary | $ 15 | $ 4,825 |
| | Substantive related party | | |
| | Lextar Electronics Corporation | 27,277 | 72,623 |
| | Lextar Electronics (Chuzhou) Corp. | 6,926 | 8,486 |
| | Summit-tech Resource Corp. | - | - |
| | Others | 1,078 | 3,165 |
| | | 35,296 | 89,099 |
| Other receivables - related parties | Subsidiary | 8,014 | 224,934 |
| | | $ 43,310 | $ 314,033 |

The sales between the Company and the related parties are processed per the terms and prices agreed upon by both parties and the payment terms are 90 to 120 days after the end of each month. No guarantee is received for the accounts receivable from related parties still outstanding. No loss allowance was provided for accounts receivable from related parties in 2022 and 2021.

(V) Payables to related parties (excluding loans from related parties)

| Line Item | Category of related party | December 31, 2022 | December 31, 2021 |
|---|---|---|---|
| Accounts payable - related parties | Substantive related party | | |
| | Epistar Corporation | $ 1,692 | $ 6,122 |
| | best Epitaxy Manufacturing Co. Ltd. | 13 | 331 |
| | | $ 1,705 | $ 6,453 |
| Other receivables - related parties | Sub-subsidiary | $ 11,779 | $ 18,007 |
| | Substantive related party | | |
| | Epistar Corporation | 37 | 39 |
| | | $ 11,816 | $ 18,046 |

The Company's purchase price from and processing contracted to related parties are handled in accordance with the general purchase terms; the payment period to related parties and non-related parties is decided per the conditions agreed upon by both parties.

No guarantee is provided for the balance of the outstanding accounts payable to related parties.

(VI) Loans to related parties

| Category of related party | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Other receivables | | |
| Subsidiary | | |
| Keeper Technology | $ 8,000 | $ 8,000 |

| Category of related party | 2022 | 2021 |
|---|---|---|
| Interest income | | |
| Subsidiary | $ 168 | $ 179 |

The Company provides loans to subsidiaries, at interest rates similar to the market interest rates. As of December 31, 2022 and 2021, there had been interest uncollected for the amount of NT$14 thousand and NT$16 thousand, accounted for under other receivables.

(VII) Other income

| Line Item | Category of related party | 2022 | 2021 |
|---|---|---|---|
| Rent income | Subsidiary | | |
| | Long Benefit | $ 34 | $ 34 |
| Other income | Sub-subsidiary | $ 10 | $ 10 |

(VIII) Contract processing

The processing fees to the Company's sub-subsidiary Yuanmao contracted to process products for the Company in 2022 and 2021 were NT$109,461 thousand and NT$184,506 thousand, respectively. As of December 31, 2022 and 2021, the outstanding balance was NT$11,779 thousand and NT$18,007 thousand, respectively, accounted for under the processing expense payable.

The processing fees to the Company's other related party Summit-tech contracted to process products for the Company in 2021 were NT$5,759 thousand, respectively. As of December 31, 2021, the outstanding balance was NT$0, respectively, accounted for under the processing expense payable.

The pricing of the contract processing expenses is not able to be compared with other manufacturers' OEM prices and conditions because the Company did not commission other manufacturers for contract processing.

(IX) Transactions with other related parties

| Line Item | Category of related party | 2022 | 2021 |
|---|---|---|---|
| Production overheads | Substantive related party | | |
| | Epistar Corporation | $ - | $ 1,051 |
| Operating expenses | Substantive related party | | |
| | Epistar Corporation | $ 467 | $ 54 |
| | Unikorn Semiconductor Corp. | 197 | - |
| | | $ 664 | $ 54 |

(X) Compensation of key management personnel

The total compensation of directors and other key management personnel is as follows:

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $ 21,593 | $ 48,549 |
| Post-employment benefits | 526 | 583 |
| | $ 22,119 | $ 49,132 |

The remuneration of directors and other key management personnel was determined by the remuneration committee based on the performance of individuals and market trends.

XXXII. Pledged Assets

The following assets have been provided as collateral for financing loans and security for tariff of imported raw materials:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Restricted time deposits (accounted for in financial assets at amortized cost) | $ 6,665 | $ 49,806 |
| Restricted demand deposits (accounted for in financial assets) | - | 84 |
| Land | 62,273 | 62,273 |
| Buildings | 631,796 | 651,283 |
| | $ 700,734 | $ 763,446 |

XXXIII. Significant Contingent Liabilities and Unrecognized Commitments

Except for those already mentioned in other notes, the Company's significant commitments as of the balance sheet date are as follows:

(I) As of December 31, 2022 and 2021, the amount of unused letters of credit issued by the Company for imported raw materials and machinery and equipment was equivalent to NT$10,006 thousand and NT$7,410 thousand, respectively.

(II) As of December 31, 2022, the total price of the uncompleted important equipment and engineering procurement contracts of the Company was equivalent to NT$169,264 thousand; NT$50,790 thousand had been paid (recognized in prepayments for equipment), and the remaining NT$118,474 thousand had not been paid.

XXXIV. Significant assets and liabilities denominated in foreign currencies

The following information is aggregated in foreign currencies other than the Company's functional currency. The disclosed exchange rates refer to the exchange rates at which the foreign currencies were converted into functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2022

| | Foreign currency | Exchange rate | Carrying amount |
|---|---|---|---|
| Foreign currency asset | | | |
| Monetary items | | | |
| USD | $ 15,585 | 30.71 | $ 478,615 |
| JPY | 1,095 | 0.23 | 254 |
| CNY | 38,120 | 4.41 | 168,033 |
| Foreign currency liabilities | | | |
| Monetary items | | | |
| USD | 275 | 30.71 | 8,445 |
| JPY | 237,979 | 0.23 | 55,306 |
| CNY | 2,686 | 4.41 | 11,840 |
| EUR | 161 | 32.72 | 5,268 |

December 31, 2021

| | Foreign currency | Exchange rate | Carrying amount |
|---|---|---|---|
| Foreign currency asset | | | |
| Monetary items | | | |
| USD | $ 28,012 | 27.68 | $ 775,372 |
| JPY | 514 | 0.24 | 124 |
| CNY | 81,001 | 4.34 | 351,868 |
| Foreign currency liabilities | | | |
| Monetary items | | | |
| USD | 293 | 27.68 | 8,110 |
| JPY | 617,421 | 0.24 | 148,490 |
| CNY | 3,957 | 4.34 | 17,189 |

The (unrealized) gains and losses on foreign currency exchange with a material impact are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Foreign currency | Exchange rate | Net Foreign Exchange Gain (Loss) | Exchange rate | Net Foreign Exchange Gain (Loss) |
| USD | 30.71 (USD:NTD) | $ 10,658 | 27.68 (USD:NTD) | $ 9,980 |
| JPY | 0.23 (JPY:NTD) | ( 5,078 ) | 0.24 (JPY:NTD) | 9,976 |
| CNY | 4.41 (CNY:NTD) | 3,205 | 4.34 (CNY:NTD) | 8,802 |
| Others | | 104 | | ( 5 ) |
| | | $ 8,889 | | $ 28,753 |

XXXV. Additional Disclosures

(I) Information on significant transactions and (II) investees:

1. Financing provided to others: (Table 1)
2. Endorsement/guarantee provided: None.
3. Marketable securities held (excluding investment in subsidiaries, associates, and jointly controlled entities): Table 2.
4. Marketable securities acquired or sold at costs or prices at least NT$300 million or 20% of the paid-in capital: None.
5. Acquisition of individual property at costs of at least NT$300 million or 20% of the paid-in capital: None.
6. Disposal of individual property at costs of at least NT$300 million or 20% of the paid-in capital: None.
7. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None.
9. Trading in derivative instruments: Note 7.
10. Information on investees: Table 3.

(III) Information on investments in Mainland China:

1. Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, current profit or loss and investment gains and losses recognized, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 4.
2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms and unrealized gains or losses: Table 5.
   (1) The amount and percentage of purchase.
   (2) The amount and percentage of sales.

(IV) Information on major shareholders: list of all shareholders with ownership of 5 percent or greater showing the names and the number of shares and percentage of ownership held by each shareholder: Table 6.

TYNTEK Corporation
Financing provided to others
January 1 to December 31, 2022

Table 1

Unit: NTD thousand

| Serial No. | Lender | Borrower | Financial Statement Account | Related Party Status | Maximum Balance for the Period | Ending balance | Transaction Amounts | Interest Rate Range (Note 3) | Category of Financing Provided | Business Transaction Amounts | Reasons for Necessity of Short-term Financing | Loss Allowance | Collateral | | Limit of Financing to Individual Borrower (Note 1) | Total Limit of Financing Provided (Note 2) | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Name | Value | | | |
| 0 | TYNTEK Corporation | Keeper Technology | Other receivables - related parties | Yes | $ 20,000 | $ 10,000 | $ 8,000 | Floating interest rate | Need for short-term financing | $ - | Repayment of borrowings | $ - | — | $ - | $ 396,009 | $ 792,017 | |

Note 1: TYNTEK Corporation's limit of financing to individual borrowers does not exceed 10% of the net value stated in the most recent financial statements reviewed/audited by CPAs.
Note 2: TYNTEK Corporation's total limit of financing to borrowers does not exceed 20% of the net value stated in the most recent financial statements reviewed/audited by CPAs.
Note 3: TYNTEK Corporation's interest rate ranges of financing to others are based on the borrowing interest rate of financial institutions plus 5%. The interest rate range on December 31, 2022 was 2.03%- 2.155%.

TYNTEK Corporation
Marketable Securities Held at the End of Year
December 31, 2022

Table 2

Unit: in thousand of New Taiwan Dollars/Thousand Units/Thousand Shares

| Holding Company Name | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | March 31, 2021 | | | | Remarks |
|---|---|---|---|---|---|---|---|---|
| | | | | Number of Shares/Units | Carrying amount | Percentage of Ownership | Market price | |
| TYNTEK Corporation | Unity Opto/stock/common stock | None | Financial assets at FVTPL - Current | 264 | $ - | - | $ - | Note 1 |
| | First Commercial Bank/gold passbook | None | Financial assets at FVTPL - Current | - | 15 | - | 15 | |
| | Fittech Co., Ltd./stock/common stock | Investee with 0.37% of shares held | Financial assets at FVTPL - Current | 275 | 24,233 | 0.37 | 24,233 | |
| | Fujian Zhaoyuan Photoelectric Co., Ltd. | Investee with 4.28% of shares held | Financial assets at FVTPL - Non-current | - | - | 4.28 | - | |
| | Unity Opto/stock/common stock | None | Financial assets at FVTOCI - current | 836 | - | - | - | Note 1 |
| | Chipwell Tech Corporation/stock/common stock | Investee with 1.84% of shares held | Financial assets at FVTOCI - non-current | 437 | 8,827 | 1.84 | 8,827 | |
| | Brightek Optoelectronic Co., Ltd./stock/common stock | Investee with 1.5% of shares held | Financial assets at FVTOCI - non-current | 1,020 | 27,030 | 1.5 | 27,030 | |
| Long Benefit Investment Co., Ltd. | Hanpin Electron Co., Ltd./stock/common stock | None | Financial assets at FVTPL - Current | 220 | 6,336 | - | 6,336 | |
| | Elite Advanced Laser Corporation/stock/common stock | None | Financial assets at FVTPL - Current | 70 | 2,573 | - | 2,573 | |
| | Fittech Co., Ltd./stock/common stock | Investee with 2.37% of shares held | Financial assets at FVTPL - Current | 1,740 | 153,125 | 2.37 | 153,125 | |
| | Chipwell Tech Corporation/stock/common stock | Investee with 0.76% of shares held | Financial assets at FVTOCI - non-current | 180 | 5,044 | 0.76 | 5,044 | |
| | Chipstar Tech Corporation/stock/common stock | Investee with 10.95% of shares held | Financial assets at FVTOCI - non-current | 698 | 4,516 | 10.95 | 4,516 | |

Note 1: Because the public company Unity Opto Technology co., Ltd. (hereinafter referred to as Unity Opto) failed to publish its financial statements for 2019 Q4 prior to a deadline as required by law, its stock stopped to be traded starting from April 7, 2020 as instructed by the Taiwan Stock Exchange on April 1, 2020. After prudent evaluation, the Company recognized all shares of Unity Opto held as financial asset valuation losses.

Note 2: Refer to Table 3 for the information on subsidiaries and associates.

TYNTEK Corporation
Information on Investees
January 1 to December 31, 2022

Table 3

Unit: In thousand of New Taiwan Dollars/Thousand Shares

| Investor | Investor Company | Location | Main Businesses and Products | Investment Amount | | As of March 31, 2021 | | | Gains (losses) on investee | Gains (losses) on investment recognized by the Company | Remarks |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | March 31, 2021 | March 31, 2020 | Shares | Percentage (%) | Carrying amount | | | |
| TYNTEK Corporation | TEK Holding Co., Ltd. | 3RD FLOOR, YAMRAJ BUILDING, MARKET SQUARE, ROAD TOWN, TORTOLA, BRITISH VIRGIN ISLANDS. | Investment in various overseas businesses | $ 258,290 | $ 258,290 | 6,700 | 100.00 | $ 267,383 | ( $ 6,295 ) | ( $ 6,295 ) | |
| | Long Benefit Investment Co., Ltd. | No. 15, Kezhong Road, Dingpu Village, Zhunan Township, Miaoli County | General investment | 185,000 | 185,000 | 42,390 | 100.00 | 285,214 | ( 205,350 ) | ( 205,350 ) | |
| | Hsinjing Holding Co., Ltd. | 3F-1, No. 193, Fuxing 2nd Road, Zhubei City, Hsinchu County | General investment | 591,378 | 591,378 | 17,794 | 22.79 | 165,874 | 72,201 | 16,455 | |
| | Coretech Optical Co., Ltd. | 7F-6, No. 35, Xintai Road, Zhubei City, Hsinchu County | Machinery, electronic components, power generation, transmission, and distribution machinery, as well as precision equipment manufacturing | 5,000 | 5,000 | 200 | 2.08 | 2,445 | 19,440 | 405 | |
| | Keeper Technology | No. 29, Wuquan 7th Road, Wugu District, New Taipei City | Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery. | 30,000 | 30,000 | 3,000 | 21.43 | 20,134 | ( 7,723 ) | ( 1,655 ) | |
| | Xu Qi Co., Ltd. | No. 1387, Renai Road, Zhunan Township, Miaoli County | Lighting Equipment Manufacturing | - | 8,500 | - | - | - | - | - | Note |
| TEK Holding Co., Ltd. | Keyway International L.L.C. | 3500 South Dupont Highway, Dover, Delaware 19901, U.S.A. | Investment in various overseas businesses | 258,768 | 258,768 | - | 100.00 | 264,496 | ( 6,314 ) | ( 6,314 ) | |
| Long Benefit Investment Co., Ltd. | Coretech Optical Co., Ltd. | 7F-6, No. 35, Xintai Road, Zhubei City, Hsinchu County | Machinery, electronic components, power generation, transmission, and distribution machinery, as well as precision equipment manufacturing | 25,228 | 25,228 | 2,000 | 20.81 | 24,460 | 19,440 | 4,045 | |
| | Keeper Technology | No. 29, Wuquan 7th Road, Wugu District, New Taipei City | Mechanical installation, retail and wholesale of electronic materials, automobile and scooter parts and accessories, traffic sign equipment and other machinery, as well as manufacturing of lighting equipment and other machinery. | 48,977 | 48,977 | 5,711 | 40.79 | 38,324 | ( 7,723 ) | ( 3,151 ) | |
| Keeper Technology | Global Unity Int'l Co., Ltd. | Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius | Investment in various overseas businesses | 32,376 | 32,376 | 1,000 | 100.00 | 1 | ( 9,128 ) | ( 9,128 ) | |
| Global Unity Int'l Co., Ltd. | Creation New Technology Inc. | Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road. Apia Samoa | Investment in various overseas businesses | 32,376 | 32,376 | 1,000 | 100.00 | 1 | ( 9,128 ) | ( 9,128 ) | |

Note: Xuqi Co., Ltd.'s liquidation was completed in March 2022.

TYNTEK Corporation
Information on investments in Mainland China
January 1 to December 31, 2022

Table 4

Unit: Unless otherwise indicated,
In Thousands of New Taiwan Dollars

I. Information on investments in mainland China:

(I) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, gains or losses on investment, carrying amount of the investment, and repatriations of investment income:

| Name of Investee | Main Businesses and Products | Paid-in Capital | Method of Investments | Accumulated Investment Amount from Taiwan at Beginning of Period | Investment Flows | | Accumulated Investment Amount from Taiwan at End of Period | % Ownership of Direct or Indirect Investment | Gains (losses) on Investment | Carrying Amount of Investments at End of Period | The Repatriated Proceeds of Investments as of This Period |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | |
| Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. | Other light-emitting diode production and sales business | $ 258,290 ( US$ 6,700,000 ) | Investment in China via a company set up in a third region | $ 475,208 ( US$ $14,500,000) ) | $ - | $ 216,918 ( USD 7,800 NT$ thousand ) | $ 258,290 ( US$ 6,700,000 ) | 100% | ( $ 6,317 ) | $ 264,476 | $ - |
| Fujian Zhaoyuan Photoelectric Co., Ltd. | Other light-emitting diode production and sales business | 6,692,823 (CNY 1,437,000,000) | Direct investment in companies in China | 468,652 ( US$ 8,565,000 and CNY 45,890 thousand ) | - | - | 468,652 ( US$ 8,565,000 and CNY 45,890 thousand ) | 4.28% (Note) | - | - | - |
| Kaishin Technology (Wuhan) Corporation | R&D and manufacturing of LED lighting equipment products, electronic component manufacturing, automobile parts manufacturing, as well as electrical appliances and audiovisual electronic products manufacturing | 32,376 ( US$ $1,000,000 ) | Investment in China via a company set up in a third region | 32,376 ( US$ $1,000,000 ) | - | - | 32,376 ( US$ $1,000,000 ) | 62.22% | ( 5,679 ) | 1 | - |

Note: The Company failed to subscribe to shares arising from capital increase in the proportion of the ownership and disposed of a portion of its investment equity in the company in June 2018 and thus lost significant influence. Therefore, it was reclassified as financial assets measured at FVTPL.

(II) Limit on investment amount in mainland China:

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2021 | Investment Amount Authorized by Investment Commission, MOEA | Limit on Investment Amount Stipulated by Investment Commission, MOEA |
|---|---|---|
| $742,324 (USD 15,749 thousand and CNY 45,890 thousand) | $742,370 (USD 23,042 thousand) | $2,376,051 |

TYNTEK Corporation
Significant Transactions with Investee Companies in Mainland China, Either Directly or Indirectly Through a Third Party and Their Prices, Payment Terms, Unrealized Gains Or Losses and Relevant Information
January 1 to December 31, 2022

Table 5

Unite: In Thousands of New Taiwan Dollars, Unless Stated Otherwise

| Name of Investee | Transaction Type | Amount | Transaction Terms | | | Accounts Receivable (Payable) | | Unrealized Gains or Losses |
|---|---|---|---|---|---|---|---|---|
| | | | Price | Payment Term | Comparison with General Transaction | Balance | Percentage | |
| Yuanmao Opto-electronic Technology (Wuhan) Co., Ltd. | Contract processing | $ 109,461 (Processing expense) | By negotiation | T/T | O/A with net 120 days | Processing expense payable $ 11,779 | 5.71% | $ - |

TYNTEK Corporation
Information on main investors
December 31, 2022

Table 6

| Name of major shareholder | Shares | |
|---|---|---|
| | Shares held (shares) | Shares Ratio |
| Ennostar Inc. | 23,799 thousand | 7.91% |

Note: The information on major shareholders in this table is calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter when the shareholders as a whole hold at least 5% of the ordinary shares and preference shares with the dematerialized registration and delivery (including treasury shares) completed. The share capital in the Company's consolidated financial statements and the actual number of shares with the dematerialized registration and delivery completed may differ due to different calculation bases.

# TYNTEK Corporation

# Chairman: Lee, Biing-Jye

Address of Headquarter: No. 15, Kezhong Rd., Zhunan Township, Miaoli County, Hsinchu Science Park

Address of Branch: No. 1387 and 1389, Ren-Ai Rd., Zhunan Science Park, Zhunan Township, Miaoli County

Tel of Headquarter: (037)582997

Tel of Branch: (037)582997

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