Stock Code:5355

**GIA TZOONG ENTERPRISE CO., LTD.**

# 2022

# Annual Report

**Published on May 11, 2023**
**This annual report is available at http://mops.twse.com.tw**
**The Company's website: http://www.gia-tzoong.com.tw**

## 1. Spokesperson or acting spokesperson

1、 Spokesperson

Name : CHAN KUAN MIN

Title : Assistant Vice President of Management Division

Tel No. : (03)366-7382

E-mail : miin@gia-tzoong.com.tw

2、 Acting spokesperson

Name : WU CHIA LI

Title : Vice Chief of Finance Department

Tel No. : (03)366-7382

E-mail : janice@gia-tzoong.com.tw

## 2. Address and Tel No. of Company and Factory

Address : No. 39-4, Xingbang Rd., Taoyuan District, Taoyuan City

Tel No. : (03)366-7382

Fax No.: (03)367-6010

## 3. Agency handling shares transfer

Name: Agency Department, CTBC Bank

Address : 5F, No. 83, Sec. 1, Chongqing S. Rd., Zhongzheng District, Taipei City 100

Tel No. : (02)6636-5566

Website : https://ecorp.ctbcbank.com/cts/index.jsp

## 4. The certified public accountants who duly audited the annual financial report for the most recent year

Name of Accounting Firm : Baker Tilly Clock & Co.

Names of CPAs : TSENG KUO FU, CHENG HSIEN HSIU

Address : 14F, No. 111, Sec. 2, Nanjing E. Rd., Taipei City 104 (Top floor)

Tel No.: (02)2516-5255

Website: http://www.clockcpa.com.tw/index.htm

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

## 6. The address of the Company's website

http://www.gia-tzoong.com.tw/

# Contents

# I. Report to the shareholders

Dear shareholders,

I would like to report to all shareholders on our operations in 2022 as follows:

## I. Introduction

The Company reported operating revenues of NT$490,883 thousand and net income after tax of NT$(68,344) thousand for 2022, with net income after tax of NT$(0.46) per share.

The decrease in operating income and gross profit in 2022 was primarily due to a 26% decrease in operating income. Operating expenses decreased slightly from the previous year, while operating loss increased from the previous year, primarily due to the impact of the global recession. In terms of non-operating income and expenses, the Company recognized a gain on the disposal of real estate by an investee company and a foreign exchange gain in 2022, resulting in positive non-operating income and expenses for both years.

Looking ahead to 2023, the Company has been developing various products and technologies in recent years, and will continue to research and develop high-end blind submerged hole type Mini-LED circuit board products, submerged hole board HDI products, and power IC module circuit boards to improve the design structure and enhance weather resistance. For DBC laminated ceramic substrates, the Company has been optimizing the manufacturing process to improve yields. Moreover, the Company continues to invest in the development of high-end HDI circuit board products and new products for ALN ceramic substrates.

With regard to capital expenditures, the Company has continued to invest in capital expenditures such as equipment optimization and the purchase of new machinery and equipment this year in order to improve production efficiency and develop new products in the hope of becoming an expert manufacturer of DBC laminated ceramic substrates.

We will not only continuously strengthen our corporate governance and practice environmental sustainability, but also pay close attention to the impact of laws and regulations that we must follow in our operations on our finances, business, and production. We aim to enhance our awareness of environmental sustainability and fulfill our corporate social responsibility by cooperating with upstream and downstream suppliers and customers.

GIA TZOONG is grateful to the customers and supplier partners for their help and contribution, and to the shareholders for their long-term support, and to the management team and employees for their hard work and dedication.

## II. 2022 Annual Business Report

(1) Comparative analysis of operating results

1. Consolidated — Unit: NT$ thousand

| Item | 2022 | 2021 | Variation ratio |
|---|---|---|---|
| Operating revenue | 490,883 | 665,878 | -26% |
| Operating costs | (558,130) | (696,900) | -20% |

| | | | |
|---|---|---|---|
| Gross operating profit | (67,247) | (31,022) | 117% |
| Operating expenses | (85,016) | (91,394) | -7% |
| Operating profit | (152,263) | (122,416) | 24% |
| Non-operating revenue and expense | 88,218 | 60,581 | 46% |
| Net profit before tax | (64,045) | (61,835) | 4% |
| Income tax expense | (4,299) | (45,747) | -91% |
| Net profit for current year | (68,344) | (107,582) | -36% |

2. Parent company-only Unit: NT$ thousand

| Item | 2022 | 2021 | Variation ratio |
|---|---|---|---|
| Operating revenue | 477,113 | 641,439 | -26% |
| Operating costs | (551,912) | (686,387) | -20% |
| Gross operating profit | (74,799) | (44,948) | 66% |
| Operating expenses | (72,764) | (75,226) | -3% |
| Operating profit | (147,563) | (120,174) | 23% |
| Non-operating revenue and expense | 75,044 | 16,108 | 366% |
| Net profit before tax | (72,519) | (104,066) | -30% |
| Income tax expense | (4,285) | (7,997) | -46% |
| Net profit for current year | (76,804) | (112,063) | -31% |

(2) Budget implementation: Does not apply

(3) Financial position and profitability analysis:

1. Financial position

(1) Consolidated

| Year / Item | 2022 | 2021 |
|---|---|---|
| Cash inflows (outflows) | (377,546) | 128,756 |
| Debt ratio(%) | 15 | 37 |
| Current ratio(%) | 609 | 231 |

(2) Parent company-only

| Year / Item | 2022 | 2021 |
|---|---|---|
| Cash inflows (outflows) | (213,327) | (28,447) |
| Debt ratio(%) | 15 | 18 |
| Current ratio(%) | 590 | 457 |

2. Profitability analysis

(1) Consolidated

| Analysis item \ Year | | | 2022 | 2021 |
|---|---|---|---|---|
| Profitability | Return on assets(%) | | (3.77) | (4.70) |
| | Return on shareholders equity(%) | | (5.36) | (8.30) |
| | Ratio to paid-in capital Ratio(%) | Operating profit | (9.17) | (7.37) |
| | | Net profit before tax | (3.86) | (3.72) |
| | Net profit margin(%) | | (13.92) | (16.16) |
| | Earnings per share (NT$) | | (0.46) | (0.67) |

(2) Parent company-only

| Analysis item \ Year | | | 2022 | 2021 |
|---|---|---|---|---|
| Profitability | Return on assets(%) | | (5.01) | (6.66) |
| | Return on shareholders equity(%) | | (6.10) | (8.30) |
| | Ratio to paid-in capital Ratio(%) | Operating profit | (8.88) | (7.23) |
| | | Net profit before tax | (4.37) | (6.26) |
| | Net profit margin(%) | | (16.10) | (17.47) |
| | Earnings per share (NT$) | | (0.46) | (0.67) |

(4) Research and development status

1. Technologies and products developed successfully
   (1) High-end blind/buried via Mini-LED circuit board product research and development.
   (2) 35/35um buried via HDI product research and development.
   (3) Power IC module circuit board, with improved design structure and increased weather resistance.
   (4) DBC laminated ceramic substrates, with optimized manufacturing process and enhanced yield rate.

2. Research and development plan for the coming year
   (1) High-end HDI (3+ level) circuit board product research and development.
   (2) Any layer circuit board product research and development.
   (3) Power IC module double-sided copper-convex circuit board, with optimized manufacturing process and enhanced yield rate.
   (4) ALN ceramic substrate product research and development.

## III. Summary of 2023 Business Plan:

(I) Business Strategy

1. Operations: We will fulfill our corporate social responsibility, strengthen Board of Directors functions, establish a good corporate governance system and a corporate culture of honest management, as well as create a positive social environment and a friendly working environment.
2. Business: We will focus on the industrial control, healthcare, energy storage, and automotive markets, as well as increase the proportion of HDI, high level, and thick copper products, while expanding into DBC high power products.
3. Manufacturing: We will continuously invest in new equipment to strengthen our manufacturing capacity and offer competitive products to our customers. We will provide customers with good quality and competitive prices that meet their needs.
4. R&D: We will focus on the global market and in-depth cooperation with customers to develop high-value products with potential that aligns with market trends. We will also continue to develop niche markets such as power IC module circuit boards and copper-laminated ceramic substrates.
5. Management: We will reinforce our employees' expert skills in accordance with the Company's development needs and value them in order to maintain their competitiveness. We will continue to pay attention to environmental protection issues and a friendly workplace environment.

(II) Estimated sales volume and basis

The Company is primarily in the supply chain of high thermal conductivity products, industrial control, healthcare, and microwave radio frequency devices. The Company's niche and market development trends are as follows:

1. Single-sided multi-layer metal heat sink printed circuit boards:
   For display backlight products, outdoor lighting, automotive motor control and battery equipment, high-power power supply equipment, and products requiring high heat sink function. Sales are expected to grow slightly.
2. Double-sided and multi-layer printed circuit boards:
   For mini LED displays, data storage devices, surveillance devices, servers, telecommunication network equipment, energy storage equipment, satellite telecommunication equipment, industrial automation related equipment, and medical equipment, etc. Sales are expected to grow slightly.
3. Ceramic boards and special material circuit boards:
   For solar power supply systems, automotive charging devices, microwave systems, high frequency wireless systems, and power system. Samples of these products have been delivered last year and this year; we foresee a chance to go into small-quantity production this year.
4. Flexible and rigid combination circuit boards:
   For flash modules, automotive parts, cell phone parts, cell phone battery modules, medical devices, etc. Sales are expected to remain unchanged.

(III) Important production and sales policies

1. Production and marketing policy: The Company's goal is to have a stable production and marketing policy, to reduce inventory risks via order-based production, and to effectively allocate orders to assess risk and reward in real time.
2. Customer Satisfaction: We provide strict quality control, prompt delivery, and good service to flexibly meet customers' needs.
3. Technology enhancement: We upgrade our equipment to conform to customers' needs, and continuously improve our production technology capacity and yield rates to cope with future market competition.

(IV) Future development strategies, external competition, regulatory environment and overall business environment that will affect the Company:

1. In terms of future development strategies:
   (1) Establishing a sound corporate governance system and structure.
   (2) Attaching importance to corporate social responsibility.
   (3) Planning for innovative products.
2. With respect to external competition:
   (1) Continuously developing new products.
   (2) Introducing new manufacturing processes and effectively reducing costs.
   (3) Strengthening employee productivity.
3. In respect of regulatory environment:

   The Company continues to pay attention to tax, accounting, environmental, and labor issues. If we find any issues relevant to the Company's operation and development, we will plan action measures to deal with risks and opportunities, integrate action plans and evaluation actions into the Company's operation process, and conduct supervision, measurement, analysis and assessment to adjust the Company's development strategies in a timely manner.
4. Concerning the overall business environment:

   The overall business environment has become increasingly complex due to various factors such as the pandemic, geopolitical risks, inflation, monetary tightening policies, increasing interest rates, and fluctuations in exchange rates. The Company pays ongoing, close attention to changes in the overall environment and carefully formulates the best business strategy. Changes and fluctuations are difficult to predict and manage, thus causing outlooks for different policies to become more extreme. This causes the Company to operate with great uncertainty. In the current situation, changes in economic activities are even more challenging. In the face of environmental changes, the development of renewable energy, and the elimination of fossil fuels, the Company will adjust our strategy in a timely manner to respond to the impact of these risks.

Finally, we wish you good health and great fortune!

Chairman: Cheng An Investment Co. Ltd.
Representative: Tseng Chi-li

Chief Executive Officer: Tseng Chi-li

Chief Accounting Officer: Chan Kuan-min

# II. Company profile

1. Date of incorporation: September 19, 1988
2. Brief history of the Company

| | | |
|---|---|---|
| 1998 | ★ | Officially listed on the OTC on June 23, 1998. |
| 2001 | ★ | Passed ISO14001 environmental quality certification. |
| 2003 | ★ | Bought back the Company's treasury stocks. |
| 2004 | ★ | Issued the first guaranteed convertible corporate bond in our country in 2004. |
| 2005 | ★ | Began to purchase the land for grading and site preparation for the factory in Jiangmen, Guangdong, China. |
| 2006 | ★ | Completed the capital reduction and short-form merger of the subsidiary Jia Hong Investment Co., Ltd. |
| | ★ | Issued the second guaranteed convertible corporate bond in 2006. |
| | ★ | Purchased land and buildings from Hsin Chieh Company and Hou Chieh Company to expand production capacity. |
| 2007 | ★ | Issued employee stock option certificates. |
| | ★ | Reelected TSENG CHI LI as the chairman and president. |
| | ★ | Board of Directors resolved to appoint TSENG CHI LI to replace LEE MAO SHENG to serve as the chairman of the subsidiary in China. |
| 2008 | ★ | Undertook the private placement of ordinary shares and held the second extraordinary shareholders meeting. |
| | ★ | Completed the reconstruction of the newly added factory building and moved in the office equipment. |
| 2009 | ★ | Passed TS-16949 certification for the automotive industry in November 2009. |
| | ★ | Applied metal core printed circuit boards (MCPCBs) to large size LED TVs. |
| | ★ | Issued employee stock option certificates. |
| 2010 | ★ | Established the overseas subsidiary - SUMMIT LEGEND LIMITED CO., LTD. |
| 2011 | ★ | Dissolved the investee company Po Hsin Development Technology Co., Ltd. by a resolution of the shareholders meeting on February 21, 2011, which was approved by letter No. Ching-Ching-Shou-Chung-Tzu-1003168211 on February 24, 2011. |
| | ★ | Board of Directors resolved to dissolve the subsidiary SUMMIT LEGEND LIMITED on June 24, 2011. |
| | ★ | Board of Directors resolved to issue the third guaranteed corporate bond. |
| | ★ | Planned to reinvest in the establishment of a company in Samoa through the equity transfer by the subsidiary Gia Tzoong (BVI) due to the restructuring of the overseas investment. |
| | ★ | Set up the Compensation and Remuneration Committee, appointed the members of the Compensation and Remuneration Committee, and formulated the organizational rules of the Compensation and Remuneration Committee. |
| 2013 | ★ | Board of Directors resolved to dispose of the land and building of Factory 2, with a total transaction amount of NT$70 million (No. 39-7, Xingbang Road, Lot No. 1875-4, Dashulin Section, Taoyuan City, Taoyuan County). |
| 2014 | ★ | Bought back the Company's treasury shares and processed a capital reduction of NT$19,340,000. After the capital reduction, the paid-in capital was in the amount of NT$1,665,627,000. |
| | ★ | Curved LED backlighting aluminum substrate technology. |

| | |
|---|---|
| 2015 | ★ Entered the Xiaomi TV supply chain, becoming one of the top three suppliers of double-sided aluminum panels. |
| | ★ Supplied automotive lighting boards and obtained client recognition from European, American, and Japanese car manufacturers. |
| | ★ Growth driven mainly by large-size / curved / 4K2K TVs. |
| | ★ Bought back the Company's treasury shares and processed a capital reduction of NT$76,000,000. After the capital reduction, the paid-in capital was in the amount of NT$1,661,228,000. |
| | ★ Added the die processing process. |
| 2016 | ★ 3D lines. |
| | ★ Self-developed patented LED light bars with built-in light steel frames for sale. |
| 2017 | ★ Obtained the certification of Taiwan BSMI and American UL safety regulations for invisible LED lamps. |
| | ★ Changed the internal audit supervisor. |
| | ★ Distribution of cash dividends by the subsidiary PSC (H.K.) Electronics Limited. |
| | ★ Established a new company – Puyu Investment Co., Ltd. through reinvestment. |
| 2018 | ★ Completed the establishment registration of the subsidiary Puyu Investment Co., Ltd. in March 2018. |
| | ★ Acquisition of the land and factory building by the subsidiary Puyu Investment Co., Ltd. |
| | ★ Established a new company in China through indirect reinvestment by the overseas subsidiary. |
| | ★ Obtained patents for light steel frame lamps and the lamp manufacturing process. |
| 2019 | ★ Approved the establishment of Gia Tzoong (ShenZhen ) Ltd. in July 2019. |
| | ★ Passed the disposal of investee company Jiangmen PSC Electronics Ltd. in China and the share swap by PSC (H.K.) Electronics Limited. |
| | ★ Dismissed the chairman of the Company, TSENG CHI LI; and elected the corporate director Cheng An Investment Co., Ltd. as the chairman. |
| | ★ Obtained the patent for the copper foil air escape structure of the composite substrate. |
| 2020 | ★ Completed the disposal of the subsidiary Jiangmen PSC Electronics Ltd. in July 2020. |
| | ★ Cash capital increase undertaken by the subsidiary Puyu Investment Co., Ltd. in the amount of NT$50 million, for which the Company completed the subscription in the amount of NT$40 million on July 31, 2020. |
| | ★ Completed the deregistration of the subsidiary Gia Tzoong Circuit Enterprise Co., Ltd. on August 7, 2020. |
| | ★ Capital reduction and return of share capital undertaken by the subsidiary PSC Enterprise Co., Ltd. in August 2020: the share capital was originally in the amount of US$22,725,590.20; after the capital reduction of US$13,000,590.20 with the capital reduction ratio of 57.21%, the share capital after capital reduction was in the amount of US$9,725,000. |
| 2021 | ★ Disposal of two lots of land and factory buildings by the subsidiary Puyu Investment Co., Ltd. |

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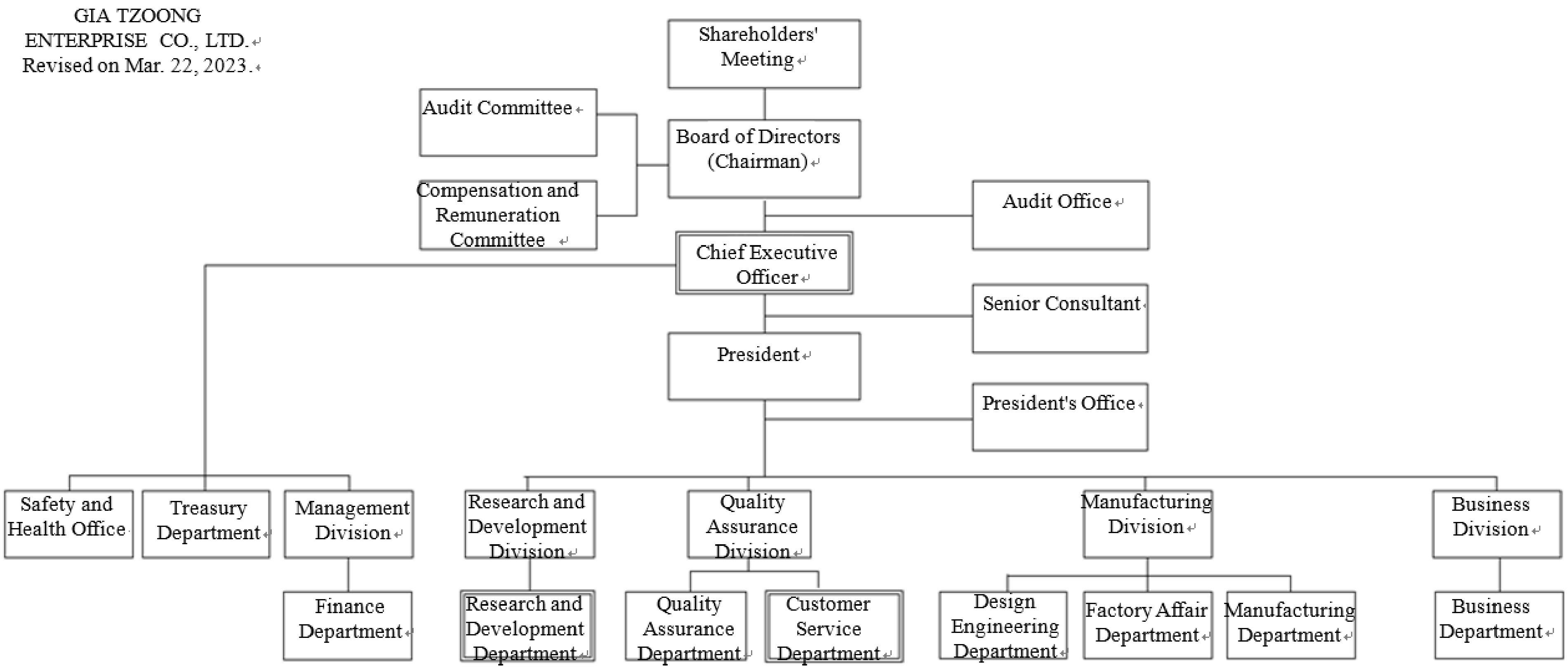
|---|---|
| 2022 | ★ Announced the establishment of the Company's first term of the Audit Committee. |
| | ★ Capital reduction undertaken by the subsidiary Puyu Investment Co., Ltd. in the amount of NT$110 million. |
| 2023 | ★ Purchased 20% of the equity in the subsidiary Puyu Investment Co., Ltd., making it a 100% subsidiary of the Company. |

# III. Corporate governance report

1. Organizational system



| Business of each major department |
| --- |
| Audit Office: regular and irregular audits of various internal control operations. |
| Safety and Health Office: formulation, planning, supervision, and promotion of safety and health management matters. |
| Management Division: includes the Finance Department, Human Resources Management Section, Information Office, Environmental Engineering Section, and other departments.<br>a. Finance Department: in charge of financial management, capital reallocation, accounting operations, annual budget, and business analysis.<br><br>b. Human Resources Management Section: in charge of personnel management, general affairs, administrative procurement, factory building repair and expansion, etc.<br><br>c. Information Office: maintenance of the network, MIS system, computer room facilities, as well as software and hardware equipment.<br><br>d. Environmental Engineering Section: the implementation and management of air pollution control, water pollution control, waste management, noise control, and other business, as well as the implementation of ISO 14001. |
| Business Division: includes the business departments.<br><br>In charge of market development, product sales, export business, as well as related business investigation and planning. |
| Treasury Department: Purchase Section.<br><br>In charge of the procurement negotiation and follow-up of raw materials and materials. |
| Manufacturing Division: includes the Manufacturing Department, Factory Affairs Department, Design Engineering Department, and other departments.<br><br>a. Manufacturing Department: in charge of the implementation and improvement of manufacturing tasks, manufacturing techniques, and other business, including the Inner Layer Section, Drilling Section, Dry Film Section, Quality Inspection Section, Solder Resistance Section, Electroplating Section, Press Section, Molding Section, Sample Section, Manufacturing Engineering Section, and other departments.<br><br>b. Factory Affair Department: in charge of the production, repair, and maintenance of electrical equipment. |

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|---|
| c. Design Engineering Department: in charge of the preliminary operations and fixtures of samples and new products. |
| Quality Assurance Division: includes the Quality Assurance Department. Subunits are the Quality Control Section and Quality Assurance Section. The Quality Control Section is in charge of the operation of the quality management system and the implementation of the quality control system, so as to properly implement quality management and related business plans and reviews. The Quality Assurance Section is in charge of client service, quality assurance, abnormality handling, etc. |
| Research and Development Division: research and improvement of production technology, development and evaluation of automation equipment and new materials for production, research and development, analysis and trial production of new products. |

2. Profiles of Directors, Supervisors, Presidents, Vice Presidents, Assistant Vice Presidents, Division Heads, and Branch Heads

（1）Profiles of Directors and Supervisors

April 16, 2023

| Title | Nationality or place of registration | Name | Gender/Age | Election (Appointment) Date | Term of office | Initial Election Date | Shares at Election | | Current shareholding | | Current shareholding held by spouse & minor children | | Shareholding held through nominees | | Principal work experience and academic qualifications | Position(s) held concurrently in the company and/or in any other company | Other officer, directors or supervisors with a spousal or other second degree of kinship | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | | | Title | Name | Relation | |
| Chairman | R.O.C. | Cheng An Investment Co., Ltd. | -<br>15 | June 16, 2022 | 3 years | Aug. 22, 2008 | 1,242,134 | 0.75% | 1,242,134 | 0.75% | 0 | 0% | 0 | 0 | | None | None | None | None | Note 1 |
| | | Representative - TSENG CHI LI | Male<br>61-70 | | | | 0 | 0.00% | 9,561,794 | 5.76% | 819,405 | 0.49% | 0 | 0 | Graduated from Dept. of Law, Fu Jen Catholic University<br>Boxin Enterprise Co., Ltd.－Bussiness Manager | GIA TZOONG ENTERPRISE CO., LTD.-Chief Executive Officer<br>Puyu Investment Co., Ltd.-Chairman | None | None | None | |
| Director | R.O.C. | LEE MAO TONG(note 2) | Male<br>71-80 | June 16, 2022 | 3 years | Sep. 19, 1988 | 5,276,660 | 3.18% | 5,276,660 | 3.18% | 3,069,371 | 1.85% | 0 | 0 | Graduated from junior high school<br>Po Hsin Development Technology Co., Ltd.－Chairman and President | None | None | None | None | |
| Director and Vice President of Manufacturing Division | R.O.C. | LEE WEI HSIN | Male<br>51-60 | June 16, 2022 | 3 years | June 17, 2013 | 3,452,993 | 2.08% | 3,452,993 | 2.08% | 358 | 0.00% | 0 | 0 | Graduated from Chinese Culture University | GIA TZOONG ENTERPRISE CO., LTD.-Vice President of Manufacturing Division | None | None | None | |
| Independent Director | R.O.C. | WU TSENG FENG | Male<br>61-70 | June 16, 2022 | 3 years | June 17, 2016 | 0 | 0.00% | 0 | 0.00% | 0 | 0% | 0 | 0 | Graduated from Department of Business Administration, National Chengchi University,<br>President of Cisco International Taiwan, Ltd. | President of Taiwan Area, Veritas Technologies(Taiwan) Co., Ltd. | None | None | None | |
| Independent Director | R.O.C. | TAI KUO MING | Male<br>61-70 | June 16, 2022 | 3 years | June 17, 2016 | 0 | 0.00% | 0 | 0.00% | 0 | 0% | 0 | 0 | Graduated from Dept. of Accountancy, National Cheng Kung University<br>Stock Agency Department, Taishin International Bank-Vice President | Cheng Mei Materials Technology Corporation-Consultant | None | None | None | |
| Independent Director | R.O.C. | TUAN MU CHENG | Male<br>51-60 | June 16, 2022 | 3 years | June 12, 2020 | 0 | 0.00% | 0 | 0.00% | 0 | 0% | 0 | 0 | Master of Business Administration-Drexel University, USA<br>Certified Public Accountant of Genie Joint CPA Firm | Certified Public Accountant of Jing Hua Accounting Firm<br>Independent Director - Fubon Securities Co., Ltd.<br>Oriental System Technology Inc.-Independent Director<br>Wits Academy Co., Ltd.-Director<br>Xinyue Biotechnology Co., Ltd.-Director<br>E&T Venture Co., Ltd.-Director<br>RICOTTA Industry Co., Ltd.-Director<br>Supervisor of Golden Circles Design Company<br>Supervisor of Aquarium Division Ministry CO., LTD. | None | None | None | |
| Independent Director | R.O.C. | HUNG WEN MING | Male<br>61-70 | June 16, 2022 | 3 years | June 13, 2018 | 0 | 0.00% | 0 | 0.00% | 0 | 0% | 0 | 0 | Dept. of Political Science, Soochow University<br>EMBA, National ChengChi University<br>Executive Vice President of Yuanta Life Insurance Co., Ltd. | Integrated Service Technology Inc.-Independent Director | None | None | None | |

Note 1: The representative of the chairman of the Company and the CEO are the same person, which improves the efficiency of management and decision-making. Management and approval decisions are subject to the approval hierarchy rules, and all major decisions are submitted to the Board of Directors in accordance with the rules. The Company established the Audit Committee on June 16, 2022, and the number of independent directors has been increased to four seats to strengthen the supervisory function of the Board of Directors. More than half of the directors do not concurrently serve as employees. Please refer to the positions in affiliated companies specified in the special recorded items of this annual report (page 111) for details.

Note 2: The director LEE MAO TONG was initially appointed in September 1988, dismissed in April 2002, and elected on June 17, 2016.

(2) Major shareholders of corporate shareholder

April 16, 2023

| Name of corporate shareholder | Major shareholders of corporate shareholder |
| --- | --- |
| CHENG AN INVESTMENT CO., LTD. | YU MIN HUI (50%), KENG TING(50%) |

(3) Disclosure of Professional Qualifications of Directors and Supervisors and Independence of Independent Directors

1. Professional Qualifications of Directors and Supervisors

| Conditions / Name | Professional qualifications and experience | Independent status | Number of other public companies in which the individual is concurrently serving as independent director |
|---|---|---|---|
| Chairman: Cheng An Investment Co., Ltd. | 1. A professional investment institution<br>2. He is not under any circumstances specified in the provisions of Article 30 of the Company Act. | Not applicable | 0 |
| Director: LEE MAO TONG | 1. GIA TZOONG ENTERPRISE CO., LTD.-President<br>2. He is not under any circumstances specified in the provisions of Article 30 of the Company Act. | Not applicable | 0 |
| Director: LEE WEI HSIN | 1. GIA TZOONG ENTERPRISE CO., LTD.-Vice President of Manufacturing Division<br>2. He is not under any circumstances specified in the provisions of Article 30 of the Company Act. | Not applicable | 0 |
| Independent Director: WU TSENG FENG | 1. President of Cisco International Taiwan, Ltd.<br>2. President of Taiwan Area, Veritas Technologies(Taiwan) Co., Ltd.<br>3. He is not under any circumstances specified in the provisions of Article 30 of the Company Act. | Complied with the provisions of the various subparagraphs of Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies (Note 1) | 0 |
| Independent Director: TAI KUO MING | 1. Chief Financial Officer, Finance Department, Headquarters, Taiwan Securities Co., Ltd.<br>2. Vice President of Stock Agency Department, Taishin International Bank<br>3. Consultant of Cheng Mei Materials Technology Corporation<br>4. He is not under any circumstances specified in the provisions of Article 30 of the Company Act. | Complied with the provisions of the various subparagraphs of Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies (Note 1) | 0 |
| Independent Director: TUAN MU CHENG | 1. Certified Public Accountant of Jing Hua Accounting Firm<br>2. Independent Director – Fubon Securities Co., Ltd.<br>3. Independent Director of Oriental System Technology Inc.<br>4. He is not under any circumstances specified in the provisions of Article 30 of the Company Act. | Complied with the provisions of the various subparagraphs of Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies (Note 1) | 2 |
| Independent Director: HUNG WEN MING | 1. Executive Vice President of Yuanta Life Insurance Co., Ltd.<br>2. Independent Director of Integrated Service Technology Inc.<br>3. He is not under any circumstances specified in the provisions of Article 30 of the Company Act. | Complied with the provisions of the various subparagraphs of Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies (Note 1) | 1 |

Note 1: According to Paragraph 1, Article 3 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, "During the two years before being elected or during the term of office, an independent director of a public company may not have been or be any of the following:

1. An employee of the company or its affiliates.
2. A director or supervisor of the company or any of its affiliates.
3. A natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
7. If the chairman, president, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
8. A director, supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
9. A professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations."

2. Diversity and independence of the Board of Directors:

(1) Board diversity:

In order to achieve sustainable and balanced development as well as increasing diversity of the Board of Directors, when setting the composition of the Board of Directors, in addition to ensuring that the number of the directors who are also managers of the Company shall not exceed one third of the director seats, the Company also considers the diversity of the Board of Directors from various aspects, including but not limited to the gender, age, culture, educational background, ethnicity, professional experience, skills, knowledge, and field of work. Members of the Board of Directors shall generally possess the knowledge, skills and literacy necessary to perform their duties. In order to achieve the ideal goal of corporate governance, the overall Board of Directors possesses the following capabilities:

1) Judgment on operation.
2) Accounting and financial analysis.
3) Operations management.
4) Crisis handling.
5) Industrial knowledge.
6) International market outlook.
7) Leadership.
8) Decision making.

Currently, the Company's Board of Directors has a total of seven directors (including four independent directors). Regarding the overall composition of the Board of Directors, it is composed of different genders, ages, professional knowledge and backgrounds, with the members possessing extensive experience and expertise in the areas of operations management, leadership, decision making, industry knowledge, finance and accounting, law, international outlook, etc. The relevant implementation status is as follows:

| Diversity Core Item/ Name of Director | Gender | Age | | | Operations management | Leadership dicision making | Industrial knowledge | Financial and accounting | Law | international outlook |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 51-60 | 61-70 | 71-80 | | | | | | |
| Cheng An Investment Co., Ltd./TSENG CHI LI | Male | | v | | v | v | v | v | v | v |
| LEE MAO TONG | Male | | | v | v | v | v | v | | |
| LEE WEI HSIN | Male | v | | | v | v | v | | | |
| TAI KUO MING | Male | | v | | v | v | | v | | |
| WU TSENG FENG | Male | | v | | v | v | | | | v |
| TUAN MU CHENG | Male | v | | | v | v | v | v | | v |
| HUNG WEN MING | Male | | v | | v | v | | v | | |

(2) Board independence:

Currently, the Company has four independent directors, accounting for 57% of all directors. All four independent directors meet the requirements for independence. No directors of the Company are spouses or relatives within the second degree of kinship, and the operation of the Board of Directors is independent.

(4) Profiles of Presidents, Vice Presidents, Assistant Vice Presidents, Division Heads, and Branch Heads

April 16, 2023

| Title | Nationality | Name | Gender | Election (Appointment) Date | Shareholding | | Shareholding held by spouse & minor children | | Shareholding held through nominees | | Principal work experience and academic qualifications | Position(s) held concurrently in any other company | Manager with a spousal or other second degree of kinship | | | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | Number of shares | Shareholding ratio | | | Position | Name | Relationship | |
| Representative of the Chairman and CEO (note 2) | R.O.C. | TSENG CHI LI | Male | June 28, 2007 | 9,561,794 | 5.76% | 819,405 | 0.49% | 0 | 0% | Graduated from Dept. of Law, Fu Jen Catholic University<br>Boxin Enterprise Co., Ltd.－Bussiness Manager | GIA TZOONG ENTERPRISE CO., LTD.-Chief Executive Officer<br>Puyu Investment Co., Ltd.-Chairman | None | None | None | Note 1 |
| Vice President | R.O.C. | LEE WEI HSIN | Male | Nov. 9, 2015 | 3,452,993 | 2.08% | 358 | 0.00% | 0 | 0% | Graduated from Chinese Culture University<br>GIA TZOONG ENTERPRISE CO., LTD. | None | None | None | None | |
| Assistant Vice Presidents | R.O.C. | CHENG CHEN HAI | Male | Mar. 1, 2006 | 49,810 | 0.03% | 16,335 | 0.01% | 0 | 0% | Graduated from Dept. of Chemistry, Soochow University<br>QC Engineer- Guosheng Electronics Company | None | None | None | None | |
| Assistant Vice Presidents | R.O.C. | CHAN KUAN MIN | Male | Nov. 9, 2015 | 0 | 0% | 0 | 0% | 0 | 0% | Graduated from Dept. of Finance, National Sun Yat-sen University<br>Signality System Engineering Co., Ltd.-Financial Manager | None | None | None | None | |
| Assistant Vice Presidents | R.O.C. | YU HSIU WEN | Male | Nov. 9, 2015 | 0 | 0% | 0 | 0% | 0 | 0% | Graduated from Tamkang University<br>Printed Wire Corporation | None | None | None | None | |
| President | R.O.C. | HSIAO MING YANG | Male | Nov. 11, 2020 | 0 | 0% | 418,000 | 0.25% | 0 | 0% | Grduated from Dept. of Electrical Engineering, National Cheng Kung University<br>C SUN MFG. LTD. | None | None | None | None | Note 3 |

Note 1: The representative of the chairman of the Company and the CEO are the same person, which improves the efficiency of management and decision-making. Management and approval decisions are subject to the approval hierarchy rules, and all major decisions are submitted to the Board of Directors in accordance with the rules. The Company established the Audit Committee on June 16, 2022, and the number of independent directors was increased to four seats to strengthen the supervisory function of the Board of Directors. More than half of the directors do not concurrently serve as employees. Please refer to the positions in affiliated companies specified in the special recorded items of this annual report (page 111) for the details.

Note 2: The former president TSENG CHI LI was promoted to CEO on March 22, 2023.

Note 3: The former vice president HSIAO MING YANG was promoted to president on March 22, 2023.

## 3. Remuneration paid during the most recent year to directors, supervisors, president and vice president

### (1) Remuneration to general directors and independent directors

Dec. 31, 2022 Unit: thousand shares /NT$ thousand

| Title | Name | Remuneration to Directors | | | | | | | | The sum of A, B, C and D and proportion to net profit after tax | | Remuneration to the capacity as employees | | | | | | | | The sum of A, B, C, D, E, F and G and proportion to net profit after tax | | Remuneration received from an invested company other than the company's subsidiary or parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) | | Pension(B) | | Remuneration to directors (C) | | Business execution expenses (D) | | | | Salaries, bonus and special disbursem€(E) | | Pension(F)(Note 1) | | Compensation to employees (G) | | | | | | |
| | | | | | | | | | | | | | | | | The Company | | All companies mentioned in the financial statements | | | | |
| | | The Company | All companies mentioned in the financial statements | The Company | All companies mentioned in the financial statements | The Company | All companies mentioned in the financial statements | The Company | All companies mentioned in the financial statements | The Company | All companies mentioned in the financial statements | The Company | All companies mentioned in the financial statements | The Company | All companies mentioned in the financial statements | Cash | Stock | Cash | Stock | The Company | All companies mentioned in the financial statements | |
| Chairman | Cheng An Investment Co., Ltd. Representative-TSENG CHI LI (concurrently serve President) | 960 | 960 | 0 | 0 | 0 | 0 | 150 | 150 | 1,110<br>-1.45% | 1,110<br>-1.45% | 5,670 | 8,571 | 332 | 332 | 0 | 0 | 0 | 0 | 7,112<br>-9.26% | 10,013<br>-13.04% | None |
| Director | LEE MAO TONG | 960 | 960 | 0 | 0 | 0 | 0 | 150 | 150 | 1,110<br>-1.45% | 1,110<br>-1.45% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,110<br>-1.45% | 1,110<br>-1.45% | None |
| Director (concurrently serve Vice President of Manufacturing Division) | LEE WEI HSIN | 120 | 120 | 0 | 0 | 0 | 0 | 150 | 150 | 270<br>-0.35% | 270<br>-0.35% | 2,255 | 2,255 | 156 | 156 | 0 | 0 | 0 | 0 | 2,681<br>-3.49% | 2,681<br>-3.49% | None |
| Director (concurrently serve Assistant Vice Presidents of Busienss Division) | CHENG CHEN HAI (note 4) | 55 | 55 | 0 | 0 | 0 | 0 | 70 | 70 | 125<br>-0.16% | 125<br>-0.16% | 1,495 | 2,174 | 87 | 87 | 0 | 0 | 0 | 0 | 1,707<br>-2.22% | 2,386<br>-3.11% | None |
| Independent Director | WU TSENG FENG | 240 | 240 | 0 | 0 | 0 | 0 | 150 | 150 | 390<br>-0.51% | 390<br>-0.51% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 390<br>-0.51% | 390<br>-0.51% | None |
| Independent Director | TAI KUO MING | 240 | 240 | 0 | 0 | 0 | 0 | 150 | 150 | 390<br>-0.51% | 390<br>-0.51% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 390<br>-0.51% | 390<br>-0.51% | None |
| Independent Director | TUAN MU CHENG | 130 | 130 | 0 | 0 | 0 | 0 | 80 | 80 | 210<br>-0.27% | 210<br>-0.27% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 210<br>-0.27% | 210<br>-0.27% | None |
| Independent Director | HUNG WEN MING | 130 | 130 | 0 | 0 | 0 | 0 | 80 | 80 | 210<br>-0.27% | 210<br>-0.27% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 210<br>-0.27% | 210<br>-0.27% | None |

Note 1: The pension in this table refers to the amount appropriation that will be expensed in 2022.

Note 2: The independent director remuneration payment policy, system, criteria, and structure; and their relationship with the amount of remuneration paid according to the responsibilities borne, risks, time invested and other factors: Independent directors' remuneration is paid in accordance with the Company's remuneration payment guidelines, including the remuneration and expenses for business implementation. The remuneration is paid according to the fixed amount approved by the Board of Directors, and the business execution expenses refer to the attendance fee (see page 17 for reference).

Note 3: In addition to the disclosure in the above table, the remuneration received by the director of the Company in the most recent year for providing services (such as serving as a consultant but not as an employee for the parent company / all companies mentioned in the financial statements / reinvested companies, etc.): None.

Note 4: The director CHENG CHEN HAI completed his term of office and stepped down on June 16, 2022.

## (2) Remuneration to supervisors

Dec. 31, 2022 Unit: NT$ thousand

| Title | Name | Remuneration to supervisors | | | | | | The sum of A, B and C and proportion to net profit after tax | | Remuneration received from an invested company other than the company's subsidiary or parent company |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) | | Remuneration (B) | | Business execution expenses (C) | | | | |
| | | The Company | All companies mentioned in the financial statements | The Company | All companies mentioned in the financial statements | The Company | All companies mentioned in the financial statements | The Company | All companies mentioned in the financial statements | |
| Supervisor | HUANG HSI CHIEN | 55 | 55 | 0 | 0 | 55 | 55 | 110<br>-0.14% | 110<br>-0.14% | None |
| Supervisor | CHIU, CHENG-HSUN | 55 | 55 | 0 | 0 | 65 | 65 | 120<br>-0.16% | 120<br>-0.16% | None |

Note: The Company established the Audit Committee on June 16, 2022 to replace the functions and powers of the supervisor.

## (3) Remuneration to President and Vice Presidents

Dec. 31, 2022 Unit: thousand shares /NT$ thousand

| Title | Name | Salaries (A) | | Pension (B) (Note 1) | | Bonus and special disbursement (C) | | Remuneration to the employees (D) | | | | The sum of A, B, C and D and proportion to net profit after tax (%) | | Remuneration received from an invested company other than the company's subsidiary or parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies mentioned in the financial reports | The Company | All companies mentioned in the financial reports | The Company | All companies mentioned in the financial reports | The Company | | All companies mentioned in the financial reports | | The Company | All companies mentioned in the financial reports | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| President | TSENG CHI LI | 4,148 | 7,050 | 332 | 332 | 1,522 | 1,522 | 0 | 0 | 0 | 0 | 6,002<br>-7.81% | 8,904<br>-11.59% | None |
| Vice President | HSIAO MING YANG | 2,062 | 2,062 | 108 | 108 | 293 | 293 | 0 | 0 | 0 | 0 | 2,463<br>-3.21% | 2,463<br>-3.21% | None |
| Vice President | LEE WEI HSIN | 1,866 | 1,866 | 156 | 156 | 389 | 389 | 0 | 0 | 0 | 0 | 2,411<br>-3.14% | 2,411<br>-3.14% | None |

Note 1: The pension in this table refers to the amount appropriation that will be expensed in 2022.

## （4）The top five executives with the hightest remuneration in the Company

Dec. 31, 2022 Unit: thousand shares /NT$ thousand

| Title | Name | Salaries(A) | | Pension(B) (Note 1) | | Bonus and special disbursement (C) | | Remuneration to the employees (D) | | | | The sum of A, B, C and D and proportion to net profit after tax (%) | | Remuneration received from an invested company other than the company's subsidiary or parent company |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies mentioned in the financial reports | The Company | All companies mentioned in the financial reports | The Company | All companies mentioned in the financial reports | The Company | | All companies mentioned in the financial reports | | The Company | All companies mentioned in the financial reports | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| President | TSENG CHI LI | 4,148 | 7,050 | 332 | 332 | 1,522 | 1,522 | 0 | 0 | 0 | 0 | 6,002<br>-7.81% | 8,904<br>-11.59% | None |
| Vice President | HSIAO MING YANG | 2,062 | 2,062 | 108 | 108 | 293 | 293 | 0 | 0 | 0 | 0 | 2,463<br>-3.21% | 2,463<br>-3.21% | None |
| Vice President | LEE WEI HSIN | 1,866 | 1,866 | 156 | 156 | 389 | 389 | 0 | 0 | 0 | 0 | 2,411<br>-3.14% | 2,411<br>-3.14% | None |
| Assistant Vice Presidents of Busienss Division | CHENG CHEN HAI | 1,272 | 1,951 | 87 | 87 | 223 | 223 | 0 | 0 | 0 | 0 | 1,582<br>-2.06% | 2,261<br>-2.94% | None |
| Assistant Vice President of Management Division | CHAN KUAN MIN | 1,223 | 1,223 | 73 | 73 | 177 | 177 | 0 | 0 | 0 | 0 | 1,473<br>-1.92% | 1,473<br>-1.92% | None |

Note 1: The pension in this table refers to the amount appropriation that will be expensed in 2022.

(5) The name of the managerial officer with distributed employee remuneration, and the distribution status

Dec. 31, 2022;Unit: NT$ thousand

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Amount of stock bonus</th><th>Amount of cash bonus</th><th>Total</th><th>Percentage of the total amount in the net profit after tax (%)</th></tr>
<tr><td rowspan="6">Managerial officer</td><td>President</td><td>TSENG CHI LI</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0</td><td rowspan="6">0%</td></tr>
<tr><td>Director concurrently serve Vice President of Manufacturing Division</td><td>LEE WEI HSIN</td></tr>
<tr><td>Assistant Vice Presidents of Busienss Division</td><td>CHENG CHEN HAI</td></tr>
<tr><td>Assistant Vice President of Management Division</td><td>CHAN KUAN MIN</td></tr>
<tr><td>Vice Chief of Quality Assurance Division</td><td>YU HSIU WEN</td></tr>
<tr><td>Vice President of Research and Development Division</td><td>HSIAO MING YANG</td></tr>
</table>

(6) Comparison and explanation of the proportion of the total amount of remuneration paid to the Company's directors, supervisors, president, and vice president over the last 2 years to the net profit after tax for the Company and for all the companies mentioned in the consolidated financial statements, respectively; along with an explanation of the policies, standards, packages, and procedure for determining the remuneration, and the relationships with operating performance and future risks.

| Title / Item | The Company | | | | All companies mentioned in the financial statements | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2021 | | 2022 | |
| | Total | Proportion to net profit after tax | Total | Proportion to net profit after tax | Total | Proportion to net profit after tax | Total | Proportion to net profit after tax |
| Remuneration to directors | 12,943 | -11.55% | 13,810 | -17.98% | 15,603 | -13.92% | 17,390 | -22.64% |
| Remuneration to supervisors | 520 | -0.46% | 230 | -0.30% | 520 | -0.46% | 230 | -0.3% |
| Remuneration to president and vice president | 10,615 | -9.47% | 10,876 | -14.16% | 12,905 | -11.52% | 13,778 | -17.94% |
| Net profit after tax | -112,063 | - | -76,804 | | -112,063 | - | -76,804 | |

Note: This table includes the amount appropriated for expensed resignation benefits and pensions.

The Company's payment of remuneration to directors and supervisors is based on the Company's Articles of Incorporation (see page 70) as well as the Company's remuneration payment guidelines, and the Board of Directors is authorized to determine the remuneration based on the level of participation and contribution of directors and supervisors to the Company's operations, taking into account the common standard in the peer industry.

The Company's Board of Directors approved the payment of remuneration and business implementation expenses for the tenth term of directors, supervisors, and functional committee members in 2019. The president, vice president, and managerial officers are employees under the organizational structure of the Company and are paid according to the Company's salary system. The salary is determined based on their educational background, work experience, performance, work seniority, etc. in accordance with the Company's Articles of Incorporation and approval authority. In case of bonuses, they shall also be paid according to the distribution ratio of employee bonuses.

The main reason for the increase in the proportion of the total remuneration of the directors, president, and vice president to the net profit after tax this year is the change in the directors and supervisors. The Company's bonus distribution is based on the individual's achievement rate of the Company's operating goals and takes the Company's overall operating performance into account as the distribution criteria, which is directly and positively related to the Company's operating performance.

| Status / Item | Remuneration policies, standards, packages, and procedure for determining the remuneration | | | Correlation with operating performance | Correlation with future risks |
|---|---|---|---|---|---|
| | Director | Supervisor | President, vice president, and managerial officer | | |
| Transport allowance | According to the Company's remuneration payment guidelines | According to the Company's remuneration payment guidelines | — | Unrelated | Unrelated |
| Salary | According to the Company's remuneration payment guidelines | According to the Company's remuneration payment guidelines | According to the Company's salary method | Unrelated | Unrelated |
| Bonus | — | — | According to the Company's bonus payment guidelines | Directly and positively related | Unrelated |
| Surplus distribution for director and supervisor remuneration | As detailed in the Company’s dividend policy | As detailed in the Company’s dividend policy | — | Directly and positively related as detailed in the dividend policy | Unrelated |
| Surplus distribution for employee remuneration | — | — | As detailed in the Company’s dividend policy | Directly and positively related as detailed in the dividend policy | Unrelated |

4. Corporate governance practices

(1) Operation of the Board of Directors

1. A total of 6 board meetings were held in 2022. The attendance status of the directors and supervisors is as follows:

| Title | Name | Actual number of attendance | Attend through proxy | Actual attendance rate(%) | Remark (note) |
|---|---|---|---|---|---|
| Chairman | CHENG AN INVESTMENT CO., LTD. Representative - TSENG CHI LI | 6 | 0 | 100.00% | Re-elected on June 16, 2022. |
| Director | LEE MAO TONG | 6 | 0 | 100.00% | Re-elected on June 16, 2022. |
| Director | LEE WEI HSIN | 6 | 0 | 100.00% | Re-elected on June 16, 2022. |
| Director | CHENG CHEN HAI | 3 | 0 | 100.00% | Dismissed on June 16, 2022. |
| Independent Director | WU TSENG FENG | 6 | 0 | 100.00% | Re-elected on June 16, 2022. |
| Independent Director | TAI KUO MING | 6 | 0 | 100.00% | Re-elected on June 16, 2022. |
| Independent Director | TUAN MU CHENG | 3 | 0 | 100.00% | Elected on June 16, 2022. |
| Independent Director | HUNG WEN MING | 3 | 0 | 100.00% | Elected on June 16, 2022. |
| Supervisor | HUANG HSI CHIEN | 0 | 0 | 0.00% | Dismissed on June 16, 2022. |
| Supervisor | CHIU, CHENG-HSUN | 2 | 0 | 66.67% | Dismissed on June 16, 2022. |

Note: The Company reelected the directors on June 16, 2022 and established the Audit Committee to replace the functions and powers of the supervisor. Before reelection, the Board of Directors held three board meetings; after reelection, the Board of Directors held three meetings.

Other matters to be recorded:

1. If case the operation of the Board of Directors is in any of the following circumstances, the Board of Directors meeting date, session, content of the proposal, opinions of all the independent directors, and the Company's handling of the opinions of the independent directors shall be clearly stated:

(1) Items listed in Article 14-3 of the Securities and Exchange Act:

| Session of the Board of Directors | Content of the proposal (Items listed in §14-3 of the Securities and Exchange Act) | Board resolution | Independent director’s opinion of objection or reservation | The Company's handling of the independent director's opinions |
|---|---|---|---|---|
| 9th session, 18th meeting (Jan. 12, 2022) | Distribution of the Company's 2021 year-end bonuses for managerial officers | The stakeholders recused themselves from related issues, and the proposal was passed without objection accordingly after the chair consulted with the rest of the attending directors (including independent directors). | None | None |
| 9th session, 19th meeting (Mar. 24, 2022) | Revision of some provisions of the Company's “Ethical Corporate Management Best Practice Principles” | The proposal was passed without objection accordingly after the chair consulted with the attending directors (including independent directors). | None | None |

| | | | | |
|---|---|---|---|---|
| | Revision of some provisions of the Company's “Endorsement and Guarantee Guidelines” | The proposal was passed without objection accordingly after the chair consulted with the attending directors (including independent directors). | None | None |
| | Revision of some provisions of the Company's “Operational Procedures for Loaning Funds to Others” | The proposal was passed without objection accordingly after the chair consulted with the attending directors (including independent directors). | None | None |
| | Revision of some provisions of the Company's “Handling Procedures for Acquisition or Disposal of Assets” | The proposal was passed without objection accordingly after the chair consulted with the attending directors (including independent directors). | None | None |
| | Revision of some provisions of the Company's “Director and Supervisor Election Guidelines” | The proposal was passed without objection accordingly after the chair consulted with the attending directors (including independent directors). | None | None |
| | Revision of some provisions of the Company's “Articles of Incorporation” | The proposal was passed without objection accordingly after the chair consulted with the attending directors (including independent directors). | None | None |
| | Formulation of the Audit Committee Organizational Rules | The proposal was passed without objection accordingly after the chair consulted with the attending directors (including independent directors). | None | None |
| 9th session, 20th meeting (May 11, 2022) | The 2022 CPA remuneration for Baker Tilly Clock & Co. | The proposal was passed without objection accordingly after the chair consulted with the attending directors (including independent directors). | None | None |
| 10th session, 2nd meeting (Aug. 11, 2022) | Revision of some provisions of the Company's “Ethical Corporate Management Operational Procedures and Code of Conduct”, “Whistleblowing System”, “Insider Shareholding Declaration Management Guidelines”, “Material Inside Information Operational Procedures”, “Transactions with Related Persons, Specific Companies and Group Companies Operational Procedures”, “Subsidiary Supervision and Monitoring Operational Guidelines”, “Rules of Procedure for Board of Directors Meetings”, “Operational Procedures for Application for Suspension and Resumption of Transactions”, “General Accounting Affairs Processing Procedures”, “Budget Management Guidelines”, and “Seal Usage Guidelines”. | The proposal was passed without objection accordingly after the chair consulted with the attending directors (including independent directors). | None | None |
| | The Company's 2022 managerial officer salary adjustment | The stakeholders recused themselves from related issues, and the interested parties recused themselves from related issues, and the proposal was passed without objection accordingly after the chair consulted with the rest of the attending directors (including independent directors). | None | None |

| | | | | |
|---|---|---|---|---|
| 10th session, 3rd meeting (Nov. 10, 2022) | The Company's 2023 audit plan | The proposal was passed without objection accordingly after the chair consulted with the attending directors (including independent directors). | None | None |
| | The 2023 audit plan of each subsidiary of the Company | The proposal was passed without objection accordingly after the chair consulted with the attending directors (including independent directors). | None | None |

(2) Apart from the aforementioned matters, other resolutions of the Board of Directors that have been objected to or reserved by independent directors with records or written statements: None.

2. For the implementation status of director recusal from proposals due to conflicts of interest, the director’s name, content of the proposal, reasons for recusal due to conflicts of interest, and participation status in the voting shall be clearly stated:

| Session of the Board of Directors | Content of the proposal | Implementation status of recusal from proposals due to conflicts of interest |
|---|---|---|
| 9th session, 18th meeting (Jan. 12, 2022) | Distribution of the Company's 2021 year-end bonuses for managerial officers | 1. Mr. TSENG CHI LI was the representative of the corporate director and also served as the president and should recuse himself from discussing and voting on the relevant issues in accordance with the regulations. After Mr. TSENG CHI LI voluntarily recused himself from this proposal, the acting chair, Director LEE WEI HSIN, consulted with the remaining directors and independent directors in attendance, and the proposal for President TSENG CHI LI's year-end bonus was passed accordingly without objection.<br>2. Director CHENG CHEN HAI and Director LEE WEI HSIN concurrently served as managerial officers of the Company and should recuse themselves from discussing and voting on the relevant issues in accordance with the regulations. Directors CHENG CHEN HAI and LEE WEI HSIN voluntarily left the meeting and recused themselves from discussing and voting on relevant issues. After the chair consulted the remaining directors and independent directors in attendance, the proposal was passed accordingly without objection.<br>3. Division Director CHAN KUAN MIN was the managerial officer of the Company and should recuse himself from discussing the relevant issues in accordance with the regulations. After the chair consulted the entire directors and independent directors in attendance, the proposal for the managers’ year-end bonus was passed accordingly without objection. |
| 10th session, 2nd meeting (Aug. 11, 2022) | The Company's 2022 managerial officer salary adjustment | 1. Mr. TSENG CHI LI was the representative of the corporate director and also served as the president and should recuse himself from discussing and voting on the relevant issues in accordance with the regulations. After Mr. TSENG CHI LI voluntarily recused himself from this proposal, the acting chair, Director LEE WEI HSIN, consulted with the remaining directors and independent directors in attendance, and the proposal for the president TSENG CHI LI's salary adjustment was passed accordingly without objection.<br>2. Director LEE WEI HSIN concurrently served as managerial officer of the Company and should recuse himself from discussing and voting on the relevant issues in accordance with the regulations. Director LEE WEI HSIN voluntarily left the meeting and recused himself from discussing and voting on relevant issues. After the chair consulted with the remaining directors and independent directors in attendance, the proposal was passed accordingly without objection.<br>3. Division Director CHAN KUAN MIN was the managerial officer of the Company and should recuse himself from discussing the relevant issues in accordance with the regulations. After the chair consulted the entire directors and independent directors in attendance, the proposal for the managers’ salary adjustment was passed accordingly without objection. |

3. Information on the evaluation cycle and period, evaluation scope, method, and evaluation content of the Board of Directors' self (or peer) evaluation, and the implementation status of the board evaluation:

The Company’s Board of Directors passed the “Board of Directors Performance Evaluation Guidelines” in 2016, and conducts the performance evaluation of the Board of Directors for the previous year in January every year. The targets of evaluation in 2022 included the overall operation of the Board of Directors, the Compensation and

Remuneration Committee, the Audit Committee, and the performance of individual directors. The implementation content is set out in the table below. The results of the self (or peer) evaluation of the Board of Directors and the implementation status in 2022 were good, with the rating ranging from excellent to outstanding, and have been reported to the Board of Directors on March 22, 2023.

Implementation Status of Board Evaluation

| Evaluation cycle | Evaluation period | Evaluation scope | Evaluation method | Evaluation content | Evaluation result |
|---|---|---|---|---|---|
| Once a year | January 1, 2022 to Dec. 31, 2022 | Board of Directors | Board self-evaluation | 1. Level of participation in the Company's operations.<br>2. Improving board decision making quality.<br>3. Composition and structure of the Board of Directors.<br>4. Selection and continuing education of directors.<br>5. Internal control. | The overall score was 4.72 points out of the total score of 5 points, and the evaluation results ranged from “excellent” to “outstanding”, which indicates that the overall operation of the Board of Directors was in good shape and meets the corporate governance standards. |
| | | Individual directors | Board member self-evaluation | 1. Mastering the Company's goals and tasks.<br>2. Cognition of director responsibilities.<br>3. Level of participation in the Company's operations.<br>4. Internal relationship management and communication.<br>5. Professional and continuing education of directors.<br>6. Internal control. | The overall score was 4.93 points out of the total score of 5 points, and the evaluation results ranged from “excellent” to “outstanding”, which indicates that all directors operated in accordance with relevant laws and regulations, and performed their due duties and functions. |
| | | Functional committee | Functional committee self-evaluation | 1. Level of participation in the Company's operations.<br>2. Cognition of the responsibilities of the functional committees.<br>3. Improving the decision making quality of the functional committees.<br>4. Composition and selection of members of the functional committees.<br>5. Internal control. | The overall score was 5 points out of the total score of 5 points, and the evaluation results were “outstanding”, which indicates all the functional committees operated in accordance with relevant laws and regulations, and performed their due duties and functions. |

4. Objectives for strengthening the functions of the Board of Directors in the current year and the most recent year (such as setting up the audit committee, and improving information transparency) and the evaluation of its implementation status:
   (1) The Company has formulated the “Rules of Procedure for Board of Directors Meetings” in accordance with the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies”, and filed the director attendance status on the Market Observation Post System in accordance with regulations. According to the statistics, the total number of education and training hours for directors and independent directors in 2022 was 45 hours. In 2022, all the independent directors of the Board of Directors attended in person or by proxy; as of the publication date of the annual report in 2023, all the independent directors attended the three board meetings in person or by proxy.
   (2) The Company has set up the Compensation and Remuneration Committee and formulated the “Board of Directors Performance Evaluation Guidelines”. The committee is in charge of assisting the Board of Directors in the periodic evaluation and determination on the remuneration of directors and managerial officers, and regularly reviewing the policies, systems, criteria, and structures of performance evaluation and remuneration of directors and managerial officers.

(3) On December 12, 2017, the Company's Board of Directors approved the formulation of the "Board Diversity Policy". When setting the composition of the Board of Directors, the Company considers the diversity of board members from various aspects, including but not limited to the gender, age, culture, educational background, ethnicity, professional experience, skills, and knowledge or field of work, in order to improve the Company's operating performance and management efficiency.

(4) The Company established the Audit Committee on June 16, 2022 to exercise the functions and powers stipulated in the Securities and Exchange Act, the Company Act, and other laws and regulations, and to assist the Board of Directors in performing its supervision over the quality and level of integrity relating to the Company's implementation of accounting, auditing, financial reporting processes, and financial control. For the operating status of the Audit Committee, please refer to pages 28-29 of this annual report.

2. Continuing education for directors, independent directors and supervisors for the year 2022

| Title | Name | Course date | Organizers | Course Title | Course hours |
|---|---|---|---|---|---|
| Chairman | Cheng An Investment Co., Ltd. Representative-TSENG CHI LI | Aug. 25, 2022 | Taipei Exchange | Insider Shareholding Advocacy Briefing for TPEx-listed Companies and Emerging Stock Board Companies | 3 |
| | | Sep. 14, 2021 | Taiwan Institute of Directors | Creating Sustainable Competitiveness of Enterprises | 3 |
| Director | LEE MAO TONG | Aug. 25, 2022 | Taipei Exchange | Insider Shareholding Advocacy Briefing for TPEx-listed Companies and Emerging Stock Board Companies | 3 |
| | | Nov. 11, 2022 | Securities & Futures Institute | Seminar on Derivatives Trading Strategies and Market Outlook | 3 |
| Director | LEE WEI HSIN | Nov. 11, 2022 | Securities & Futures Institute | Seminar on Derivatives Trading Strategies and Market Outlook | 3 |
| | | Nov. 16, 2022 | Securities & Futures Institute | Technology Development and Business Opportunities of Electric Vehicles and Smart Vehicles | 3 |
| Independent Director | WU TSENG FENG | Oct. 4, 2022 | Securities & Futures Institute | How Shall Directors and Supervisors Supervise Enterprise Risk Management and Crisis Management | 3 |
| | | Oct. 4, 2022 | Securities & Futures Institute | Challenges and Opportunities of Sustainable Development Paths and Introduction of Greenhouse Gas Inventory | 3 |
| Independent Director | TAI KUO MING | Nov. 18, 2022 | Securities & Futures Institute | Benefits of Circular Economy and Its Business Model | 3 |
| | | Nov. 18, 2022 | Securities & Futures Institute | Early Warning and Type Analysis of Enterprise Financial Crisis | 3 |

| Title | Name | Course date | Organizers | Course Title | Course hours |
|---|---|---|---|---|---|
| Independent Director | TUAN MU CHENG | Oct. 7, 2022 | Taiwan Corporate Governance Association | Trends and Responses of Global Sustainable Finance | 3 |
| | | Nov. 25, 2022 | Independent Director Association Taiwan | Development Trends and Coping Strategies of Digital Technology | 3 |
| | | Dec. 9, 2022 | Independent Director Association Taiwan | Fintech and Money Laundering Prevention | 3 |
| Independent Director | HUNG WEN MING | May 5, 2022 | Taiwan Corporate Governance Association | Taiwan Corporate Governance Association | 3 |
| | | Nov. 2, 2022 | Taiwan Corporate Governance Association | Analysis of Management Right Contest and Prevention Strategies | 3 |

(2) Operation of the Audit Committee and Participation of supervisors in the operation of the Board of Directors

1. Operation of the Audit Committee:

A total of 2 Audit Committee meetings (A) were held in the most recent year (2022). The attendance status of the independent directors is as follows:

| Title | Name | Actual number of attendance (B) | Attend through proxy | Actual attendance rate (%)(B/A) | Remark (note) |
|---|---|---|---|---|---|
| Convener | WU TSENG FENG | 2 | 0 | 100% | Newly elected on June 16, 2022. |
| Member | TAI KUO MING | 2 | 0 | 100% | Newly elected on June 16, 2022. |
| Member | TUAN MU CHENG | 2 | 0 | 100% | Newly elected on June 16, 2022. |
| Member | HUNG WEN MING | 2 | 0 | 100% | Newly elected on June 16, 2022. |

Note: The Company established the Audit Committee on June 16, 2022 to replace the functions and powers of the supervisor.

Other matters to be recorded:

1. In case of any of the following circumstances in the operation of the Audit Committee, the Audit Committee meeting date, session, content of proposals, independent directors' opinions of objection, reservation or major advice items and contents, Audit Committee resolutions, and the Company's handling of the Audit Committee's opinions shall be clearly stated.

(1) Items listed in Article 14-5 of the Securities and Exchange Act:

| Meeting date | Important resolutions | Audit Committee's resolutions and the Company's handling of the Audit Committee's opinions |
|---|---|---|

| | | |
|---|---|---|
| Aug. 11, 2022<br>1st session,<br>1st meeting | 1. Revision of some provisions of the Company's "Ethical Corporate Management Operational Procedures and Code of Conduct", "Whistleblowing System", "Insider Shareholding Declaration Management Guidelines", "Material Inside Information Operational Procedures", "Transactions with Related Persons, Specific Companies and Group Companies Operational Procedures", "Subsidiary Supervision and Monitoring Operational Guidelines", "Rules of Procedure for Board of Directors Meetings", "Operational Procedures for Application for Suspension and Resumption of Transactions", "General Accounting Affairs Processing Procedures", "Budget Management Guidelines", and "Seal Usage Guidelines". | Passed and approved by all the attending committee members, submitted to the Board of Directors, and approved by all the attending directors without objection. |
| | 3. The Company's acquisition or disposal of machinery and equipment for business use. | |
| Nov. 10, 2022<br>1st session,<br>2nd meeting | 1. The Company's 2023 audit plan. | Passed and approved by all the attending committee members, submitted to the Board of Directors, and approved by all the attending directors without objection. |
| | 2. The 2023 audit plan of each subsidiary of the Company. | |
| | 3. The Company's acquisition or disposal of machinery and equipment for business use. | |

(2) Apart from the aforementioned matters, other resolutions that have not been approved by the Audit Committee but approved by two thirds or more of all the directors: None.

2. For the implementation status of the independent director's recusal from proposals due to conflicts of interest, the name of the independent director, the content of the proposal, the reason for the recusal out of conflicts of interest, and the participation status in the voting shall be clearly stated: None.

3. Communication status between the independent directors, internal audit supervisors, and certified public accountants:

(1) On March 22, 2023, the certified public accountants carried out the communication matters with the directors and independent directors of the Company on governance units, and the auditors issued an auditor's independence statement in 2022. The financial status of the Company and its overseas subsidiaries, communication on key audit matters, overall operations, and the internal control status were reported to the directors and independent directors, and full communication was conducted on whether there were major adjusting journal entries and whether accounting and audit issues or amendments to laws and regulations affected the accounting situation. The implementation status was good, which is described as follows:

| Date | Communication matters | | Communication results | |
|---|---|---|---|---|
| | Cause | Independent director's advice | Results | The Company's handling and implementation status |
| March 22, 2023<br>Corporate governance meeting | The certified public accountant explained the impact of the 2022 financial report audit result on the financial report, and discussed and communicated with the meeting attendees on questions raised. | None | Acknowledged by all the independent directors in attendance | Further submitted to the Board of Directors, and the announcement and filing of the 2022 financial report was completed on March 22, 2023. |
| | Communication on key audit matters<br>1. Existence and cut-off of revenue recognition<br>2. Impairment assessment of property, plant and equipment | | | |

(2) The internal audit has conducted the audit operation communication meeting with the independent directors and supervisors in the most recent year as follows:

<table>
<tr><th rowspan="2">Date</th><th colspan="3">Communication matters</th><th colspan="2">Communication results</th></tr>
<tr><th colspan="2">Cause</th><th>Independent director’s advice</th><th>Results</th><th>The Company’s handling and implementation status</th></tr>
<tr><td rowspan="5">Mar. 24, 2022 Pre-conference board meeting</td><td>1.</td><td>The Audit Office reported on the matters found in the Q4 2021 audit as well as the subsequent tracking and improvement, and discussed and communicated on the issues raised by the independent directors attending the meeting.</td><td rowspan="5">None</td><td rowspan="5">Acknowledged by all the independent directors attended the meeting</td><td rowspan="5">Further submitted to the Board of Directors on March 24, 2022 and approved by all the directors.</td></tr>
<tr><td>2.</td><td>Issued the Company's 2021 “Statement of Internal Control System”.</td></tr>
<tr><td>3.</td><td>Considering the existing laws and regulations, cooperating in practical operations and strengthening the management of related party transactions, the Company's “Handling Procedures for Acquisition or Disposal of Assets” were revised with added stipulations, which were submitted for discussion.</td></tr>
<tr><td>4.</td><td>Considering the existing laws and regulations and cooperating in practical operations, some provisions of the Company's “Operational Procedures for Loaning Funds to Others” were revised and submitted for discussion.</td></tr>
<tr><td>5.</td><td>Considering the existing laws and regulations and cooperating in practical operations, some provisions of the Company's “Endorsement and Guarantee Guidelines” were revised and submitted or discussion.</td></tr>
<tr><td>May 11, 2022 Pre-conference board meeting</td><td>1.</td><td>The Audit Office reported on the matters found in the Q1 2022 audit as well as the subsequent tracking and improvement, and discussed and communicated on the issues raised by the independent directors attending the meeting.</td><td>None</td><td>Acknowledged by all the independent directors attended the meeting</td><td>Further submitted to the Board of Directors on May 11, 2022 and approved by all the directors.</td></tr>
</table>

| | | | | | |
|---|---|---|---|---|---|
| Aug. 11, 2022 Pre-conference board meeting | 1. | The Audit Office reported on the matters found in the Q2 2022 audit in as well as the subsequent tracking and improvement, and discussed and communicated on the issues raised by the independent directors attending the meeting. | None | Acknowledged by all the independent directors attended the meeting | Further submitted to the Board of Directors on August 11, 2022 and approved by all the directors. |
| | 2. | Considering the existing laws and regulations and cooperating in practical operations, some provisions of the Company's "Transactions with Related Persons, Specific Companies and Group Companies Operational Procedures" were revised and submitted or discussion. | | | |
| Nov. 10, 2022 Pre-conference board meeting | 1. | The Audit Office reported on the matters found in the Q3 2022 audit as well as the subsequent tracking and improvement, and discussed and communicated on the issues raised by the independent directors attending the meeting. | None | Acknowledged by all the independent directors attended the meeting | Further submitted to the Board of Directors on November 10, 2022 and approved by all the directors. |
| | 2. | Issued the Company's 2023 audit plan. | | | |
| | 3. | Issued the Company's 2023 audit plans for each subsidiary. | | | |

2. The supervisor's participation in the operation of the Board of Directors: The Company established the Audit Committee to replace the supervisor's functions and powers on June 16, 2022, and thus it is not applicable.

(3) Implementation Status of Corporate Governance as required for company, and any nonconformity to the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons thereof

| Items for evaluation | Implementation Status | | | Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| 1. Has the Company established and disclosed its corporate governance practices based on the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies? | | ✓ | The Company has yet to formulate the Corporate Governance Best-Practice Principles. | However, if it is required by laws and regulations or practical needs, it will be conducted in accordance with the “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” as well as related laws and regulations. |

| | | | | |
|---|---|---|---|---|
| 2. Equity structure and shareholders' equity<br>(1) Has the Company instituted an internal procedure for handling suggestions, questions, disputes of the shareholders and legal actions, and comply with the procedure properly? | ✓ | | (1) The Company has the<br>1) Spokesperson, Acting Spokesperson.<br>2) Investor mailbox.<br>3) Channels such as the Company website to handle shareholder suggestions or disputes. If there is a legal actions, the legal department will discuss and handle the relevant matters with the legal counsel in accordance with the procedures. | (一) There were no material differences. |
| (2) Has the Company kept track on the major shareholders roster of the Company and the parties controlling these shareholders? | ✓ | | (2) The Company and its subsidiaries keep abreast of the changes in the equity of directors and major shareholders at all times and the pledge status, and regularly make filings on the Market Observation Post System every month. | (二) There were no material differences. |
| (3) Has the Company established and implemented the risk control mechanism and firewall between the corporate headquarters and the affiliates? | ✓ | | (3) The Company and its affiliated companies operate independently, and each company has its own internal control system and approval authority for its implementation. The Company has formulated the "Transactions with Related Persons, Specific Companies and Group Companies Operational Procedures", the "Handling Procedures for Acquisition or Disposal of Assets", the "Subsidiary Supervision and Monitoring Operational Guidelines", etc. to serve as the basis for controlling and implementing related operations among affiliated companies. If files and documents containing material information are to be transmitted by e-mail or other electronic means, they shall be properly encrypted and processed. | (三) There were no material differences. |
| (4) Has the company adopted internal rules prohibiting company insiders from trading securities using information not disclosed to the market? | ✓ | | (4) The Company has formulated the "Insider Shareholding Declaration Management Guidelines" and the "Material Inside Information Operational Procedures" for compliance. In addition to managing insider declaration operations in accordance with the law, education and advocacy on relevant laws and regulations are also conducted for directors, supervisors, managerial officers, and employees during the election, and relevant information is provided from time to time. The content has incorporated the violation handling measures so as to protect the rights and interests of the Company and investors. | (四) There were no material differences. |

| Items for evaluation | Implementation Status | | | Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| 3. Composition and Responsibilities of the Board of Directors<br>(1) Has the Board established a diversity policy, specific management goals and implemented it accordingly? | ✓ | | (1) On December 12, 2017, the Company's Board of Directors approved the "Board Diversity Policy". The composition of the Company's Board of Directors shall consider diversity, including but not limited to the gender, age, culture, educational background, race, professional experience, skills, knowledge or field of work, etc. In order to improve the Company's operating performance and considering the future trends in business development, the number of board seats for directors who concurrently hold employee status in the future board member structure shall not exceed one third thereof, and the number of independent directors shall also be increased; the number of directors with industrial professional skills shall not be less than one third thereof so as to strengthen the board function. The Company currently has seven directors, including four independent directors. The current term of the Board of Directors expires on June 15, 2025. The background diversity of individual directors of the Company is detailed on page 16. | (1) There were no material differences. |
| (2) Further to the establishment of the Compensation and Remuneration Committeeand the Auditing Committee, has the Company voluntarily established other functional committees? | | ✓ | (2) The Company has established the Compensation and Remuneration Committee, and established the Audit Committee in June 2022. There is no urgent need to establish other various functional committees at present. However, they will be set up in the future depending on the actual operating conditions and needs. | (2) There were no material differences. |
| (3) Has the Company established a methodology for evaluating the performance of its Board of Directors, performed evaluations on an annual basis, submitted the results of the performance evaluation to the Board, and used such as a reference for individual director remuneration and renomination? | ✓ | | (3) On November 9, 2016, the Board of Directors of the Company passed a resolution granting the Compensation and Remuneration Committee the authority to formulate the Company's "Board of Directors Performance Evaluation Guidelines".<br>(1) Evaluation cycle and period: The Board of Directors of the Company shall conduct an internal performance evaluation of the Board of Directors at least once a year, and may conduct an evaluation every 3 years by an external professional independent organization or an external team of experts and scholars.<br>(2) The evaluation methods include internal self-evaluation by the Board of Directors, self-evaluation by directors, peer evaluation, commissioning external professional institutions, experts or using other appropriate methods for performance evaluation.<br>(3) The measurement items of the performance evaluation of the Board of Directors shall include at least the following five aspects: | (3) There were no material differences. |

| Items for evaluation | Implementation Status | | | Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | 1. The level of participation in the Company's operations.<br>2. Improving the board decision making quality of the Board of Directors.<br>3. Composition and structure of the Board of Directors.<br>4. Selection and continuing education of directors.<br>5. Internal control.<br>The measurement items for the performance evaluation of board members (self or peers) shall include at least the following six aspects:<br>1. Mastering the Company's goals and tasks.<br>2. Cognition of director responsibilities.<br>3. Level of participation in the Company's operations.<br>4. Internal relationship management and communication.<br>5. Professional and continuing education of directors.<br>6. Internal control.<br><br>(4) The 2022 performance self-evaluation results of the Board of Directors are set out as follows:<br>The results of the overall performance evaluation of the Board of Directors in 2022 were excellent; and the results of the performance evaluation of directors (self or peers) in 2022 were excellent.<br>(5) The implementation status of the performance evaluation of the Board of Directors in 2022 was in good condition, and the overall rating was between excellent and outstanding. The evaluation results have been reported to the Board of Directors on Mar. 22, 2023 (see page 26). The Company’s website: http: //www.gia-tzoong.com.tw | |
| (4) Has the Company evaluated the independence of the commissioned certified public accountants regularly? | ✓ | | (4) 1. The Board of Directors of the Company approved the formulation of the “Certified Public Accountant Assessment and Performance Evaluation Guidelines”. The Company's assessment of the independence of certified public accountants is conducted through the inspection of the Company's stock affairs unit to confirm that the certified public accountants do not hold any shares in the Company, and that the certified public accountants do not concurrently serve in any positions within the Company. | (4) There were no material differences. |

<table>
<tr><th rowspan="2">Items for evaluation</th><th colspan="3">Implementation Status</th><th rowspan="2">Deviation from the Corporate Governance<br>Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>The certified public accountants have also issued a statement in accordance with the “Professional Ethics Bulletin No. 10 on Integrity, Fairness, Objectivity, and Independence” of the National Federation of Certified Public Accountant Associations of the Republic of China, that the members of the audit team have not violated independence. The evaluation indicators for the independence of certified public accountants are as follows:
<table>
<tr><th>Certified public accountant Independence Evaluation Indicators</th></tr>
<tr><td>1. The certified public accountant has no direct or significant indirect financial interest or relationship with the client.</td></tr>
<tr><td>2. The certified public accountant has no improper interest or relationship with the client.</td></tr>
<tr><td>3. There is no auditing and attestation of the financial statements of the organization served within two years prior to the start of practicing.</td></tr>
<tr><td>4. The certified public accountant's statement of independence.</td></tr>
<tr><td>5. The certified public accountant and all the audit service team members shall not hold shares in the client.</td></tr>
<tr><td>6. No engaging in money lending with the client.</td></tr>
<tr><td>7. No relationship of joint investment or benefit sharing with the client.</td></tr>
<tr><td>8. No concurrently serving for the client's regular job and receiving a fixed salary.</td></tr>
<tr><td>9. No charging and receiving commissions related to the business.</td></tr>
<tr><td>10. Whether the term of office of the certified public accountant exceeds seven consecutive years.</td></tr>
</table>
2. In 2021 and 2022, the independence assessment results and performance index assessment results of certified public accountants were all up to standard. On Mar. 24, 2022 and Mar. 22, 2023 the Company’s Board of Directors passed the 2021 and 2022 certified public accountants' independence proposals, respectively.</td><td></td></tr>
</table>

| Items for evaluation | Implementation Status | | | Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| 4. Does the TWSE/TPEX Listed Company have an appropriate and appropriate number of corporate governance personnel, and has the Company designated a Corporate Governance Senior Officer to deal with corporate governance related affairs (including, but not limited to, providing directors and supervisors with information required for the execution of their duties; assisting directors and supervisors in complying with the laws and regulations; conducting board meeting and shareholders’ meeting related matters; handling company registration and change of registration and preparing the minutes for board meetings and shareholders’ meeting in accordance with the law, etc.)? | ✓ | | At present, the Company's financial department has dedicated persons in place to handle matters related to the meetings of the Board of Directors and the shareholders meeting. They are under the supervision of the CEO to handle the company registration and change to registration in accordance with the law, prepare the minutes of the Board of Directors and shareholders meetings, release material information, declare insiders' shareholding, advocate laws and regulations, arrange directors' continuing courses, etc. The Company has set up a corporate governance supervisor position on May 9, 2023. | There were no material differences. |
| 5. Has the Company established a communications channel and established a designated zone on its website for stakeholders (including, but not limited to, shareholders, employees, customers, and suppliers), and has the Company properly responded to all CSR issues such stakeholders are concerned with? | ✓ | | The Company has a spokesperson and an acting spokesperson in place to release material information in real time on incidents that may affect shareholders or interested parties, and has set up the “Stakeholder Zone” on the Company's website. | There were no material differences. |
| 6. Has the Company appointed a specialized shareholder services agent to deal with shareholder affairs? | ✓ | | The Company has currently appointed the agency department of CTBC Bank to handle stock affairs and shareholders meeting related affairs.<br>None of its subsidiaries is a public company, and therefore there is no need to appoint a professional stock affairs agency according to the law. | There were no material differences. |
| 7. Disclosures<br>(1) Has the Company established a website for the disclosure of Company’s financial and business, and corporate governance? | ✓ | | (1) The Company has set up information zones on corporate social responsibility, investors, product introductions, technology research and development, etc. through the Company website to disclose information on consolidated financial statements, business and corporate governance at any time. The Company’s website: http: //www.gia-tzoong.com.tw | (1) There were no material differences. |

| Items for evaluation | Implementation Status | | | Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (2) Has the Company adopted other means of disclosures (e.g., the installation of a website in English language, appointment of designated persons for the gathering and disclosure of information, the proper implementation of the spokesperson system, and the minutes of the investor conference on record posted on the website)? | ✓ | | (2) The current spokesperson of the Company will announce the current situation when there is a change in the Company's situation. | (2) There were no material differences. |
| (3) Does the Company announce and report the annual financial report within two months after the end of the fiscal year? Does the Company announce and report the first, second, and third quarter financial reports and the monthly operating conditions well in advance of the required deadlines? | ✓ | | (3) The Company's financial reports are all submitted to the Board of Directors for approval in accordance with regulations and then announced and filed. The operating status of each month is also announced and filed prior to the prescribed deadline. | (3) There were no material differences. |

| Items for evaluation | Implementation Status | | | Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| 8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (including, but not limited to, employee rights and benefits, employee care, investor relations, supplier relations, stakeholder rights, status of directors' and supervisors' continuing education, implementation of risk management policies and risk assessment criteria, implementation of customer related policies, and purchase of liability insurance for directors and supervisors by the Company)? | ✓ | | The Company has set up the Compensation and Remuneration Committee to be in charge of formulating and regularly reviewing the policies, systems, criteria and structures of the performance evaluation and remuneration of directors and managerial officers, and regularly evaluating and determining the remuneration of directors and managerial officers. The relevant operational status is detailed on pages 40 - 44.<br>1. Employee rights and interests: The Company has established the Employee Welfare Committee, and has taken out employee group insurance.<br>2. Care for employees: The Company hopes that employees on both sides of the strait will receive care and attention both physically and mentally. The content thereof includes:<br>1. Employee suggestion box<br>2. Improvement in restaurant catering<br>3. Birthday parties<br>4. Employee travel<br>5. Labor–management meeting every 3 months<br>3. Investor relations: The Company has a spokesperson and acting spokesperson in place to communicate with interested parties.<br>4. Supplier relationship: to maintain a sound cooperative relationship with suppliers through the procurement unit as the point of contact, with a commitment to corporate social responsibility.<br>5. Rights of interested parties: We have set up a point of contact on the Company website for interested parties.<br>6. The status of continuing education for directors and supervisors of the Company: see pages 27 - 28 for details.<br>7. Implementation status of risk management policies and risk measurement criteria: All major operational policies have been evaluated and analyzed by relevant responsible departments and resolved by the Board of Directors for implementation.<br>8. Implementation status of client policy: The business and client service departments are the responsible units to establish a good communication channel with clients and to meet their needs, and the results of client satisfaction surveys are used to serve as the basis for improvement and long-term strategies of the Company.<br>9. The Company's Board of Directors has approved the purchase of liability insurance for directors and supervisors, and the Company has taken out insurance from Fubon Insurance Company to strengthen the protection of shareholders' rights and interests.<br>Note: The Audit Committee was established in June 2022. | There were no material differences. |

| Items for evaluation | Implementation Status | | | Deviation from the Corporate Governance Best-Practice Principles for the TWSE/TPEX Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | 10. Succession planning for members of the Board of Directors and important management:<br>(1) With regard to the succession planning of the Board of Directors, at present, the Company has many senior managerial officers who possess the management skill and professional skill required to serve as directors. At the same time, the Company also plans to recruit professionals with industry experience related to the Company's business so that the Company's Board of Directors can continue to provide an effective and diverse Board of Directors that meets the needs of the Company for the planning of director succession. As for the part of independent directors, they are required to possess work experience in business, legal affairs, finance, accounting, or the Company’s business according to the law. There is no shortage of such professionals in this country. The Company will hire independent directors according to regulatory requirements. The main policy of the Company's planning for the succession of independent directors is to recruit professionals from the industry, government, and academia who are familiar with the Company's industry, so as to give full play to the function of corporate governance.<br>(2) The Company's employees above the managerial level are important management levels, whose capabilities are cultivated for their succession through the practical experience in the Company's operations. In addition to cultivating important management levels through substitution of routine duties, the Company also conducts duty rotation and position promotion for key talents in a timely manner according to various development strategies, investment plans, employee performance appraisals, and resignation or retirement status, so as to effectively pass on professional experience and cultivate suitable management talents for succession. | |
| 9. State of corrective action taken for responding to the results of the corporate governance assessment announced by Taiwan Stock Exchange Corporation in the Corporate Governance Center the most recent year, and the priority for improvement on issues pending further corrective action and related measures. (Companies not included in the evaluation do not need to fill in this part.)<br>The Company's 2022 appraisal results ranked 66%–80% among the appraised companies. The improvement status and unimproved items with proposals for priority enhancement items and measures in 2022:<br>The Company will continue to evaluate and consider possible improvement plans for items that have not yet been scored. | | | | |

(4) The composition, duties and operation of the Compensation and Remuneration Committee and the Nomination Committee:

1. The Company has established a Compensation and Remuneration Committee. The purpose of the Compensation and Remuneration Committee is to assist the Board of Directors in implementing and evaluating the Company's overall remuneration and welfare policies, as well as the remuneration of

managerial officers. The Compensation and Remuneration Committee holds regular meetings at least twice a year.

1. Information on Compensation and Remuneration Committee Members

| Identify | Name / Conditions | Professional qualifications and experience | Independent status | Number of other public companies in which the individual is concurrently serving as the Compensation and Remuneration Committee member |
|---|---|---|---|---|
| Independent Directorand convener | WU TSENG FENG | 1. President of Cisco International Taiwan, Ltd.<br>2. President of Taiwan Area, Veritas Technologies(Taiwan) Co., Ltd.<br>3.Relevant work experience of 20 years or more | Conformed with the provisions of Paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Compensation and Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange (Note 1) | 0 |
| Independent Director and member | TAI KUO MING | 1.Chief Financial Officer, Finance Department, Headquarters, Taiwan Securities Co., Ltd.<br>2.Vice President of Stock Agency Department, Taishin International Bank<br>3.Cheng Mei Materials Technology Corporation-Consultant<br>4.Relevant work experience of 20 years or more | Conformed with the provisions of Paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange (Note 1) | 0 |
| Member | YU WEI PIN | 1.Chairman of Integrated Service Technology Inc.<br>2.Relevant work experience of 20 years or more | Conformed with the provisions of Paragraph 1, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange (Note 1) | 0 |

Note 1: According to Article 6, paragraph 1 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange, “During the 2 years before being appointed or during the termo of office, a remuneration committee member shall not have been or be any of the following:

1. An employee of the company or its affiliates.
2. A director or supervisor of the company or any of its affiliates.
3. A natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate of one percent or more of the total number of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.

5. A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: a director, supervisor, or employee of that other company.
7. If the chairman, president, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: a director (or governor), supervisor, or employee of that other company or institution.
8. A director, supervisor, managerial officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company.
9. A professional individual who, or an owner, partner, director, supervisor, or managerial officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations."

2. Operations of the Remuneration Committee

(1) The Remuneration Committee of the Company is consisted of 3 members.

(2) The term of office of the fourth session of the committee was from June 28, 2019 to June 19, 2022, and the term of office of the fifth session of the committee is from June 24, 2022 to June 15, 2025. The Compensation and Remuneration Committee held three meetings (A) in the most recent year, and the qualifications and attendance status of the committee members are set out as follows:

| Title | Name | Actual number of attendance (B) | Attend through proxy | Actual attendance rate (%) (B/A)(note) | Remark |
|---|---|---|---|---|---|
| Convener | WU TSENG FENG | 3 | 0 | 100% | Re-elected on June 24, 2022. |
| Member | TAI KUO MING | 3 | 0 | 100% | Re-elected on June 24, 2022. |
| Member | YU WEI PIN | 3 | 0 | 100% | Re-elected on June 24, 2022. |

Other matters to be recorded:

1. If the Board of Directors does not adopt or revise the suggestion of the Compensation and Remuneration Committee, it shall state the date and session of the board meeting, content of the proposal, the resolution of the Board of Directors, and the Company's handling of the opinions of the Compensation and Remuneration Committee (for example, when the salary and remuneration approved by the Board of Directors is better than that suggested by the Compensation and Remuneration Committee, the difference and reason thereof shall be clearly stated): None.
2. For the resolutions of the Compensation and Remuneration Committee, if its members have opinions of objection or reservation with records or written statements, the date and session of the Compensation and Remuneration Committee meeting, content of the proposal, the opinions of all the members, and the handling of the members' opinions: None.
3. The operational status of the Salary and Remuneration Committee in the most recent year and as of the publication date of the annual report is as follows:

| Meeting Date | Content of the proposal | Resolution | Handling of the opinions of the Compensation and |
|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| | | | Remuneration Committee | |
| 4th session, 7th meeting (Jan. 12, 2022) | Review and revision of the Company's "Business Performance Bonus Guidelines" | Approved accordingly without objection | Submitted to the Board of Directors | |
| | Review and revision of some provisions of the "Compensation and Remuneration Committee Organizational Rules" | Approved accordingly without objection | Submitted to the Board of Directors | |
| | Review of the 2021 year-end bonus for managers | Approved accordingly without objection | Submitted to the Board of Directors | |
| 5th session, 1st meeting (Aug. 11, 2022) | Review of the performance evaluation of directors, supervisors, and managers, and the implementation status of the compensation and remuneration in 2021 | Approved accordingly without objection | Submitted to the Board of Directors | |
| | Review of the policies, systems, criteria, and structure of compensation and remuneration; the compensation and remuneration of directors, supervisors and managers; and the monthly performance bonus guidelines for managers | Approved accordingly without objection | Submitted to the Board of Directors | |
| | Review and revision of some provisions of the Company's "Remuneration Payment Guidelines for Directors, Supervisors and Functional Committee Members" and the "Remuneration Distribution Guidelines for Directors and Supervisors" | Approved accordingly without objection | Submitted to the Board of Directors | |
| | Review of the Company's 2022 manager salary adjustment | Approved accordingly without objection | Submitted to the Board of Directors | |
| 5th session, 2nd meeting (Jan. 13, 2023) | Review and revision of the Company's "Business Performance Bonus Guidelines" | Approved accordingly without objection | Submitted to the Board of Directors | |
| | Review of the settlement of seniority under the old pension system by the manager of the business department Mr. CHENG CHEN HAI | Approved accordingly without objection | Submitted to the Board of Directors | |
| | Review of the 2022 year-end bonus for managers | Approved accordingly without objection | Submitted to the Board of Directors | |
| 5th session, 3rd meeting (Mar. 22, 2023) | Review of the Company's change in duty allowances | Approved accordingly without objection | Submitted to the Board of Directors | |
| | Review of the Company's change in personnel | Approved accordingly without objection | Submitted to the Board of Directors | |

Note: (1) If a member of the Compensation and Remuneration Committee leaves office prior to the end of the year, the date of leaving office shall be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Compensation and Remuneration Committee and the number of actual attendances during the term of office.

(2) If there is reelection of the Compensation and Remuneration Committee prior to the end of the year, both the new and former members of the Compensation and Remuneration Committee shall be filled in, and the status of either the former, new, or reelected member as well as the date of reelection shall be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Compensation and Remuneration Committee and the number of actual attendances during the term of office.

(3) Contents of the scope of functions and powers of the Compensation and Remuneration Committee:

A. Formulate and regularly review policies, systems, criteria, and structures for performance evaluation and remuneration of directors, supervisors, and managerial officers.

B. Regularly evaluate and determine the remuneration of directors, supervisors, and managerial officers.

2. Information on members and operational status of the Nomination Committee: The Company has not yet established a nomination committee.

(5) The implementation status of the promotion of sustainable development and the differences from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof:

| Implementation item | Implementation status | | | Difference from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| 1. Did the Company establish a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, and the Board of Directors authorize the senior management to handle such matters, and the supervisory status by the Board of Directors? | ✓ | | On January 17, 2020, the Company's Board of Directors approved the formulation of the "Corporate Social Responsibility Best Practice Principles", designating the General Management Department as a dedicated unit to promote corporate social responsibility, continuing to promote environmental improvement, emphasize issues such as stakeholder rights and interests, and regularly report to the Board of Directors. | There were no material differences. |
| 2. Did the Company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? | ✓ | | The Company regularly collects internal and external issues, identifies the needs and expectations of stakeholders, evaluates regulatory compliance, identifies and evaluates environmental considerations, analyzes risks and opportunities, formulates annual risk and opportunity identification tables to plan out the actions take, and continues to carry out the tracking and control. | There were no material differences. |
| 3. Environmental issues<br>(1) Did the Company establish an appropriate environmental management system according to its industrial characteristics? | ✓ | | (1) The Company continues to implement ISO 14001 to implement the environmental policy of pollution prevention, regulatory compliance, and continuous improvement, and sets environmental goals and management plans for continuous improvement:<br>1. Renewal and improvement project of chemical storage tank and anti-overflow area.<br>2. Promoting the power-saving project of frequency conversion, energy saving, and environmentally friendly air compressors.<br>3. Replacement of the washing tower with a high-efficiency windmill motor, and installation of frequency converters for energy saving.<br>4. Manufacturing process improvement: extended control plan for degreasing liquid potion (reducing the use of degreasing liquid potion).<br>5. Additional installation of local exhaust and suction hoods for the Etching Processing Team.<br>6. The latest ISO 14001 certificate of the Company is valid from Oct. 25, 2021 through July 29, 2024 | (1)There were no material differences. |

<table>
<tr><th rowspan="2">Implementation item</th><th colspan="3">Implementation status</th><th rowspan="2">Difference from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary description</th></tr>
<tr><td>(2) Is the Company committed to improving energy efficiency and using recycled materials with low impact on the environment?</td><td>✓</td><td></td><td>(2) The Company has established energy management personnel in accordance with the law, and formulated energy conservation goals and management plans to replace some high-energy-consuming public facilities and manufacturing process equipment in the factory year by year. The average annual electricity saving rate in the past 5 years has reached 1.4% thereof (higher than the regulatory target of 1%). The Company carefully selects waste recycling and processing operators, and regularly and irregularly audits waste treatment operators so as to ensure that all waste can be recycled or properly disposed of without polluting the environment, and continues to promote waste reduction, recycling, and reuse. We also use recyclable packaging materials and have established a management system to promote restricted use of hazardous substances.</td><td>(2)There were no material differences.</td></tr>
<tr><td>(3) Did the Company assess the current and future potential risks and opportunities of climate change for the Company, and take measures to address climate-related issues?</td><td>✓</td><td></td><td>(3) We have incorporated climate change issues into the assessment and identification of potential risks and opportunities, cooperated with the government in energy-saving and carbon-reduction policies and energy-saving plans for energy users, installed energy-saving equipment (frequency inverter and silicon-controlled rectifier power-saving equipment) in the public equipment within the factory, promoted the replacement for cloud smart electronic water meters to save water, promoted frequency conversion energy-saving and environmentally friendly air compressors to save electricity, promoted energy-saving and environmentally friendly water heaters in dormitories, replaced washing towers for high-efficiency windmill motors, installed frequency converters for energy-saving plans, reduced chemical consumption through manufacturing process improvement, adopted LDI equipment to reduce the use of negative film materials, and promoted green procurement, giving priority to products with better environmental performance.</td><td>(3)There were no material differences.</td></tr>
<tr><td>(4) Did the Company calculate the greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction or other waste management policies?</td><td>✓</td><td></td><td>(4) The Company conducts daily reading of water meters, water volume, and monitoring and management of water consumption in each area of the factory. In 2022, the water consumption was reduced by 30% compared with that in the previous year. We continue to monitor waste consumption, propose waste reduction implementation plans, and continue to promote environmental improvement solutions such as energy saving and carbon reduction.<br>The water consumption and the total amount of waste are as follows:
<table>
<tr><th></th><th>Water consumption ($m^3$)</th><th>Waste (tons)</th></tr>
<tr><td>2022</td><td>136591</td><td>682.046</td></tr>
<tr><td>2021</td><td>195856</td><td>886.757</td></tr>
</table></td><td>(4)There were no material differences.</td></tr>
</table>

| Implementation item | Implementation status | | | Difference from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| 4. Social Issues<br>(1) Did the Company formulate relevant management policies and procedures in accordance with relevant laws and international human rights conventions? | ✓ | | (1) The Company abides by labor laws and regulations, supports and respects relevant international labor and human rights norms, including the Tripartite Declaration of Principles of the International Labor Organization, the OECD Guidelines for Multinational Enterprises, the United Nations Universal Declaration of Human Rights, the United Nations "Global Compact", and the Electronic Industry Code of Conduct. The Company attaches great importance to labor and the promotion of business ethics and policies. Through the advocacy of the Company's internal employee handbook and regular inspections under the Employee Code of Conduct, the human rights of labor are protected. The Company is convinced that every employee shall be treated fairly and humanely and respected as well. The "Workplace Sexual Harassment Prevention and Control Measures Complaints and Disciplinary Guidelines" were formulated to provide channels for complaints so as to implement the protection of women's rights and interests. The Company prohibits child labor, eliminates various forms of forced labor, employs people with disabilities, implements gender equality and equal work rights of foreign workers, eliminates discrimination in employment and the workplace, holds labor–management meetings, achieves labor–management negotiations and harmonious relations, and protects the legitimate rights and interests of employees. The Company has formulated the "Safety and Health Management Procedure" and implemented it in order to provide employees with a safe and healthy working environment. The implementation of the "Personnel Appraisal Committee Management Guidelines" has made the promotion channels for employees smoother. | (1)There were no material differences. |
| (2) Did the Company formulate and implement reasonable employee welfare measures (including remuneration, leave and other benefits, etc.), and appropriately reflect operating performance or results on employee compensation? | ✓ | | (2) The labor contract between the Company's employees and the Company has been formulated in compliance with the relevant local laws and regulations, and the salary is assessed and determined in accordance with the Company's salary payment criteria; the bonus distribution is implemented in accordance with the Bonus Distribution Guidelines; and employee remuneration is appropriated and calculated in accordance with the Company's Articles of Incorporation. The Company has various welfare measures in place, including gift money for the three major festivals, staff travel, birthday celebration activities and gift money, marriage allowance, maternity allowance, funeral allowance, etc. (as detailed in the employee welfare measures section). | (2)There were no material differences. |

| Implementation item | Implementation status | | | Difference from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | In terms of the leave system, colleagues may apply for leave without pay in case of childcare, serious injury or illness, major accidents or incidents, etc., so as to take into account the needs of personal and family care. Additionally, the Company provides employees with free health checks every year, and employee retention bonuses for a certain work seniority. In terms of diversity and equality in the workplace, we extend care to foreign employees, promote women's rights and interests as well as gender equality, and actively promote women's potential and self-realization. In 2022, the average percentage of female employees was 49.9%, and the average percentage of female supervisors was 33%.<br>The Company has formulated the “Employee Code of Conduct Procedural Rules”, the “Skills Practice Assessment”, the “Employee Incentive Measures Procedural Rules”, and the employee performance appraisal. The results of the implementation are used as the basis for employee promotion and salary assessment. | |
| (3) Did the Company provide employees with a safe and healthy working environment, and conduct regular safety and health education for employees? | ✓ | | (3) Adhering to the principle of “respecting life and caring for health”, the Company has been committed to promoting the occupational safety and health management system, and complies with the occupational safety and health regulations and other relevant regulations formulated by our government. With full control of all the internal working environments and characteristics of activities, we arrange for employees to receive education and training related to occupational safety and health prior to starting work and during their employment period, and strive to improve employees' safety awareness and eliminate health risks and hazards in the workplace so as to achieve occupational safety and health management performance and continuous improvement. Therefore, we commit to:<br>1. Abide by national laws and regulations and fulfill corporate responsibilities.<br>2. Promote staff participation and implement communication mechanisms.<br>3. Strengthen risk management and prevent hazards from occurring.<br>4. Effectively reduce occupational accidents to ensure the safety of employees.<br>According to the records in 2022, no occupational accidents occurred. Even so, the Company still regularly conducts necessary safety and health education and training for all employees according to the plan. | (3)There were no material differences. |

| Implementation item | Implementation status | | | Difference from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| | | | In order to protect employees from harmful substances in the workplace and provide a healthy and comfortable working environment, an annual monitoring plan for the operating environment is formulated according to the type and characteristics of the operation; the measurement of the operating environment is carried out in June and December, and the monitoring results are used to understand the actual state of exposure by the operating staff as the basis for continuous improvement of occupational safety and health management items. Safety and health training courses are held to advocate safety and health information every month, and we invite specialists from Fucon Hospital to hold safety and health lectures at the factory so as to provide education and training aimed at different work content. We provide earplugs and earmuffs in noisy work areas, and conduct annual employee health checks, etc. | |
| (4) Did the Company establish an effective career development training program for employees? | ✓ | | (4) The Company plans out complete functional training for all employees, including internal and external training for new recruits, basic and professional operators, special skills personnel, environmental protection personnel, safety and health dedicated personnel, auditors, middle and senior executives, etc., to strengthen knowledge and techniques, enhance management and professional skills, cultivate professional talents, enhance personnel to improve their reasonable concept of work, and create a high standard of quality. A total of 403 people completed the career training in 2022, with a total of 4,299 hours. We assist staff in inspecting their self-growth every year, implement employee career planning, achieve goals through employee satisfaction surveys, and provide employees with a working environment where they can continue to learn and grow. | (4)There were no material differences. |
| (5) Did the Company comply with relevant laws and international standards, and formulate relevant consumer or customer rights protection policies and grievance procedures for issues such as customer health and safety, customer privacy, marketing and labelling of products and services? | ✓ | | (5) The Company attaches great importance to client complaints and is committed to improving client satisfaction. It has established client complaint handling procedures and client satisfaction surveys and implemented them accordingly. It also cooperates with suppliers to manufacture products that meet client needs and conform to environmental protection regulations. The Company's products are customized production, all following client requirements in line with relevant laws and regulations: UL, RoHS, GP, REACH, TSCA, WEEE, China Blue Sky Project, and other relevant international laws and regulations. The Company signs a confidentiality commitment with employees, signs a confidentiality agreement with clients, and has dedicated personnel in place to handle complaints as well as product and service issues. | (5)There were no material differences. |

| Implementation item | Implementation status | | | Difference from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, and the reason |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| (6) Did the Company formulate a supplier management policy, requiring suppliers to follow relevant norms on issues such as environmental protection, occupational safety and health, or labor rights, and their implementation status? | ✓ | | (6) The Company requires suppliers to sign the “Supplier Environmental Management Questionnaire” and the “Restricted Substance Commitment Letter” to ensure that the products conform to relevant domestic and international laws and regulations, such as RoHS and REACH, which contribute to the implementation of green and environmental protection and joint commitment to enhancing corporate social responsibility. In the management system, there are environmental protection and occupational safety and health management procedures in place for suppliers and contractors. All suppliers and contractors must comply with and follow the management procedures established by the Company. The implementation status is, for example: supplier environmental protection data investigation and communication, environmental protection processor's qualification review and processing inspection, the contractor's safety and health meeting, contractor's work permit application and toolbox meeting, etc. | (6)There were no material differences. |
| 5. Did the Company refer to the internationally accepted reporting preparation standards or guidelines to prepare reports such as sustainability reports that disclose non-financial information of the Company? Did the foregoing disclosure report obtain the assurance or assurance opinion of the third-party verification unit? | | ✓ | The Company has not yet compiled a sustainability report, and will prepare and disclose relevant information in the future depending on the situation. | There is no such demand. |
| 6. If the Company has its formulated its own sustainable development code based on the “Sustainable Development Best Practice Principles for TWSE/GTSM-Listed Companies”, please describe the difference between its operation and its formulated code:<br>The Company's Board of Directors approved the formulation of the Corporate Social Responsibility Code on January 17, 2020, to strengthen the implementation of corporate social responsibility and follow the “Sustainable Development Best Practice Principles for TWSE/GTSM-Listed Companies”. The Company regularly inspects the implementation status and makes improvements accordingly, and there has been no difference in the implementation so far. | | | | |
| 7. Other important information that helps to understand the implementation status of sustainable development (such as the Company’s adopted systems and measures for environmental protection, community participation, social contribution, social services, social welfare, consumer rights and interests, human rights, safety and health, and other social responsibility activities, as well as the implementation status):<br>The Company has formulated product environmental protection specifications and has established the ISO 14001 environmental management system. The products produced conform to the EU RoHS directive. At the design and production stages, we adopt measures such as non-hazardous raw materials, low-pollution and energy-saving production processes, and recyclable packaging, with the introduction of halogen-free design, in order to continuously meet the technical requirements of clients for environmentally friendly products. The Company sponsored the TPCA Environment Foundation for the promotion of environmental education, starting from the “ECO Master Campus Sharing Session” in elementary and junior high schools, extending to the “Technology in Life” in high schools, and the “Environmental Sustainability: Green Future” in universities. We connect environmental education with social and economic aspects, promote the sustainable development of the green environment with a positive attitude, and continue to fulfill corporate social responsibilities. | | | | |

(6) Implementation status of performing ethical corporate management and the difference from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reasons thereof:

| Evaluation item | Operational status | | | Difference from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| 1. Formulation of policies and plans for ethical corporate management<br>(1) Did the Company formulate an ethical corporate management policy approved by the Board of Directors, and express the policy and practice of ethical corporate management in its regulations and external documents, as well as the commitment of the Board of Directors and senior management to actively implement the management policy? | ✓ | | (1) The Company has formulated the "Ethical Corporate Management Best Practice Principles", the "Ethical Corporate Management Operational Procedures and Code of Conduct", and the "Whistleblowing System". The Company adheres to the principle of integrity to operate its enterprise sustainably, taking "integrity and pragmatism" as the foundation to be supplemented by "retaining and cultivating talents" to continuously innovate and sustainably operate the enterprise.<br>The Company's website: http://www.gia-tzoong.com.tw | (1)There were no material differences. |
| (2) Did the Company establish an assessment mechanism for the risk of ethical behavior, regularly analyzes and evaluates the business activities with high risk of ethical behavior within the business scope, and formulate a plan for preventing ethical behavior based on it, which at least covers the preventive measures for the behaviors in the subparagraphs of Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies"? | ✓ | | (2) The Company abides by the Company Act, the Securities and Exchange Act, the Business Entity Accounting Act, the Political Donations Act, the Anti-Corruption Act, the Government Procurement Act, the Public Servants Conflict of Interest Recusal Act, relevant regulations on TWSE and TPEx listing, and all other laws and regulations relating to business conduct as the basic premise of implementing ethical corporate management. We also conduct evaluation and implementation in accordance with the relevant regulations on ethical corporate management so as to prevent possible risks of unethical conduct. | (2)There were no material differences. |
| (3) Did the Company clearly define operating procedures, behavior guidelines, punishment and appeal systems for non-compliance in the plan for preventing ethical behavior, and implement it, and regularly review and revise the plan before disclosure? | ✓ | | (3) The Company has formulated the "Ethical Corporate Management Best Practice Principles" and the "Ethical Corporate Management Operational Procedures and Code of Conduct" combined with employee performance appraisal and human resource policies, and strengthened the promotion of the importance of ethical corporate management during the education and training to new recruits. In 2022, the Company conducted 6 hours of relevant courses for education and advocacy for 33 of its current directors, managerial officers and employees; the courses covered prevention of insider trading management, internal major handling procedures, as well as related laws and regulations. In 2022, there were no reports, complaints, gifts, bribes, etc. The implementation unit continues to review and revise the implementation of the ethical corporate management procedures. The implementation status of the operational procedures for ethical corporate management in 2022 was reported to the Board of Directors on January 13, 2023. | (3) There were no material differences. |

| Evaluation item | Operational status | | | Difference from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| 2. Implementation of ethical corporate management<br>(1) Did the Company evaluate the integrity record of its counterparties and specify the terms of integrity in its contracts with counterparties? | ✓ | | (1) Before starting any business dealings, the Company conducts basic information checks on suppliers, clients, and other business counterparties. Suppliers are required to fill in the “Ethics Agreement” so as to prohibit unethical conduct. | (1)There were no material differences. |
| (2) Did the Company set up a dedicated unit for promoting corporate ethical corporate management under the Board of Directors, and report regularly (at least once a year) to the Board of Directors on its ethical corporate management policy and plan to prevent ethical behavior and supervise the implementation? | ✓ | | (2) The Company has designated the Human Resources Management Section as a dedicated unit to handle the revision, implementation, interpretation, consulting services, registration and filing of notification content, and other related operations and supervision of the implementation of the ethical corporate management policy. The implementation status of the ethical corporate management operation in 2022 was reported to the Board of Directors on January 13, 2023. | (2)There were no material differences. |
| (3) Did the Company have a policy to prevent conflicts of interest, provide appropriate channels for representation, and implement it? | ✓ | | (3) The Company has formulated the “Ethical Corporate Management Best Practice Principles”, the “Ethical Corporate Management Operational Procedures and Code of Conduct”, and the “Whistleblowing System”. All directors of the Company uphold a high degree of self-discipline, and recuse themselves from any proposal listed by the Board of Directors when they themselves or the legal person they represent have a conflict of interest with the Company. | (3)There were no material differences. |
| (4) Did the Company establish an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit formulate relevant audit plans based on the results of the assessment of the risk of ethical behavior, and checked the compliance of the plan to prevent ethical behavior based on it, or appoint an public certified accountant to perform the audit? | ✓ | | (4) The Company regularly reviews the accounting system and internal control system to ensure the continuous effectiveness of the design and implementation of the system. The internal audit unit checks the improvement status of unethical conduct based on the implementation results of the ethical corporate management operation. | (4)There were no material differences. |
| (5) Did the Company regularly hold internal and external education and training on ethical corporate management? | ✓ | | (5) The Company was already in the practice of regularly promoting relevant information, and it has strengthened the importance of ethical corporate management when educating and training new recruits. | (5)There were no material differences. |

| Evaluation item | Operational status | | | Difference from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, and the reason |
|---|---|---|---|---|
| | Yes | No | Summary description | |
| 3. Operational status of the Company whistleblowing system<br>(1) Did the Company formulate a specific reporting and reward system, establish a convenient reporting channel, and assign appropriate personnel in charge of the report to the counterparty? | ✓ | | (1) The Company has formulated the "whistle-blowing system". The internal communication channels of the Company and its subsidiaries include: whistle-blowing hotline, president mailbox, sexual harassment complaint mailbox, and employee opinion mailbox. The external reporting mailbox can be found on the Company's website (http://www.gia-tzoong.com.tw) by following the path About Us → Corporate Social Responsibility → Stakeholder Zone; here, whistleblowers may report violations by mail, e-mail, etc., and dedicated personnel will handle the reported matters. | (1)There were no material differences. |
| (2) Did the Company establish the standard operating procedures for the investigation of reported matters, the follow-up measures to be taken after the investigation is completed, and the relevant confidentiality mechanism? | ✓ | | (2) The Company has established the "whistle-blowing system" to carry out investigation procedures and confidentiality measures for reported matters. After the investigation team has completed the necessary investigation procedures for the reported matter, it will handle the reported matter according to the facts investigated and verified in accordance with the content of the operational procedure, and report the investigated matter, the handling method, and the follow-up review and improvement measures to the Board of Directors. | (2)There were no material differences. |
| (3) Did the Company take measures to protect whistleblowers from being mistreated due to whistleblowing? | ✓ | | (3) The relevant personnel of the Company handling the whistleblowing matter shall make a written statement to keep the identity of the whistleblower and the content of the whistleblowing matter confidential, take appropriate measures to protect the confidentiality of both the whistleblower and the information provided, and undertake to protect the whistleblower from retaliation for reporting. | (3)There were no material differences. |
| 4. Strengthen information disclosure<br>(1) Did the Company disclose the content of its Ethical Corporate Management Best Practice Principles and promote its effectiveness on its website and Market Observation Post System? | ✓ | | (1) The Company has formulated the "Ethical Corporate Management Best Practice Principles", the "Ethical Corporate Management Operational Procedures and Code of Conduct", and the "Whistleblowing System". Relevant information is disclosed on the Company's website and in the annual report. | (1)There were no material differences. 。 |
| 5. If the Company has formulated its own ethical corporate management code in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please describe the difference between its operation and its formulated code:<br>The Company has formulated the "Ethical Corporate Management Best Practice Principles", the "Ethical Corporate Management Operational Procedures and Code of Conduct", and the "Whistleblowing System" and implemented the relevant rules accordingly, which is applicable to both the Company and its subsidiaries. | | | | |
| 6. Other important information that helps to understand the Company's ethical corporate management and operation (such as the Company's review and revision of its ethical corporate management code): It has been explained in the aforementioned operating status. | | | | |

## (7) Formulation of the corporate governance regulations and related regulations:

### 1. Corporate governance regulations:

According to the relevant regulations formulated by the Financial Supervisory Commission of the Executive Yuan, the following have been formulated: (1) Acquisition or Disposal of Assets Operational Procedures, (2) Endorsement and Guarantees Operational Procedures, (3) Operational Procedures for Loaning Funds to Others, (4) the Company's Articles of Incorporation, (5) Rules of Procedure for Shareholders Meetings, (6) Director

Election Guidelines, (7) Material Inside Information Operational Procedures, (8) Ethical Corporate Management Best Practice Principles, (9) Ethical Corporate Management Operational Procedures and Code of Conduct, (10) Whistleblowing System, (11) Board Diversity Policy, (12) Corporate Social Responsibility Best Practice Principles.

2. Inquiry method: The Company's corporate website (http://www.gia-tzoong.com.tw): available for download at About Us → Corporate Social Responsibility → Corporate Governance.

(8) Other circumstances sufficient to enhance the operation of corporate governance:

1. According to the “Corporate Governance 3.0 - Sustainable Development Roadmap” issued by the Financial Supervisory Commission, the Company has carried out the relevant operations of the “Corporate Governance Evaluation System”. Based on the data from 2022, it completed the self-assessment operation on the various indicators in January 2023. Among the relevant accounting, finance, and auditing personnel of the Company, one person has obtained a domestic internal auditor certificate, the securities firm salesperson qualification certificate, and the bookkeeper certificate.
2. The continuing education status of the Company's managerial officers, finance and accounting supervisors, and internal audit supervisors participating in corporate governance related courses in 2022:

| Title | Name | Course Date | Organizers | Course Name | Course hours |
|---|---|---|---|---|---|
| Representative of the Chairman and President | TSENG CHI LI | Aug. 25, 2022 | Securities & Futures Institute | Insider Shareholding Advocacy Briefing for TPEx-listed Companies and Emerging Stock Board Companies | 3 hours |
| | | Sep. 14, 2022 | Taiwan Institute of Directors | Creating Sustainable Competitiveness of Enterprises | 3 hours |
| Vice President of Manufacturing Division | LEE WEI HSIN | Nov. 11, 2022 | Securities & Futures Institute | Seminar on Derivatives Trading Strategies and Market Outlook | 3 hours |
| | | Nov. 16, 2022 | Securities & Futures Institute | Technology Development and Business Opportunities of Electric Vehicles and Smart Vehicles | 3 hours |
| Assistant Vice President of Management Division and Director of Financial and Accounting | CHAN KUAN MIN | Nov. 17, 2022<br>Nov. 18, 2022 | Accounting Research and Development Foundation | Accounting Supervisor Continuing Education | 12 hours |
| Chief Auditor | LIN HUI LING | June 23, 2022 | The Institute of Internal Auditors-Chinese | In the Face of Climate Change and the Wave off Sustainable Development, Explore the Impact on | 6 hours |

| Title | Name | Course Date | Organizers | Course Name | Course hours |
|---|---|---|---|---|---|
| | | | | Corporate Internal Control and Countermeasures from the Perspective Of ESG Risks | |
| Audit Agent | LIN SU HSIANG | Sep. 1, 2022 | The Institute of Internal Auditors-Chinese | Power BI - Data Integration and Analysis | 6 hours |

## (9) Implementation Status of Internal Control System

### 1. Internal Control System Statement

GIA TZOONG ENTERPRISE CO., LTD.
Internal Control System Statement

Date: March 22, 2023

With regard to the 2022 internal control system, the Company declares the following based on the self-evaluation findings:

1. The Company is fully aware that establishing, implementing, and maintaining an internal control system are the responsibility of its Board of Directors and managerial officers. The Company has established such a system to provide reasonable assurance for attaining the aims of the effectiveness and efficiency of business operations (including profits, performance, safeguarding of asset security, etc.); reliability, timeliness, transparency of reporting; and compliance with the governing laws and regulations.
2. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system provides assurance to the aforementioned aims only to a reasonable extent. Moreover, due to changes of environments and circumstances, the effectiveness of an internal control system may change accordingly. Nevertheless, the internal control system of the Company is equipped with a self-monitoring mechanism, and the Company takes corrective actions as soon as any fault is identified.
3. The Company determines the design and operating effectiveness of its internal control system in accordance with the determining factors provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the “Regulations”). The internal control system determining factors specified in the Regulations divide an internal control system into five elements based on its management: 1. Control Environment, 2. Risk Assessment, 3. Control Operations, 4. Information and Communications, and 5. Monitoring. Each element further contains several items. Refer to the Regulations for the aforementioned items.
4. The Company has adopted the aforementioned internal control system determining factors to examine the design and operating effectiveness of its internal control system.
5. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company deems that the internal control system as of Dec. 31, 2022 (including supervision and management of subsidiaries), which encompass internal controls for knowledge of the accomplishment degree of operating effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with the governing laws and regulations, are effectively designed and implemented, and reasonably assure accomplishment of the abovementioned aims.
6. This Statement constitutes the main content of the Company’s annual report and prospectus, and will be made public. Any wrongful act pertaining to falsification or concealment involving the above public declaration will be subjected to legal liabilities under Articles 20, 32, 171, and 174 of, and other regulations relating to, the Securities and Exchange Act.
7. This Statement was approved by the Board Meeting of the Company held on March 22, 2023, where the six attending directors expressed dissenting opinions, and all consented to the content of this Statement.

GIA TZOONG ENTERPRISE CO., LTD.

Chairman: CHENG AN INVESTMENT CO., LTD.
(Representative: TSENG CHI LI)
President: TSENG CHI LI

2. Where a certified public accountant is appointed to review the internal control system, it shall disclose the certified public accountant's review report: None.

(10) Where the Company and its internal personnel have been punished in accordance with the law in the most recent year and as of the date of publication of the annual report, it shall disclose the punishment imposed by the Company on the internal personnel’s violation of the internal control system regulations, the major deficiency and improvement status: None.

(11) Important resolutions of shareholders meetings and Board of Directors meetings in the most recent year and as of the date of publication of the annual report:

1. Important resolutions and the implementation status of the Company's 2022 general shareholders meeting
   (1) 2021 business report and financial statements.
   Implementation status: This proposal was put to a vote, and passed for the 2021 business report and financial statements.
   (2) Approved the 2021 loss appropriation proposal.
   Implementation status: This proposal was put to a vote, and passed that no surplus is to be distributed in 2021.
   (3) Approved the revision of some provisions of the Company's “Endorsement and Guarantee Guidelines”.
   Implementation status: This proposal was put to a vote, and passed for revision. The revision of the guidelines has been completed and uploaded to the designated website in accordance with the regulations.
   (4) Approved the revision of some provisions of the Company's “Operational Procedures for Loaning Funds to Others”.
   Implementation status: This proposal was put to a vote, and passed for revision. The revision of the operational procedures has been completed and uploaded to the designated website in accordance with the regulations.
   (5) Approved the revision of some provisions of the Company's “Handling Procedures for Acquisition or Disposal of Assets”.
   Implementation status: This proposal was put to a vote, and passed for revision. The revision of the operational procedures has been completed and uploaded to the designated website in accordance with the regulations.
   (6) Approved the revision of some provisions of the Company's “Director and Supervisor Election Guidelines”.
   Implementation status: This proposal was put to a vote, and passed for revision. The revision of the guidelines has been completed and uploaded to the designated website in accordance with the regulations.
   (7) Approved the revision of some provisions of the Company's “Articles of Incorporation”.
   Implementation status: This proposal was put to a vote, and passed for revision. The revision of the Articles of Incorporation has been completed and uploaded to the designated website in accordance with the regulations.
   (8) Approved the reelection of directors (including independent directors) of the Company.
   Implementation status: This proposal was put to a vote, and the reelection was successfully completed. The new directors (including independent directors) take office from the date of election.

2. The important resolutions of the Board of Directors in 2022 and as of the publication date of the annual report of the Company are summarized as follows:

| Session of the Board of Directors | Important Resolutions |
|---|---|
| 9th session, 18th meeting (Jan. 12, 2022) | 1. Approved the Company's acquisition and disposal of machinery and equipment for business use. |
| | 2. Approved the Company's 2022 financial budget and business plan. |
| | 3. Approved the proposal for the application to the Bank of Taiwan, Taoyuan Branch for renewal of short-term working capital. |
| | 4. Approved the proposal for the application to the Bank of Panhsin, Taoying Branch for the general loan limit. |
| | 5. Approved the proposal for the application to Shanghai Commercial & Savings Bank, Yanping Branch for renewal of the loan limit. |
| | 6. Approved the proposal for the application to Fubon Insurance Company for renewal of the liability insurance for directors and supervisors. |
| | 7. Approved the sale of Changxing Section, Luzhu District, Taoyuan City by the subsidiary of Puyu; discussion on the distribution of the performance bonus to President CHEN PAO CHING. |
| | 8. Approved the revision of some of the provisions of the “Compensation and Remuneration Committee Organizational Rules” proposed by the Compensation and Remuneration Committee. |
| | 9. Approved the revision of the Company's “Business Performance Bonus Guidelines” proposed by the Compensation and Remuneration Committee. |
| | 10. Approved the distribution of the Company's 2021 year-end bonus for managerial officers proposed by the Compensation and Remuneration Committee. |
| 9th session, 19th meeting (Mar. 24, 2022) | 1. Approved the Company's 2021 “Statement of Internal Control System”. |
| | 2. Approved the Company's 2021 business report and financial statements. |
| | 3. Approved the Company's 2021 loss compensation proposal. |
| | 4. Approved the discussion on examining the disguised financing. |
| | 5. Approved the Company's acquisition and disposal of machinery and equipment for business use. |
| | 6. Approved the Company's assessment of the independence of the certified public accountants. |
| | 7. Approved the revision of some provisions of the Company's “Ethical Corporate Management Best Practice Principles”. |
| | 8. Approved the revision of some provisions of the Company's “Endorsement and Guarantee Guidelines”. |
| | 9. Approved the revision of some provisions of the Company's “Operational Procedures for Loaning Funds to Others”. |
| | 10. Approved the revision of some provisions of the Company's “Handling Procedures for Acquisition or Disposal of Assets”. |
| | 11. Approved the revision of some provisions of the Company's “Director and Supervisor Election Guidelines”. |
| | 12. Approved the revision of some provisions of the Company's “Articles of Incorporation”. |
| | 13. Approved the reelection of directors (including independent directors) of the Company. |
| | 14. Approved the acceptance of proposals from shareholders for the 2022 general shareholders meeting, and the acceptance of proposals related to the nomination of |

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|---|---|
| | candidates for directors (including independent directors). |
| | 15. Approved the list of nominees for directors (including independent directors) and the review of the nominees' qualifications. |
| | 16. Approved the formulation of the “Audit Committee Organizational Rules”. |
| | 17. Approved the renewal of the retainer agreement with the lawyer LIN LIANG TSAI from Deloitte as the Company's perennial legal counsel. |
| | 18. Approved the convening of the Company's 2022 general shareholders meeting. |
| 9th session, 20th meeting (May 11, 2022) | 1. Approved the Company's greenhouse gas inventory and verification schedule plan. |
| | 2. Approved the 2022 CPA remuneration for Baker Tilly Clock & Co. |
| | 3. Approved the Company's acquisition and disposal of machinery and equipment for business use. |
| 10th session, 1st meeting (June 24, 2022) | 1. Approved the hiring of the Compensation and Remuneration Committee members. |
| | 2. Approved the election of the Chairman of the Board for the 10th session. |
| 10th session, 2nd meeting (Aug. 11, 2022) | 1. Approved the revision of some provisions of the Company's “Ethical Corporate Management Operational Procedures and Code of Conduct”, “Whistleblowing System”, “Insider Shareholding Declaration Management Guidelines”, “Material Inside Information Operational Procedures”, “Transactions with Related Persons, Specific Companies and Group Companies Operational Procedures”, “Subsidiary Supervision and Monitoring Operational Guidelines”, “Rules of Procedure for Board of Directors Meetings”, “Operational Procedures for Application for Suspension and Resumption of Transactions”, “General Accounting Affairs Processing Procedures”, “Budget Management Guidelines”, and “Seal Usage Guidelines”. |
| | 2. Approved the Company's acquisition and disposal of machinery and equipment for business use. |
| | 3. Approved the performance evaluation of directors, supervisors, and managerial officers, and the implementation status of compensation and remuneration in 2021. |
| | 4. Approved the guidelines governing the policy, system, criterium, structure of compensation and remuneration; the compensation and remuneration of directors, supervisors and managerial officers; and the monthly performance bonus for managerial officers. |
| | 5. Approved the revision of some provisions of the Company's “Remuneration Payment Guidelines for Directors, Supervisors and Functional Committee Members” and the “Director and Supervisor Remuneration Distribution Guidelines”.<br>6. Approved the Company's 2022 managerial officer salary adjustment. |
| 10th session, 3rd meeting (Nov. 10, 2022) | 1. Approved the Company's 2023 audit plan. |
| | 2. Approved the 2023 audit plan of each subsidiary of the Company. |
| | 3. Approved the Company's acquisition and disposal of machinery and equipment for business use. |
| | 4. Approved the proposal for the application to Taiwan Cooperative Bank, E. Taipei Branch for renewal of loan limit. |
| 10th session, 4th meeting (Jan. 13, 2023) | 1. Approved the Company's 2023 financial budget and business plan. |
| | 2. Approved the proposal for the application to the Bank of Taiwan, Taoyuan Branch for renewal of short-term working capital. |
| | 3. Approved the proposal for the application to the Bank of Panhsin, Taoying Branch for the general loan limit. |

| | |
|---|---|
| | 4. Approved the proposal for the application to Fubon Insurance Company for renewal of the liability insurance for directors and supervisors. |
| | 5. Approved the revision of the Company's "Business Performance Bonus Guidelines" proposed by the Compensation and Remuneration Committee. |
| | 6. Approved the application for the settlement of seniority under the old pension system by the managerial officer of the business department Mr. CHENG CHEN HAI. |
| | 7. Approved the distribution of the Company's 2022 year-end bonus for managerial officers proposed by the Compensation and Remuneration Committee. |
| 10th session, 5th meeting (Mar. 22, 2023) | 1. Approved the Company's 2022 "Statement of Internal Control System". |
| | 2. Approved the Company's 2022 business report and financial statement. |
| | 3. Approved the Company's 2022 loss compensation proposal. |
| | 4. Approved that the Company's accounts receivable and overdue amounts other than accounts receivable as of the end of December in 2022 do not belong to the loaning of funds by nature. |
| | 5. Approved the Company's acquisition and disposal of machinery and equipment for business use. |
| | 6. Approved the Company's assessment of independence of the certified public accountants. |
| | 7. Approved the matters related to accepting shareholder proposals for the 2023 general shareholders meeting. |
| | 8. Approved the convening of the Company's 2023 general shareholders meeting. |
| | 9. Approved the sale of the land and factory building at No. 397 and No. 397-1, Section 1, Zhongshan North Road, Yangmei District, Taoyuan City by the subsidiary Puyu Investment; discussion on the distribution of the performance bonus to former President CHEN PAO CHING |
| | 10. Approved the purchase of shares in Puyu Investment Co., Ltd. |
| | 11. Approved the Company's change in the duty allowance proposed by the Compensation and Remuneration Committee. |
| | 12. Approved the Company's personnel change proposed by the Compensation and Remuneration Committee. |
| 10th session, 6th meeting (May 9, 2023) | 1. Approved the Company's disclosure of the first draft of the Company's Q1 2023 consolidated financial statements and notes. |
| | 2. Approved the revision of some provisions of the Company's "Seal Usage Guidelines". |
| | 3. Approved the 2023 CPA remuneration for Baker Tilly Clock & Co. |
| | 4. Approved the Company's acquisition and disposal of machinery and equipment for business use. |
| | 5. Approved that the Company's accounts receivable and overdue amounts other than accounts receivable as of the end of March in 2023 do not belong to the loaning of funds by nature. |
| | 6. Approved the establishment of the "corporate governance supervisor" position at the Company. |

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

(13) A summary of resignations and dismissals, during the most recent year or during the current fiscal year up to the date of publication of the annual report, of the company's chairman,

president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer

**Summary of Resignations and Dismissals of Key Personnel of the Company**

May 11, 2023

| Title | Name | Date of Appoinment | Date of dismissal | Reason for Resignation or Dismissa |
|---|---|---|---|---|
| President | TSENG CHI LI | Nov. 1, 2004 | March 22, 2023 | Position adjustment |

Note: The term "relevant persons of the Company" refers to the chairman, president, chief accounting officer, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer, etc.

5. Information on the professional fees of the attesting CPAs
   (1) Professional fees of the attesting CPAs:

Unit: NT$ thousand

| Name of Accounting Firm | Names of CPAs | Duration of Audit | Audit fee | Non- Audit fee | Total | Note |
|---|---|---|---|---|---|---|
| Baker Tilly Clock & Co. | TSENG KUO FU | January 1, 2022 to Dec. 31, 2022 | 1,260 | 27(Note 1) | 1,287 | |
| | CHENG HSIEN HSIU | October 1, 2022 to Dec. 31, 2022 | | | | |

Note 1: Non-audit fees for amendments to registration were in the amount of NT$9,000, and NT$18,000 for reviewing the shareholder meeting handbook and annual report.

   (2) If there is a change in the accounting firm, and the audit fees paid for the year in which the change took place are lower than those paid for the fiscal year immediately preceding the change, the amount and reason for the reduction in audit fees shall be disclosed: There is no such situation.

   （3）When the audit fees paid for the current fiscal year are lower than those paid for the immediately preceding fiscal year by 10% or more, the amount and percentage of and reason for the reduction in audit fees shall be disclosed: There is no such situation.

6. Information on replacement of certified public accountant: None
7. The chairman, president, managerial in charge of financial or accounting affairs of the Company, who has worked in the firm or affiliated company of the certified public accountant within the last year: None

8. In the most recent year to the date this report was printed, directors, supervisors, managerial officers and the shareholders holding more than 10% of the shares in the transfer of shares and pledge of shares under lien, and any change thereof.

(1) Changes in equity transfer of directors, supervisors, managerial officers and major shareholders:

Unit: share

| Title | Name | 2022 | | As of April 16, 2023 | |
|---|---|---|---|---|---|
| | | Increase (decrease) in No. of Shares | Increase (decrease) in No. of Pledged Shares | Increase (decrease) in No. of Shares | Increase (decrease) in No. of Pledged Shares |
| Chairman | CHENG AN INVESTMENT CO., LTD. | 0 | 0 | 0 | 0 |
| Director | LEE MAO TONG | 0 | 0 | 0 | 0 |
| Director and Vice President of Manufacturing Division | LEE WEI HSIN | 0 | 0 | 0 | 0 |
| Independent Director | WU TSENG FENG | 0 | 0 | 0 | 0 |
| Independent Director | TAI KUO MING | 0 | 0 | 0 | 0 |
| Independent Director | TUAN MU CHENG | 0 | 0 | 0 | 0 |
| Independent Director | HUNG WEN MING | 0 | 0 | 0 | 0 |
| Supervisor | HUANG HSI CHIEN (Date dismissed: June 16, 2022) | 0 | 0 | 0 | 0 |
| Supervisor | CHIU, CHENG-HSUN (Date dismissed: June 16, 2022) | 0 | 0 | 0 | 0 |
| Chief Executive Officer | TSENG CHI LI (Position adjusted on Mar. 22, 2023.) | 0 | 0 | 0 | 0 |
| President | HSIAO MING YANG (Position adjusted on Mar. 22, 2023.) | 0 | 0 | 0 | 0 |
| Director and concurrently serving as Assistant Vice Presidents of Busienss Division | CHENG CHEN HAI (Date dismissed for the director: June 16, 2022) | 0 | 0 | 0 | 0 |
| Assistant Vice President of Management Division concurrently serving as Director of Financial and Accounting | CHAN KUAN MIN | 0 | 0 | 0 | 0 |
| Vice Chief of Quality Assurance Division | YU HSIU WEN | 0 | 0 | 0 | 0 |

(2) Information on equity transfer

| Name | Reason for equity transfer | Date of transaction | Transaction counterparty | Relationship between the transaction counterparty and the Company, directors, supervisors, managerial officers, and shareholders holding more than 10% of the shares | Number of shares | Transaction price |
|---|---|---|---|---|---|---|
| None | | | | | | |

(3) Information on equity pledge

| Name | Reason for changes in pledge | Date of change | Transaction counterparty | Relationship between the transaction counterparty and the Company, directors, supervisors, managerial officers, and shareholders holding more than 10% of the shares | Number of shares | Pledge (redemption) amount |
|---|---|---|---|---|---|---|
| None | | | | | | |

9. Information on shareholders among the top 10 by proportion of shareholding who are related parties to one another or spouse, kindred within the 2nd degree of kinship

April 16, 2023

| Name (Note 1) | Own shareholdings | | Shares held by Spouse & minor children | | Shares held through nominees | | If there are related parties, spouses, kindred within the 2nd degree of kinship among the top 10 shareholders, give the names and affiliations of such shareholders (note 3) | | Remark |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio | Name | Relation | |
| LEE MAW CHANG | 16,308,066 | 9.82% | 0 | 0 | 0 | 0 | LEE MAO TONG | Brother | |
| SHEN CHEN CHIEN | 10,177,000 | 6.13% | 0 | 0 | 0 | 0 | None | None | |
| TSENG CHI LI | 9,561,794 | 5.76% | 819,405 | 0.49% | 0 | 0 | None | None | |
| LEE MAO TONG | 5,276,660 | 3.18% | 3,069,371 | 1.85% | 0 | 0 | LEE MAW CHANG<br>LEE LIU SHIH YING | Brother<br>Spouse | |
| Hung Kuan Investment Co., Ltd., | 4,511,235 | 2.72% | 0 | 0 | 0 | 0 | None | None | |
| Representative NIEN, CHIA-CHUN | 0 | 0 | 0 | 0 | 0 | 0 | None | None | |
| WU CHIA LI | 3,981,470 | 2.40% | 0 | 0 | 0 | 0 | None | None | |
| LEE WEI HSIN | 3,452,993 | 2.08% | 358 | 0.00% | 0 | 0 | LEE SHEN HSIU-LIANG | Mother and son | |
| LEE SHEN HSIU-LIANG | 3,353,554 | 2.02% | 0 | 0 | 0 | 0 | LEE WEI HSIN | Mother and son | |
| LIN HUI LING | 3,199,211 | 1.93% | 0 | 0 | 0 | 0 | None | None | |
| LEE LIU SHIH YING | 3,069,371 | 1.85% | 5,276,660 | 3.18% | 0 | 0 | LEE MAO TONG | Spouse | |

Note 1: All the top ten shareholders shall be listed; in case of corporate shareholders, the names of the corporate shareholders and the names of the their representatives shall be listed separately.

Note 2: The calculation of the shareholding ratio refers to the shareholding ratio calculated in the name of oneself, the spouse, and minor children or nominees, respectively.

Note 3: For the shareholders listed above (including corporate and natural persons), the relationships among them shall be disclosed in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Issuers.

10. The number of shares held by the Company, the Company's directors, managerial officers and enterprises directly or indirectly controlled by the Company in the same reinvested enterprise, and the comprehensive shareholding ratio:

Dec. 31, 2022 Unit: share %

| Investee (Note 1) | Investment made by the Company | | Investment made by directors, managerial official and direct or indirect subsidiaries | | Combined investment | |
|---|---|---|---|---|---|---|
| | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio | Number of Shares | Shareholding ratio |
| PSC ENTERPRISE CO.,LTD. | 9,725,000 | 100% | 0 | 0 | 9,725,000 | 100% |
| ENRICH NATIONALS TRADE LIMITED | 1,106,222 | 100% | 0 | 0 | 1,106,222 | 100% |
| GIA TZOONG (ShenZhen) Ltd. | 0 | 0 | Not applicable (note 2) | 100% | Not applicable (note 2) | 100% |
| PSC (H.K.) ELECTRONICS LIMITED | 10,000 | 100% | 0 | 0 | 10,000 | 100% |
| Puyu Investment Co., Ltd. | 1,600,000 | 80% | 0 | 0 | 1,600,000 | 80% |

Note 1: Refers to the investment of the Company using the equity method.
Note 2: Not applicable: Non-limited liability companies by shares have not issued shares. The Company is represented by shareholding ratio.

# IV. Capital Overview

1. Capital and shares
   (1) Sources of Share Capital

## 1. Formation process of Share capital

Unit: share May 11, 2023

| Month/ Year | Issued price (NT$) | Authorized Share capital | | Paid in Share capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of Shares | Amount | Number of Shares | Amount | Sources of Share capital | Property other than cash is paid by subscribers | Other |
| Sep. 1988 | 10 | 1,000 | 10,000,000 | 1,000 | 10,000,000 | Established by capital raising | None | 77-Chien-san-ting-ti No. 355674 |
| Feb. 1990 | 10 | 4,000 | 40,000,000 | 4,000 | 40,000,000 | Cash capital increase NT$30,000,000 | None | Ching (79)Shang-tzu-ti No. 102502 |
| Jan. 1995 | 10 | 12,000 | 120,000,000 | 12,000 | 120,000,000 | Cash capital increase NT$80,000,000 | None | Ching (84)Shang-tzu-ti No. 100573 |
| Sep. 1995 | 10 | 19,800,000 | 198,000,000 | 19,800,000 | 198,000,000 | Cash capital increase NT$78,000,000 | None | Ching (84)Shang-tzu-ti No. 117889 |
| Dec. 1996 | 10 | 50,000,000 | 500,000,000 | 29,700,000 | 297,000,000 | Capital increase by earnings recapitalization NT$99,000,000 | None | (85)Tai-tsai-cheng-(1) ti No. 58270 |
| June 1997 | 10 | 50,000,000 | 500,000,000 | 39,600,000 | 396,000,000 | Cash capital increase NT$39,600,000<br>Capital increase by earnings recapitalization NT$59,400,000 | None | (86)Tai-tsai-cheng-(1) ti No. 48480 |
| Dec. 1998 | 10 | 90,000,000 | 900,000,000 | 56,687,000 | 566,870,000 | Cash capital increase NT$70,000,000<br>Capital increase by earnings recapitalization NT$100,870,000 | None | (87)Tai-tsai-cheng-(1) ti No. 59678<br>(87)Tai-tsai-cheng-(1) ti No. 103385 |
| Aug. 1999 | 10 | 90,000,000 | 900,000,000 | 62,482,270 | 624,827,000 | Capital increase by earnings recapitalization NT$41,594,370<br>Capital increase by capital reserve NT$16,362,630 | None | (88)Tai-tsai-cheng-(1) ti No. 70993 |
| June 2000 | 10 | 90,000,000 | 900,000,000 | 68,828,970 | 688,289,700 | Capital increase by earnings recapitalization NT$32,221,350<br>Capital increase by capital reserve NT$31,241,350 | None | (89)Tai-tsai-cheng-(1) ti No. 54998 |
| May 2001 | 10 | 90,000,000 | 900,000,000 | 74,508,346 | 745,083,460 | Capital increase by earnings recapitalization NT$56,793,760 | None | (90)Tai-tsai-cheng-(1) ti No. 130612 |
| June 2002 | 10 | 108,000,000 | 1,080,000,000 | 74,508,346 | 745,083,460 | Raise authorized capital share NT$1,080,000,000 | None | Ching-shou-shang-tzu-ti No. 09101253500 |
| June 2003 | 10 | 148,000,000 | 1,480,000,000 | 74,508,346 | 745,083,460 | Raise authorized capital share NT$1,480,000,000 | None | Ching-shou-shang-tzu-ti No. 09201214300 |
| June 2004 | 10 | 168,000,000 | 1,680,000,000 | 74,508,346 | 745,083,460 | Raise authorized capital share NT$1,680,000,000 | None | Ching-shou-shang-tzu-ti No. 09301151390 |
| May 2006 | 10 | 168,000,000 | 1,680,000,000 | 79,879,721 | 798,797,210 | Transferred from corporate bond NT$53,713,750 | None | Ching-shou-shang-tzu-ti No. 09501080100 |
| June 2006 | 10 | 168,000,000 | 1,680,000,000 | 77,885,210 | 778,857,210 | Cancellation of treasury stock NT$19,940,000 | None | Ching-shou-shang-tzu-ti No. 09501126910 |
| July 2006 | 10 | 168,000,000 | 1,680,000,000 | 86,214,233 | 862,142,330 | Transferred from corporate bond NT$83,285,120 | None | Ching-shou-shang-tzu-ti No. 09501164530 |

| Month/ Year Issued price (NT$) | | Authorized Share capital | | Paid in Share capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of Shares | Amount | Number of Shares | Amount | Sources of Share capital | Property other than cash is paid by subscribers | Other |
| Oct. 2006 | 10 | 168,000,000 | 1,680,000,000 | 90,671,353 | 906,713,530 | Transferred from corporate bond NT$44,571,200 | None | Ching-shou-shang-tzu-ti No. 09501245250 |
| Feb. 2007 | 10 | 168,000,000 | 1,680,000,000 | 94,042,774 | 940,427,740 | Transferred from corporate bond NT$33,714,210 | None | Ching-shou-shang-tzu-ti No. 09601026580 |
| May 2007 | 10 | 168,000,000 | 1,680,000,000 | 101,386,517 | 1,013,865,170 | Transferred from corporate bond NT$73,437,430 | None | Ching-shou-shang-tzu-ti No. 09601102300 |
| Aug. 2007 | 10 | 168,000,000 | 1,680,000,000 | 107,457,944 | 1,074,579,440 | Transferred from corporate bond NT$60,714,270 | None | Ching-shou-shang-tzu-ti No. 09601196450 |
| Oct. 2007 | 10 | 168,000,000 | 1,680,000,000 | 117,548,117 | 1,175,481,170 | Transferred from corporate bond NT$100,901,730 | None | Ching-shou-shang-tzu-ti No. 09601267220 |
| Feb. 2008 | 10 | 168,000,000 | 1,680,000,000 | 117,709,724 | 1,177,097,240 | Transferred from corporate bond NT$1,616,070 | None | Ching-shou-shang-tzu-ti No. 09701024200 |
| Jan. 2009 | 10 | 168,000,000 | 1,680,000,000 | 132,524,524 | 1,325,245,240 | Issued new shares via private placement NT$ 148,148,000 | None | Ching-shou-shang-tzu-ti No. 09801016170 |
| Apr. 2009 | 10 | 168,000,000 | 1,680,000,000 | 132,680,774 | 1,326,807,740 | Transferred from corporate bond NT$1,562,500 | None | Ching-shou-shang-tzu-ti No. 09801082710 |
| Aug. 2009 | 10 | 168,000,000 | 1,680,000,000 | 137,028,594 | 1,370,285,940 | Issued new shares via private placement NT$ 43,478,200 | None | Ching-shou-shang-tzu-ti No. 09801171690 |
| Oct. 2009 | 10 | 168,000,000 | 1,680,000,000 | 137,995,253 | 1,379,952,530 | Transferred from corporate bond NT$9,666,590 | None | Ching-shou-shang-tzu-ti No. 09801246220 |
| Jan. 2010 | 10 | 168,000,000 | 1,680,000,000 | 138,036,919 | 1,380,369,190 | Transferred from corporate bond NT$416,660 | None | Ching-shou-shang-tzu-ti No. 09901020000 |
| Apr. 2010 | 10 | 168,000,000 | 1,680,000,000 | 143,628,570 | 1,436,285,700 | Transferred from corporate bond NT$55,916,510 | None | Ching-shou-shang-tzu-ti No. 09901081790 |
| July 2011 | 10 | 168,000,000 | 1,680,000,000 | 143,710,770 | 1,437,107,700 | share transfer from employee stock option NT$822,000 | None | Ching-shou-shang-tzu-ti No. 10001174270 |
| Nov. 2011 | 10 | 168,000,000 | 1,680,000,000 | 155,249,231 | 1,552,492,310 | Cash capital increase NT$115,384,610 | None | Ching-shou-shang-tzu-ti No. 10001257890 |
| Jan. 2012 | 10 | 168,000,000 | 1,680,000,000 | 155,282,844 | 1,552,828,440 | Transferred from corporate bond NT$336,130 | None | Ching-shou-shang-tzu-ti No. 10101012130 |
| Feb. 2013 | 10 | 250,000,000 | 2,500,000,000 | 159,496,164 | 1,594,961,640 | Transferred from corporate bond NT$42,133,200 | None | Ching-shou-shang-tzu-ti No. 10201024350 |
| May 2013 | 10 | 250,000,000 | 2,500,000,000 | 160,722,822 | 1,607,228,220 | Transferred from corporate bond NT$12,266,580 | None | Ching-shou-shang-tzu-ti No. 10201089910 |
| Aug. 2013 | 10 | 250,000,000 | 2,500,000,000 | 161,936,816 | 1,619,368,160 | Transferred from corporate bond NT$8,399,940 share transfer from employee stock option NT$3,740,000 | None | Ching-shou-shang-tzu-ti No. 10201173590 |
| Nov. 2013 | 10 | 250,000,000 | 2,500,000,000 | 162,136,815 | 1,621,368,150 | Transferred from corporate bond NT$1,999,990 | None | Ching-shou-shang-tzu-ti No. 10201233530 |
| Feb. 2014 | 10 | 250,000,000 | 2,500,000,000 | 164,070,144 | 1,640,701,440 | Transferred from corporate bond NT$19,333,290 | None | Ching-shou-shang-tzu-ti No. 10301027310 |
| May 2014 | 10 | 250,000,000 | 2,500,000,000 | 166,230,137 | 1,662,301,370 | Transferred from corporate bond NT$21,599,930 | None | Ching-shou-shang-tzu-ti No. 10301089670 |
| Aug. 2014 | 10 | 250,000,000 | 2,500,000,000 | 167,963,463 | 1,679,634,630 | Transferred from corporate bond NT$17,333,260 | None | Ching-shou-shang-tzu-ti No. 10301170420 |

| Month/ Year Issued price (NT$) | | Authorized Share capital | | Paid in Share capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | Number of Shares | Amount | Number of Shares | Amount | Sources of Share capital | Property other than cash is paid by subscribers | Other |
| Nov. 2014 | 10 | 250,000,000 | 2,500,000,000 | 168,496,795 | 1,684,967,950 | Transferred from corporate bond NT$5,333,320 | None | Ching-shou-shang-tzu-ti No. 10301237650 |
| Dec. 2014 | 10 | 250,000,000 | 2,500,000,000 | 166,562,795 | 1,665,627,950 | Cancellation of treasury stock NT$19,340,000 | None | Ching-shou-shang-tzu-ti No. 10301262270 |
| Feb. 2015 | 10 | 250,000,000 | 2,500,000,000 | 171,936,126 | 1,719,361,260 | Transferred from corporate bond NT$53,733,310 | None | Ching-shou-shang-tzu-ti No. 10401027300 |
| Apr. 2015 | 10 | 250,000,000 | 2,500,000,000 | 173,722,792 | 1,737,227,920 | Transferred from corporate bond NT$17,866,660 | None | Ching-shou-shang-tzu-ti No. 10401067910 |
| Dec. 2015 | 10 | 250,000,000 | 2,500,000,000 | 166,122,792 | 1,661,227,920 | Cancellation of treasury stock NT$76,000,000 | None | Ching-shou-shang-tzu-ti No. 10401269360 |

2. Type of Stock

| Type of Stock | Authorized Share capital | | | Remark |
|---|---|---|---|---|
| | Outstanding shares | Unissued stock | Total | |
| Ordinary shares | 166,122,792 | 83,877,208 | 250,000,000 | TPEx listed company |

(2) Composition of Shareholders

April 16, 2023

| Composition of Shareholders / Quantity | Government Apparatus | Financial Institution | Other Juridical person | Individual | Foreign Institution and Foreigner | Total |
|---|---|---|---|---|---|---|
| Number of persons | 0 | 1 | 116 | 23,439 | 18 | 23,574 |
| Number of Shares | 0 | 10,000 | 8,882,892 | 157,125,887 | 104,013 | 166,122,792 |
| Ratio of Shareholding (%) | 0.00% | 0.01% | 5.35% | 94.58% | 0.06% | 100.00% |

Note: The Company has no shareholding ratio of Mainland Chinese investors.

(3) Shareholding Distribution Status(Par value NT$10 per share)

April 16, 2023

| Holding share classification | Number of shareholder | Number of Shares | Ratio of Shareholding |
|---|---|---|---|
| 1 to 999 | 18,219 | 150,586 | 0.09% |
| 1,000 to 5,000 | 3,290 | 8,105,465 | 4.88% |
| 5,001 to 10,000 | 888 | 7,501,035 | 4.52% |
| 10,001 to 15,000 | 255 | 3,401,023 | 2.05% |
| 15,001 to 20,000 | 239 | 4,548,633 | 2.74% |
| 20,001 to 30,000 | 205 | 5,425,299 | 3.27% |
| 30,001 to 40,000 | 107 | 3,831,682 | 2.31% |
| 40,001 to 50,000 | 72 | 3,390,894 | 2.04% |
| 50,001 to 100,000 | 144 | 10,751,872 | 6.47% |
| 100,001 to 200,000 | 68 | 9,964,150 | 6.00% |
| 200,001 to 400,000 | 39 | 10,922,318 | 6.57% |
| 400,001 to 600,000 | 17 | 8,105,004 | 4.88% |
| 600,001 to 800,000 | 4 | 2,675,000 | 1.61% |
| 800,001 to1,000,000 | 4 | 3,600,722 | 2.17% |
| More than 1,000,001 | 23 | 83,749,109 | 50.40% |
| Total | 23,574 | 166,122,792 | 100.00% |

(4) List of Major Shareholders

April 16, 2023

| Name of major shareholder \ Shares | Number of Shares | Ratio of Shareholding |
|---|---|---|
| LEE MAW CHANG | 16,308,066 | 9.82% |
| SHEN CHEN CHIEN | 10,177,000 | 6.13% |
| TSENG CHI LI | 9,561,794 | 5.76% |
| LEE MAO TONG | 5,276,660 | 3.18% |
| Hung Kuan Investment Co., Ltd | 4,511,235 | 2.72% |
| WU CHIA LI | 3,981,470 | 2.40% |
| LEE WEI HSIN | 3,452,993 | 2.08% |
| LEE SHEN HSIU-LIANG | 3,353,554 | 2.02% |
| LIN HUI LING | 3,199,211 | 1.93% |
| LEE LIU SHIH YING | 3,069,371 | 1.85% |

(5) Information on market price, net value, earnings and dividends per share in the most two years

| Item \ Year | | | 2021 | 2022 | As of March 31, 2023 |
|---|---|---|---|---|---|
| Market Price Per Share | The Highest | | 10.45 | 7.49 | 7.29 |
| | The Lowest | | 5.80 | 5.15 | 6.03 |
| | Average | | 8.04 | 6.30 | 6.68 |
| Net Value Per Share | Before distribution | | 7.79 | 7.36 | — |
| | After distribution | | 7.79(note) | 7.36(note) | — |
| Earnings per share | Weighted average shares | | 166,122,792 | 166,122,792 | — |
| | Earnings per share | Before adjustment | -0.67(note ) | -0.46(note ) | — |
| | | After adjustment | -0.67(note ) | -0.46(note ) | — |
| Dividend Per Share | Cash dividends | | 0 | 0 | — |
| | Free-gratis dividends | Retained Shares Distribution | 0 | 0 | — |
| | | Capital reserve Shares Distribution | 0 | 0 | — |
| | Retained Dividends | | — | | — |
| Return on Investment Analysis | Price-to-Earnings Ratio | | — | | — |
| | Price-to-Dividend Ratio | | — | | — |
| | Cash Dividend Yield Rate | | — | | — |

Note: The net loss after taxes in 2022 was in the amount of NT$76,804,000, and the loss to be made up at the end of the period was in the amount of NT$412,812,000. On March 22, 2023, the Board of Directors resolved not to distribute the surplus for the year 2022, which has not yet been resolved by the shareholders meeting.

## (6) Dividend policy and implementation status of the Company:

### 1. Dividend policy stipulated in the Company's Articles of Incorporation

(1) If there is a surplus in the Company's annual final accounts, the Company shall pay taxes first and make up for past losses. Then, 10% thereof shall be appropriated as the legal reserve, unless the legal reserve has reached the total paid-in capital of the Company. The special reserve shall also be appropriated or reversed in accordance with the laws and regulations or requirements of the competent authority. If there is still any surplus, the balance thereof shall be added to the accumulated undistributed earnings of previous years. The Board of Directors shall prepare a distribution proposal and submit it to the shareholders meeting for a resolution before distribution.

(2) The Company is in the electronics manufacturing industry. Considering that with the distribution of stock dividends to shareholders for the year making profits, although the Company can retain funds for engaging in R&D and business expansion activities, it also inflates the share capital. If the profit cannot increase proportionally, it will decrease earnings per share and adversely affect shareholders' equity. Thus, the current dividend policy of the Company adheres to a cash dividend policy. Its implementation method is based on the Company's future capital budget planning to measure the capital needs of the future year, and then to distribute cash dividends as much as possible. The implementation ratio of the aforementioned cash dividend policy is that cash dividends shall be the major part among the dividends to be distributed, whereas stock dividends (including surplus allotment and capital reserve allotment) shall be less than 50% thereof.

2. The dividend distribution proposed by shareholders this time (approved by the Board of Directors, but not yet approved by the shareholders meeting)

The Company's 2022 loss provision proposal has been drawn up by the Board of Directors: the loss to be made up at the end of the current period is in the amount of NT$412,812,722, and thus no surplus for the year 2022 will be distributed.

3. Any expected major change in the dividend policy: None.

## (7) The effect of the free-gratis dividends proposed for this shareholders meeting on the Company's operating performance and earnings per share: Not applicable (None).

## (8) Remuneration of employees, directors and supervisors

1. The percentage or scope of the remuneration for employees, directors, and supervisors stated in Article 23 of the Company's Articles of Incorporation: The Company's profit before tax in the current year, before deducting the remuneration to be distributed to employees, directors, and supervisors, shall be first retained to make up for the accumulated losses; then, if there is any remaining balance, no less than 3% thereof shall be appropriated as employee remuneration, and no more than 2% thereof as director and supervisor remuneration.

Decisions on employee remuneration and the distribution ratio of director and supervisor remuneration, as well as whether the employee remuneration is distributed in stock or in cash, shall be resolved by the Board of Directors with the attendance of two thirds or more of the directors and with the consent of more than half of the directors in attendance, and shall be reported to the shareholders meeting.

Employee remuneration is distributed in stock or in cash to counterparties including employees of affiliated companies who meet certain conditions.

According to the remuneration payment guidelines formulated by the Company, directors and supervisors shall only be paid for fixed remuneration and attendance fees. The managerial officer remuneration includes the salary and bonus, and the salary is based on the Company's salary system considering items such as the job title, rank, academic background and work experience, and professional skills. The bonus is distributed according to the performance evaluation results of the managerial officer in each quarter, which includes the manager's organizational leadership, internal management performance, moral, skills, and planning creativity, also taking account of the Company's revenue and profit status, the achievement rate of operating goals, etc., and is determined in accordance with the procedure.

2. The estimation basis for the estimated amount of remuneration for employees, directors, and supervisors in the current period; the calculation basis of the number of shares for employee remuneration distributed in stock; and the accounting treatment when the actual distribution amount is different from the estimated amount: The basis for estimation is in accordance with the Company's Articles of Incorporation. If there is a discrepancy between the actual distribution amount and the estimated amount, it shall be handled in accordance with relevant laws and regulations.
3. The distribution status of remuneration approved by the Board of Directors: Due to the net loss after taxes in the current period, there is no distribution of remuneration this year.
4. If the actual distribution status of the remuneration for employees, directors, and supervisors in the previous year (including the number of shares distributed, amount and stock price) is different from the recognized remuneration for employees, directors, and supervisors, the amount of the difference, the reason, and the handling status shall be clearly stated: The Company passed the resolutions at the 9th session (2022), 19th Board of Directors meeting and the shareholders meeting (June 16, 2022) that no profit distribution was to be made for the year 2021.

(9) Repurchase of Company shares: None

2. Status of Corporate bond: None

3. Status of preferred share: None

4. Status of overseas depository receipt: None

5. Status of employee stock options:
As of the publication date of the annual report, no employee stock options was issued.

6. Status of new employee restricted share undertaking:
As of the publication date of the annual report, no new employee restricted share was issued.

7. Status of issuance of new shares due to merger and acquisition or acceptance of shares transferred by other companies: None

8. Implementation status of the fund utilization plan: None

# V. Operational Overview

1. Business content

(1) Business scope

1. The main content of the business and its proportion in business

Unit: NT$1,000

| Classification of circuit boards | 2022 revenue | Proportion in business |
|---|---|---|
| Printed circuit board | 490,883 | 100.00% |
| Total | 490,883 | 100.00% |

2. The Company's current product: printed circuit boards
   (1) FR4 multilayer circuit board
   (2) Single, double, and multi-layer heat dissipation aluminum substrates and copper substrates
   (3) High-power power circuit board
   (4) Power IC module circuit board
   (5) HDI circuit board
   (6) DBC alumina copper clad ceramic substrate.
3. New products planned for development
   (1) Any layer circuit board
   (2) Advanced HDI circuit board
   (3) EV power IC module circuit board
   (4) DBC ALN copper clad ceramic substrate

(2) Industry overview

1. Current status and development of the industry

At present, the single-sided multi-layer production technology enables Gia Tzoong to maintain its position ahead of competitors. In 2023 the Company will march toward the application and development of LED backlight products such as those used in higher-end vehicles and medical equipment. It will successively launch a variety of products with heat dissipation material structures to meet market demand, such as the thick copper single-sided multi-layer/copper bump high-conductivity series, which are expected to mature in 2023 to expand the Company's market share and increase revenue.

In response to the future growth of electric vehicles, the Company has invested in the development of DBC aluminum nitride copper-clad ceramic plate ultra-high-power heat dissipation products. At present, in addition to the large-scale use of high-power IC modules for car chargers, energy storage devices are also being gradually introduced into use, and thus the use and demand for DBC continues to grow, making this a great opportunity to push it to another business peak.

(1) The current situation and development of the world

Printed Circuit Boards (PCBs) and Printed Wiring Boards (PWBs), which can be referred to as "circuit boards", can be divided into hard boards, soft boards, IC carrier boards, class carrier boards, soft and hard combination boards, and metal boards. The printed circuit board structure is mainly based on insulating materials and metal materials, and then according to the circuit design, the wires connecting the electronic components are drawn into circuit graphics, and then exposed, developed, etched, machined, surface treated, etc. The required electronic circuits are left on the printed circuit board, which becomes the substrate connecting all electronic components. The printed circuit board is the substrate before the assembly of electronic components. Its function is to connect and carry components. It is the main support for the installation and interconnection of electronic components, and it is an indispensable basic part of all electronic products.

PCB manufacturers have also gradually shifted from the past business model of massively expanding production capacity to actively investing in advanced process technologies. A number of manufacturers are actively implementing fully automated manufacturing processes to reduce costs and enhance competitiveness.

As countries start to treat COVID-19 as an influenza disease and no longer impose any lockdown control, the economy is expected to return to normal in 2023. However, due to the increase in global interest rates and high inflation affecting consumption, the recovery will appear to be unbalanced. The global economy will continue to face a high degree of uncertainty, and the global economic climate will not be overly optimistic.

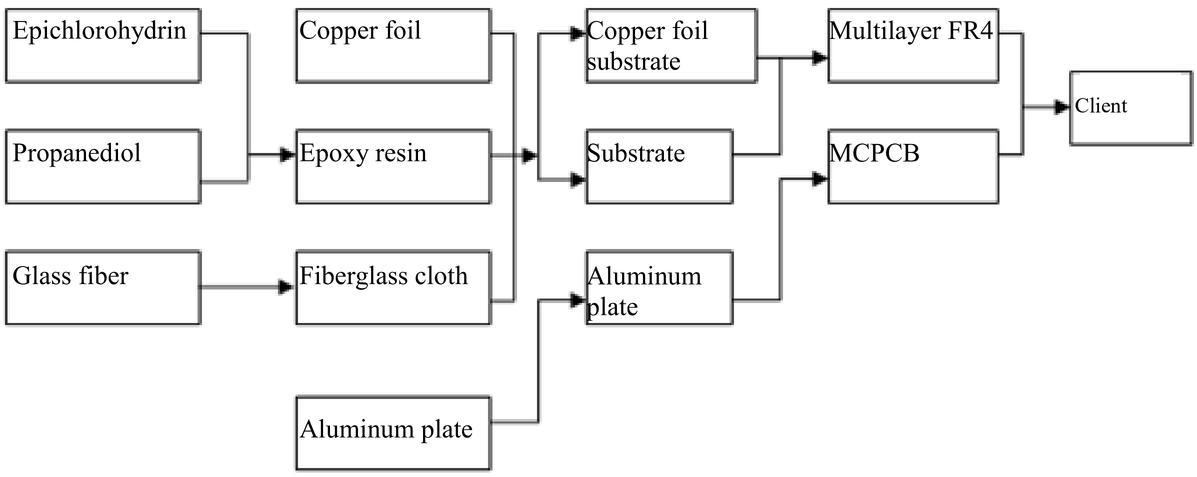
(2) The current situation and development of Taiwan

The overall performance of Taiwan's PCB industry in 2022 was not as good as that in 2021 due to the high terminal inventory. Looking forward to 2023, due to the loosening of border controls in various countries, the gradual opening of business exchanges, and the continued growth of the domestic economy, there are still some uncertainties, such as high inventory, high inflation, the Russo–Ukrainian War, lack of spare parts, and other unfavorable factors, that have intensified fluctuations in international foreign exchange and financial markets. The localization of China's industrial supply chain and the take-off and independent innovation of China's technology have intensified cross-strait industrial competition. From the perspective of the PCB industry, the relatively growing sectors are cloud computing, wearable devices, electric vehicles, LED lighting, Internet of Things (IoT), medical devices, renewable energy, etc. China is still the largest production base.

2. The relationship between the upstream, midstream, and downstream reaches of the industry

The Company mainly manufactures and sells MPCB and general FR4/PCB products. The main upstream raw materials include chemical materials such as copper foil, aluminum, resin and dry film, ink and etching solution. The industry covers petrochemical, metal, and electronic parts; downstream clients include information, communication, consumer electronics, industrial and medical equipment, and other fields. Since PCB plays the role of electronic component loading and relay transmission, its function is to maximize the benefits of electronic components, and its applications cover a wide range. For example, general information, communication, and consumer products all rely on PCB for electronic component support and connection lines. It is an indispensable basic part of all electronic products. The related structure diagram of the upstream and downstream industries of the Company is shown as follows:

The relationship between the upstream, midstream, and downstream reaches of the industry:




3. Various development trends in products

The trend in electronic products has always been "light, thin, short, and small", and printed circuit boards are also developing towards multi-layer, thin-circuit, small-aperture, and thin-layer. At present, for 3C products, 5G communication products, and portable electronics products the proportion of high-density HDI circuit boards is continuously increasing. The growth of IoT products, coupled with the improvement of high-density HDI circuit board technology, has also driven the market demand for integrated IC modules of a system in a package (SIP) type carrier board.

In recent years, due to the problem of carbon emissions, the energy storage and electric vehicle industries have risen, and the demand for high-power, high-heat dissipation circuit boards and DBC copper-clad ceramic substrates has also shown a phenomenon of substantial growth, which is in line with the Company's core technology for its extended niche market.

In response to market trends, the Company's research and development of various products and technologies in recent years has been mainly divided into three categories: (1) High-density HDI circuit boards, which are applied to electronic products such as Mini LED and SIP carrier boards; (2) High thermal conductivity metal power circuit boards, used in power IC module circuit boards, electric vehicle power circuit boards and other products; (3) DBC copper-clad ceramic substrate, used in power IC modules above 600V.

Looking at the above content comprehensively, a considerable proportion of the new product application market belongs to the IC industry, which will help to enhance the Company's core competitiveness.

4. Competition situation

Various environmental protection laws, the China–US trade war, and industry mergers and acquisitions have gradually increased the production costs of foreign capital in mainland China. Due to the differences in culture and language in Southeast Asian countries, as well as the consideration of the imperfect national foundation and the integrity of the industrial chain, coupled with strong domestic demand in the mainland China market, enterprises eventually concluded that mainland China is still the best production site. Due to the high wages in China's coastal areas and increasingly stringent environmental protection regulations, various PCB manufacturers are gradually setting up factories inland. Some IPO PCB manufacturers in the mainland have sufficient funds to develop production capacity, the trend that the big one will always be big in the PCB industry is becoming more and more obvious. The price competition is more intense.

(3) Overview of technology and R&D

1. Research and development expenses invested in this year and every year as of the printing date of the annual report: The research and development expenses in 2022 and the Q1 2023 were in the amount of NT$12,322,000 and NT$3,289,000, respectively.

2. Successfully developed technologies or products

(1) Successfully developed technologies and products

A. Research and development of advanced blind-buried mini-LED circuit boards.

B. Advanced HDI products have reached the third-order circuit board product development.

C. The copper convex circuit board of the power IC module has entered the stage of trial mass production.

D. DBC copper-clad ceramic substrate board has entered the stage of small-scale trial production.

(2) Research and development plans for future years

In response to market trends, the Company's research and development of various products and technologies in recent years has been mainly divided into three categories: 1. High-density HDI circuit boards, which are applied to electronic products such as mini-LEDs and SIP substrates; 2. High thermal conductivity metal power circuit boards, used in power IC module circuit boards, electric vehicle power circuit boards and other products; 3. DBC copper-clad ceramic substrate, used in power IC modules above 1200V. Research and development expenses are estimated to be 7% of revenue, and the research and development plan is set out as follows:

| Main product category | R&D plan name | Mass production schedule | R&D plan content | Key factors for successful R&D | R&D plan current progress | Estimated investment |
|---|---|---|---|---|---|---|
| Advanced HDI circuit board | 1. Advanced blind buried Via Mini-LED circuit board development<br>2. Advanced HDI circuit board development | Q4 2023 | 1. Optimization of hole filling process<br>2. Advanced HDI process yield improvement | Information feedback on client end product verification issues | 1. Completion rate 50%<br>2. Completion rate 40% | 25 million |
| High thermal conductivity metal power circuit board | 1. Development of double-sided copper bump circuit board | Q2 2023 | 1. Process optimization of high heat dissipation wattage power copper bump circuit board<br>2. Improvement of process yield of power IC module double-sided copper convex circuit board | Information feedback on client end product verification issues | 1. Completion rate 40%<br>2. Completion rate 80% | 5 million |
| DBC Copper clad ceramic substrate | 1. Improvement of alumina DBC process yield<br>2. Aluminum nitride DBC process development | Q2 2023 | 1. Alumina DBC process optimization<br>2. Aluminum nitride DBC process development | Signed a contract with the Industrial Technology Research Institute for long-term cooperation | 1. Completion rate 90%<br>2. Completion rate 20% | 35 million |

(4) Long-term and short-term business development plans

1. Long-term: Metal substrate products are still high-profit products, and thus Gia Tzoong actively researches, develops, and introduces to the market metal substrates to become the world's largest professional metal sheet manufacturer. It also develops a number of aluminum-based extensible advanced application products to stimulate market demand and increase business diversification and profitability.
2. Short-term: In recent years, Mainland Chinese PCB manufactures have seized the indoor lighting market with low prices, and the price competition has been fierce. In order to maintain orders for major products and improve price competitiveness, the production of MCPCB has been transferred to mainland China. We also actively develop special manufacturing processes and the market of materials to improve performance and output value.

## 2. Overview of market, production, and sales

(1) Market analysis

1. Sales area of main products

Unit: NT$1,000

| | Revenue from external clients | | Non-current assets | |
|---|---|---|---|---|
| | 2022 | 2021 | Dec. 31, 2022 | December 31, 2021 |
| Taiwan | $ 275,901 | $378,144 | $ 410,356 | $ 430,977 |
| Asia | 100,255 | 132,719 | 88－ | 31 |
| America | 55,676 | 102,474 | － | － |
| Europe | 54,009 | 43,741 | － | － |
| Other | 5,042 | 8,800 | － | － |
| Total | $ 490,883 | $665,878 | $ 410,444 | $ 431,008 |

2. Main competitors:

(1) Domestic: The Company has been around for more than 30 years. This industry in Taiwan is already a mature industry and its business competition is visibly fierce. However, the reason that the Company has been able to survive so far is that it has grasped the innovative advantages of product development and allocation—the survival niche that requires quality first, prompt client service, leading technology, development of new products, and cost control.

(2) It is an indisputable fact that most of our European and American counterparts are still uncompetitive in this market and have gradually withdrawn from the market or turned to cooperate with Asian counterparts; whereas mainland China and Southeast Asia have gradually become Taiwan's threatening opponents. Only by maintaining the competitiveness of the Company's products can the Company survive in the long term.

3. Market share and future market supply and demand situation and growth:

The Company is still subject to market segmentation. Printed circuit boards are indispensable basic components of various electronic products. The more advanced and developed the society, the more common the need for them. In industrial societies, new electronic products, full of creativity, are introduced and change with each passing day. Therefore, except for the downturn in the economic cycle, printed circuit boards are still vigorously developing and growing at a high level.

4. Business objectives:

In addition to continuing to actively develop the market for special manufacturing processes and materials to improve performance and output value, we are actively seeking orders for front and rear lights and peripheral products.

5. Favorable and unfavorable factors and countermeasures for competitive niches and development prospects:

(1) Competitive niche: The Company is still a small and medium-sized factory, which has both the advantages of a large factory's manufacturing process capability and the advantages of a small factory's flexible scheduling to meet the needs of clients. The Company has recently been actively developing printed circuit boards made of special boards. Advanced heat-dissipating boards are complex and difficult to develop because of the complex technology they need to work with, which just happens to makes them a source of product differentiation from other manufacturers in the same industry, and they have also become the main source of profit for the Company.

(2) Favorable factors

(a) Taiwan's printed circuit board technology has a solid foundation; extensive experience; stability and excellent quality; mature development of new manufacturing process technology; and a complete industrial structure in the upstream, midstream, and downstream industries, which is conducive to the Company's export expansion and increase in OEM factories and order volume for special products.

(b) The production cost in the European and American markets is too high, and the demand is bound to shift to the Far East to expand procurement. The Company has officially obtained the global certification of IATF-16949 automotive sheet, which will be more conducive to the development of new clients.

(c) Printed circuit boards are the most basic and indispensable parts of all electronic products. With the vigorous development of downstream information electronics, network communications, industrial control products, and consumer products, the demand for printed circuit boards has also grown.

(d) The Company's newly developed aluminum cooling plate technology is mature, the yield rate and production efficiency are constantly improving, and the production and material application development are strengthened, and self-manufacturing processes and technologies are improved to increase profitability.

(e) The Company cooperates with clients in their product and market needs, establishes long-term partnerships, and enhances the stability of orders.

(3) Unfavorable factors

(a) Many of Taiwan's upstream, midstream, and downstream manufacturers have set up factories in mainland China. Due to the drop in demand, Taiwan's factories have closed down one after another, which has had a negative impact on Taiwan's printed circuit board industry.

(b) In recent years, a number of PCB factories have been competing to expand their factories in mainland China and automate their production lines. The production capacity has increased greatly, but the demand for orders has not increased significantly, resulting in price cuts, order reduction, and reduced profits.

(4) Countermeasures:

(a) Strengthen the research and development of advanced special material applications and high-quality, stable products; grasp the Company's niche; and seek strategic alliances with other manufacturers.

(b) Actively look for cooperative suppliers in mainland China and make good use of their price advantages to win more low-price market orders.

(c) Actively develop high-conductivity, high-voltage-resistant materials and circuit board markets.

(d) Introduce design and PCBA processing operations for clients.

(2) Main product usage and production process:

1. Main product usage:

(1) Double-sided printed circuit board:
Used in light source lighting products, computer peripheral equipment, automatic control parts, auto parts, UPS, and general consumer products.

(2) Multilayer printed circuit board:
Used in various types of computers, servers, communication network equipment, mobile phones, satellite communication equipment, and related equipment of industrial automation.

(3) Circuit boards made of ceramic boards and special materials:
Used in solar power supply systems, microwave systems, UHF wireless systems, and power systems.

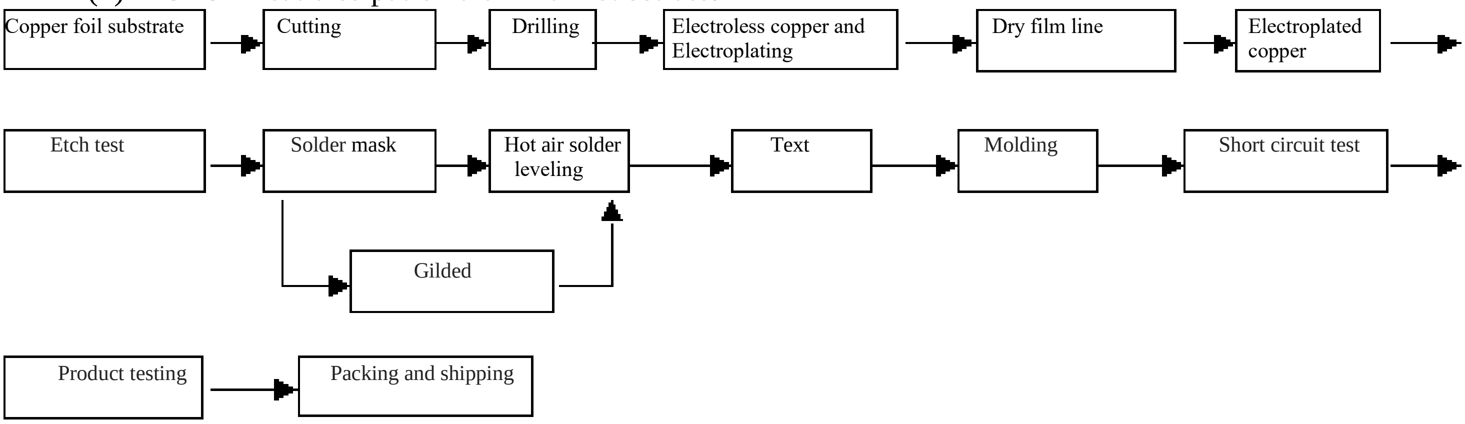
(4) Heat dissipation substrate:
Used in the LED lighting industry and products that require fast heat dissipation components; it can achieve environmental power saving and prolong the life of components.

(5) Rigid-flex board:
Used in flash modules, auto parts, mobile phone parts, mobile phone battery modules, and medical equipment.

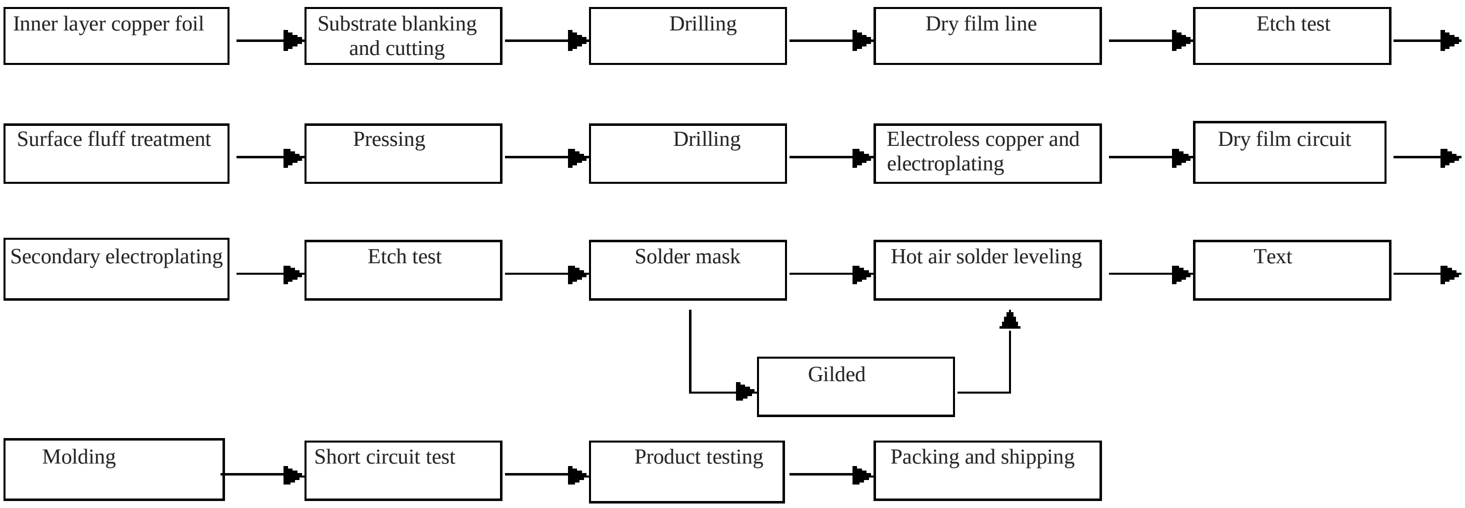
(6) Enter the public and consumer lighting market with self-developed LED light strips

2. Manufacturing production process:

(1) MCPCB heat dissipation aluminum substrate:




(2) Multilayer printed circuit board:




(3) Supply status of main raw materials

The Company's main raw materials are substrates, copper foil, glass cloth film, phosphor bronze balls, aluminum plates, red copper plates, mirror aluminum plates, polyimide flexible substrates, dry films, and inks. The supply areas are mainly Japan and our country, but mostly for domestic procurements. The supply source is sufficient, and the supply is normal. Additionally, due to the requirements of the clients' environmental protection standards, the use of environmentally friendly substrates and environmentally friendly materials will relatively increase the cost of research and development and material costs.

(4) Clients that have accounted for 10% or more of the total purchase (sales) in any of the last 2 years

1. The names of clients accounting for 10% or more of the total sales in the last 2 years, the sales amount and proportion, and the relationship with the issuer:

Unit: NT$1,000

| 2021 | | | | 2022 | | | | Q1 2023 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Amount | Ratio of annual net sales (%) | Relationship with the issuer | Name | Amount | Ratio of annual net sales (%) | Relationship with the issuer | Name | Amount | Ratio of annual net sales (%) | Relationship with the issuer |
| A | 75,762 | 11 | None | B | 67,608 | 14 | None | D | 34,453 | 25 | None |
| B | 69,298 | 10 | None | C | 31,238 | 6 | None | B | 21,714 | 16 | None |
| C | 66,354 | 10 | None | A | 29,733 | 6 | None | | | | |
| | | | | | | | | | | | |
| Other | 454,464 | 69 | | Other | 469,675 | 74 | | Other | 83,214 | 59 | |
| Net sales | 665,878 | 100 | | Net sales | 598,254 | 100 | | Net sales | 139,381 | 100 | |

Reasons for the change:
(1) The decrease in the sales amount of client A is mainly due to the end of the old model.
(2) The decrease in the sales amount of client C is mainly due to the impact of the pandemic.

2. Names of clients that accounted for 10% or more of the total purchases in the last 2 years, the purchase amount and proportion, and their relationship with the issuer:

Unit: NT$1000

| 2021 | | | | 2022 | | | | 2023 Q1 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Amount | Ratio of annual net purchases (%) | Relationship with the issuer | Name | Amount | Ratio of annual net purchases (%) | Relationship with the issuer | Name | Amount | Ratio of annual net purchases (%) | Relationship with the issuer |
| A | 72,014 | 21 | None | A | 27,570 | 13 | None | A | 5,663 | 7 | None |
| B | 18,334 | 5 | | B | 25,106 | 12 | None | B | 27,042 | 34 | None |
| | | | | | | | | | | | |
| Other | 259,436 | 74 | | Other | 168,661 | 75 | | Other | 46,693 | 59 | |
| Net purchases | 349,784 | 100 | | Net purchases | 211,337 | 100 | | Net purchases | 79,398 | 100 | |

Reasons for the change:
(1) The decrease in purchase amount of manufacturer A is mainly due to the decrease in revenue.
(2) The increase in purchase amount of manufacturer B is mainly due to client demand.

(5) Production output value in the last 2 years Unit: square feet; NT$1,000

| year / Output value / Main product | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | Production capacity | Output | Output value | Production capacity | Output | Output value |
| Printed circuit board | 1,800,000 | 1,148,725 | 604,001 | 1,800,000 | 723,069 | 484,839 |

(6) Sales volume and value in the last 2 years

Amount: NT$1,000; Unit: Volume: Square Feet; The quantity of products is calculated in PCS (pieces)

| Year / Sales volume/value / Main product (or department) | 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic sales | | Export sales | | Domestic sales | | Export sales | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| PCB | 681,628 | 359,528 | 416,530 | 257,029 | 466,990 | 260,638 | 247,339 | 203,959 |
| Product | 1,148,458 | 18,616 | 3,037,265 | 30,705 | 578,963 | 7,438 | 4,158,621 | 18,848 |
| Total | | 378,144 | | 287,734 | | 268,076 | | 222,807 |

3. Employees:

| Year | | 2021 | 2022 | March 31, 2023 |
|---|---|---|---|---|
| Number of employees | Management and indirect personnel | 67 | 66 | 66 |
| | R&D, technical personnel | 30 | 33 | 32 |
| | Operator | 273 | 253 | 271 |
| | Total | 370 | 352 | 369 |
| Average age | | 43 | 43 | 43 |
| Average years of service | | 10.21 | 9.65 | 9.14 |
| Educational distribution Ratio | PhD | 0.00% | 0.00% | 0.00% |
| | Master | 2.43% | 1.70% | 1.62% |
| | Junior college | 15.14% | 34.94% | 34.16% |
| | Senior high school | 72.43% | 52.56% | 54.74% |
| | Senior high school and below | 10.00% | 10.80% | 9.48% |

4. Information on environmental protection expenditures

(1) Losses caused by environmental pollution:

1. In 2022 and as of the publication date of the annual report, the Company has not incurred any loss or punishment due to environmental pollution.
2. The Company continues to comply with the requirements of ISO 14001, and combines the cost-saving plan of the production line with the concept of industrial waste reduction, and continues to reduce pollutant waste and conduct waste reduction management from the aspects of raw material management, manufacturing process improvement, equipment automation, recycling, and use of clean energy.

(2) Future environmental protection expenditures:

The estimated loss that may occur in the future is in the amount of NT$100,000. Every year in the future, investment related expenses will be directed at pollution prevention, water quality improvement, air quality improvement, reduction of greenhouse gas emissions, regulatory compliance, and implementation of legal disposal of waste. In response to the Company's continuous updating of product manufacturing processes and international environmental trends, and for the diversification of waste disposal methods in the future, it is expected that related expenses such as permit changes or extensions will be incurred. Additionally, the international situation has caused a sharp increase in raw materials. The total environmental protection capital expenditure is estimated to be about NT$28,805,000. The items are described as follows:

Amount: NT$1,000

| Year / Item | 2023 | 2024 | 2025 |
|---|---|---|---|
| Pollution prevention and control equipment to be purchased or content of expenditure (wastewater, waste gas, waste, and other solutions) | ∗Water quality control and testing fees<br>∗Regular maintenance and update of equipment<br>∗Air pollution control and detection<br>∗Greenhouse gas reduction<br>∗Waste disposal fee<br>∗ISO14001 implementation and management<br>∗Implementation of waste reduction plan | ∗Water quality control and testing fees<br>∗Regular maintenance and update of equipment<br>∗Air pollution control and detection<br>∗Greenhouse gas reduction<br>∗Waste disposal fee<br>∗ISO14001 implementation and management<br>∗Implementation of waste reduction plan | ∗Water quality control and testing fees<br>∗Regular maintenance and update of equipment<br>∗Air pollution control and detection<br>∗Greenhouse gas reduction<br>∗Waste disposal fee<br>∗ISO14001 implementation and management<br>∗Implementation of waste reduction plan |
| Expected improvement | 1. Comply with the requirements of environmental regulations<br>2. Continuous improvement and pollution reduction | 1. Comply with the requirements of environmental regulations<br>2. Continuous improvement and pollution reduction | 1. Comply with the requirements of environmental regulations<br>2. Continuous improvement and pollution reduction |
| Amount | 28,805 | 28,805 | 28,805 |

5. Labor–management relations:

(1) The Company's various employee welfare measures, continuing education, training, and retirement systems and their implementation status, as well as the agreement between labor and management and various employee rights and interests protection measures

1. Employee welfare measures

(1) Establish a year-end bonus and dividend system to combine the interests of employees with the interests of the Company so as to create outstanding performance.

(2) The Company has established a Labor Pension Reserve Supervisory Committee in accordance with the law, and has retirement guidelines in place for formally hired employees. The pension is allocated at the rate of 2% of the employee's total salary every month as the pension reserve which is deposited in a dedicated account in the Bank of Taiwan for safekeeping; the pension for employees adopting the new pension system is allocated monthly based on 6% of the total salary of the employee and deposited in the dedicated account of the Labor Insurance Bureau according to the individual's name, ID card number, and date of birth.

(3) Strengthen various welfare measures, build staff dormitories, social halls, staff restaurants, etc. in order to seek the best benefits for employees.

(4) Hold employee trips every year or distribute cash instead thereof; distribute gifts or gift money for the three major festivals; hold dinner parties; conduct lottery drawings at the end-year party; and provide various benefits, subsidies, and emergency assistance for weddings, funerals, celebrations, and festivals. In addition, we offer three free meals a day, labor insurance, national health insurance, group insurance, distribution of work uniforms, production bonuses, introductory and long-term bonuses, birthday gift money, employee health checks and lectures, special shops, childcare centers, and other welfare measures.

(5) All employees of the Company enjoy dividends and allotment benefits, fully combining performance and remuneration.

(6) The continuing education and training of employees are carried out in accordance with the annual training plan and the training of temporary needs in the operation, and are handled in accordance with the rules after the employee submits an application. The actual operation is currently good.

(7) Formulate employee incentive guidelines and operating rules; reward employees who improve work efficiency and achieve quality goals; distribute bonuses, gifts, etc.

2. Retirement system and its implementation status

(1) The Company has been approved by Taoyuan County Government letter No. 1989-Fu-She-Lao-Tzu-089308 to establish the Labor Pension Reserve Supervisory Committee. The labor retirement reserve is allocated at 2% of the total monthly salary and deposited in a dedicated account with the Bank of Taiwan to be used as a reserve for future payment of employee pensions. However, after the employee seniority has been settled in succession in 2016 under the aforementioned employee retirement plan, the Company has no further obligation to make any provision at present. The remaining balance in the dedicated account was withdrawn in February 2021 and canceled.

(2) The Labor Pension Act came into effect on July 1, 2005, and adopted a definite appropriation system. After implementation, employees may choose to apply the pension plan related to the "Labor Standards Act" (old system), or apply the pension system of the Act (new system) and retain the work seniority before the application of the Act (retain the seniority under the old system). For employees who choose to apply the new pension system, the Company allocates 6% of the employee's salary to the employee's personal pension account every month, and employees may also contribute their pension reserve according to their personal wishes.

(3) According to the Labor Pension Act, employees of the Company who have reached the age of 60 may apply for pension, and if they have worked for 15 years, they may choose to apply for monthly pension or one-off pension; if they have worked for less than 15 years, they shall only apply for one-off pension. Retirement application procedures and conditions are no less favorable than those under the regulatory requirements.

(4) Since 2007, the Company has set aside 8% of the total salary to be deposited in the dedicated account with the Bank of Taiwan for safekeeping and use as employee pension reserve on a monthly basis in accordance with the "Employee Pension Guidelines" approved by the Company's shareholders meeting for the pension of appointed managerial officers.

(5) According to the local laws and regulations, the subsidiary in China shall allocate pension insurance funds according to a certain percentage of the total salary of local employees every month. The pension of each employee is allocated uniformly by the local government on a monthly basis, and there is no further obligation.

3. Employee education and training: We conduct employee education and training in accordance with the education and training procedures and implement new employee education and training and on-the-job education and training according to the status of the personnel.

Education and training in 2022

| Course Title | Number of hours |
|---|---|
| Energy Inspection Filing Practice | 6 |
| Accounting Supervisor Continuing Education | 12 |
| Accounting Supervisor Continuing Education | 12 |
| 2022 Forum on Labor Standards Act | 6 |
| Create Sustainable Enterprise Competitiveness | 3 |
| Master Recruitment Skills and Establish an Efficient Structured Interview Process | 6 |
| Power BI-Data Integration and Analysis | 6 |
| Labor Insurance Internet Application Operations Briefing | 3 |
| Mediation Practice of Labor Incident Act and Discussion on the Latest Development and Trend in Labor Law | 3 |
| Guidance Seminar on Public Safety Laws and Regulations of Factory Warehouse Buildings | 3.5 |
| Class B Boiler Operator | 51 |
| Employment of Foreigners Regulatory Study Course | 6 |
| Radiation Protection Education and Training and Retraining | 24 |

| | |
|---|---|
| Guishan Industrial Park Regional Joint Defense Organizational Meeting | 3 |
| 2022 Labor Retirement System and Regulatory Briefing | 4 |
| In The Face of Climate Change and the Wave of Sustainable Development, Explore the Impact on Corporate Internal Control and Countermeasures from the Perspective of ESG Risks | 6 |
| TPCA Personnel Supervisors Association | 2 |
| TOSHMS Certification Promotion Event | 6 |
| Research and Development Substitution Military Service Briefing | 2 |
| Immigrant Workers Retained Talents Program | 2 |
| Manufacturing Industry Carbon Inventory and Carbon Footprint Seminar | 6 |
| Manufacturing Industry Carbon Inventory and Carbon Footprint Seminar | 6 |
| Type A Occupational Safety and Health Business Supervisor On-The-Job Training | 6 |
| Analysis of the Labor Occupational Accident Insurance and Protection Act and Enterprise's Response Plan | 6 |
| This Makes Communication Management Easier | 2 |
| Energy Saving Audit System for Large Energy Users Briefing | 3 |
| Industrial Water Efficiency Improvement Program | 2 |
| Education and Training for New Recruits in December 2022 | 72 |
| GP Hazardous Substance Education and Training | 11.5 |
| Year-end Party Expenditure Filling Practice | 9 |
| Education and Training for New Recruits in November 2022 | 48 |
| Appraisal After Probation Period | 240 |
| Appraisal After Probation Period | 240 |
| Education and Training for New Recruits in October 2022 | 40 |
| Appraisal After Probation Period | 240 |
| Appraisal After Probation Period | 480 |
| Cash Flow Statement | 7 |
| Education and Training for New Recruits in September 2022 | 80 |
| Merger Financial Advisor | 4 |
| Consolidated Financial Statements | 7 |
| Education and Training for New Recruits in August 2022 | 96 |
| Appraisal After Probation Period | 240 |
| Consolidated Financial Statements | 8 |
| Appraisal After Probation Period | 240 |
| Appraisal After Probation Period | 240 |
| Appraisal After Probation Period | 240 |
| Education and Training for New Recruits in July 2022 | 48 |
| Education and Training for New Recruits in June 2022 | 112 |
| Cumulative translation adjustment | 9 |
| Raw Material Master File Maintenance Operation | 2 |
| Appraisal After Probation Period | 240 |
| Explanation of Pscmail Company Mainframe Work Content | 1 |
| Word Catalog Compilation Method | 8 |
| Pre-Manufacturing Design Specifications Briefing | 26 |

| | |
|---|---|
| ROE Change Process Specifications | 25 |
| Education and Training for New Recruits in May 2022 | 40 |
| Single Manufacturing Process Outsourcing Calculation Method | 2 |
| Education and Training for New Recruits in April 2022 | 120 |
| GP Supplier Management Briefing | 2 |
| Education and Training for New Recruits in March 2022 | 32 |
| Thin Plate Operations and Transfer Methods Operations Specifications | 38 |
| A62 (Jinxiechang) Inspection and Packaging Requirements | 48 |
| A49 Tin Surface and 468 Gold Finger Inspection Requirements | 48 |
| VCP Automatic Line Operation and Production | 26 |
| 549 Lightning Welding Operational Requirements | 48 |
| Education and Training for New Recruits in February 2022 | 24 |
| Appraisal After Probation Period | 240 |
| Quality Assurance Visual and Client Special Specification Training | 9 |
| Education and Training for New Recruits in January 2022 | 16 |
| Appraisal After Probation Period | 240 |
| Hole Inspection Machine Use Method | 28 |
| Inner Layer Section Production Education and Training | 21 |
| Belt Grinding Operation Education and Training | 14 |
| Pressing Section Production and Quality Education and Training | 92 |
| Total | 4299 |

4. Labor–management agreement status

Since the Company has always paid attention to employee benefits, the relationship between labor and management has been harmonious over the years. There have been no labor disputes in the past 3 years, and no losses have been incurred therefrom.

5. Various employee rights and interests protection measures

The Company has formulated the “Employee Code of Conduct and Operational Rules”, the “Safety and Health Management Procedures”, and other rules to protect the rights and health of employees; it has also set up the whistleblower mailbox, sexual harassment prevention and complaint handling guidelines, and employee satisfaction surveys, etc., and the communication channels are smooth.

(2) Losses incurred due to labor disputes in the most recent year and as of the date of publication of the annual report

The Company's labor inspection results showed the violations of the Labor Standards Act as follows, and the possible administrative fine in the future is estimated to be in the amount of NT$200,000. Due to system design and cost considerations, adjustments will be made depending on the operating conditions:

| Date of decision | Decision No. | Violated provision | Content of the violated laws and regulations | Content of decision |
|---|---|---|---|---|
| Aug. 24, 2022 | Fu-Lao-Tiao-Tzu - 11102310061 | Labor Standards Act Article 32, Paragraph 2 | The extension of working hours referred to in the preceding paragraph, combined with the regular working hours shall not exceed twelve hours a day; the total number of overtime shall not exceed forty-six hours a month; however, the extension of working hours, with the consent of the labor | An administrative fine of NT$150,000 |

| | | | | |
|---|---|---|---|---|
| | | | union, or if no labor union exists in a business entity, with the approval of a labor–management conference, shall not exceed fifty-four hours a month and one hundred and thirty-eight hours every three months. | |
| Aug. 24, 2022 | Fu-Lao-Tiao-Tzu-1110231006 | Labor Standards Act Article 24, Paragraph 1 | An employer shall pay worker overtime wages using the following basis:<br>When the overtime work does not exceed two hours, the worker shall be paid, in addition to the regular hourly rate, at least an additional one-third of the regular hourly rate.<br>When the overtime work is over two hours, but the total overtime work does not exceed four hours, the worker shall be paid, in addition to the regular hourly wage, at least an additional two-thirds of the regular hourly rate.<br>When the overtime work requested is governed by Paragraph 4 of Article 32, the worker shall be paid two times the hourly rate. | An administrative fine of NT$100,000 |

1. For the violation of Article 32, Paragraph 2 of the Labor Standards Act (overtime), an administrative fine in the amount of NT$150,000.
2. For the violation of Article 24, Paragraph 1 of the Labor Standards Act (extra wage not calculated based on the full salary), an administrative fine in the amount of NT$100,000.

6. Cyber security management:

(1) Clearly describe the cyber security risk management framework, cyber security policies, specific management plans, and resources invested in cyber security management, etc.

The cyber security risk management of the Company and its subsidiaries is coordinated, formulated and implemented by the General Management Department. The Company has formulated the “Cyber Security Policy and Management Guidelines” to strengthen the Company's cyber security organization, established the powers and responsibilities of information personnel, implemented cyber security management, and safeguarded information assets so as to ensure the smooth progress of the overall information business. The scope of cyber security is divided into ten items, and the division of work in business is set out as follows:

1. Formulation and evaluation of cyber security policy: cyber security organization.
2. Cyber security organization and powers and responsibilities: personnel, audit, and information units.
3. Classification and control of information assets: information and property management units.
4. Personnel safety management: personnel and information units.
5. Physical and environmental safety management: information unit.
6. Communication and operation management: information and business units.
7. Access control: information and business units.
8. System development and maintenance: information unit.
9. Operational continuity management: information unit.
10. Cyber security protection equipment: information unit.

(2) List the losses incurred due to major cyber security incidents in the most recent year and as of the date of publication of the annual report, possible impacts and countermeasures. If these cannot be reasonably estimated, the fact that they cannot be reasonably estimated shall be stated: Not applicable.

## 7. Important Contracts:

| Manner of contract | Party | Contract Period | Main content | Restrictive clause |
|---|---|---|---|---|
| Medium term loan | Taiwan Cooperative Bank - East Taipei Branch | Aug. 11, 2020 - Aug. 11, 2025 | Mortgage loan | No special restrictive clause |
| Medium term loan | Taiwan Cooperative Bank - East Taipei Branch | Sep. 10, 2019 - Sep. 10, 2024 | Mortgage loan | No special restrictive clause |
| Short term loan | Taiwan Cooperative Bank - East Taipei Branch | Sep. 23, 2022 - Sep. 23, 2023 | Mortgage loan | No special restrictive clause |
| Long term loan | Bank of Taiwan - Taoyuan Branch | Feb. 26, 2008 - Feb. 26, 2023 | Mortgage loan | No special restrictive clause |
| Short term loan | Bank of Taiwan - Taoyuan Branch | Feb. 18, 2023 - Feb. 18, 2024 | Mortgage loan | No special restrictive clause |
| Medium term loan | The Shanghai Commercial & Savings Bank, Ltd. - Yanping Branch | Aug. 19, 2020 - Aug. 19, 2025 | Credit loan | No special restrictive clause |
| Short term loan | Bank of Panhsin-Taoying Branch | Jan. 3, 2023 - Jan. 3, 2024 | Credit loan | No special restrictive clause |
| Project contract | Chia You Construction Co., Ltd. | Dec. 5, 2019- | Construction project | No special restrictive clause |
| Project contract | Chia You Construction Co., Ltd. | Dec. 5, 2019- | Hydropower project | No special restrictive clause |

# VI. Financial Status

1.Condensed Balance Sheet and Statements of Comprehensive Income

(1) Condensed Balance Sheet and Statements of Comprehensive Income-IAS

(1)Consolidated Balance Sheet─IAS　　Unit: NT$ thousand

| Year / Item | | Financial information for the most recent five years (note 1) | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | Financial information as of March 31, 2023(note 3) |
| Current assets | | 1,180,620 | 1,068,841 | 1,067,903 | 1,628,616 | 1,010,142 | 1,010,483 |
| Property, plant and equipment (note 2) | | 505,126 | 375,478 | 359,137 | 382,031 | 381,168 | 387,390 |
| Right-of-use assets | | | 4,975 | 9,326 | 6,209 | 1,273 | 2,304 |
| Investment property | | 683,122 | 686,342 | 693,983 | 0 | 0 | 0 |
| Intangible assets | | 237 | 230 | 463 | 4,874 | 3,519 | 2,881 |
| Other assets (note 2) | | 92,756 | 54,841 | 88,989 | 81,540 | 66,814 | 52,874 |
| Total assets | | 2,461,861 | 2,190,707 | 2,219,801 | 2,103,270 | 1,462,916 | 1,455,932 |
| Current liabilities | Before distribution | 352,970 | 245,904 | 251,404 | 705,717 | 165,945 | 183,510 |
| | After distribution | 352,970 | 245,904 | 251,404 | 705,717 | (note 4) | Note applicable |
| Non-current liabilities | | 512,294 | 499,682 | 542,854 | 80,448 | 62,525 | 57,652 |
| Total liabilities | Before distribution | 865,264 | 745,586 | 794,258 | 786,165 | 228,470 | 241,162 |
| | After distribution | 865,264 | 745,586 | 794,258 | 786,165 | (note 4) | Note applicable |
| Equity attributable to owners of the parent | | 1,582,549 | 1,433,999 | 1,407,188 | 1,294,269 | 1,222,150 | 1,202,097 |
| Share capital | | 1,661,228 | 1,661,228 | 1,661,228 | 1,661,228 | 1,661,228 | 1,661,228 |
| Legal reserve | | 2,416 | 0 | 0 | 0 | 0 | 0 |
| Retained earnings | Before distribution | (99,729) | (237,739) | (224,573) | (336,383) | (412,812) | (432,539) |
| | After distribution | (99,729) | (237,739) | (224,573) | (336,383) | (note 4) | Note applicable |
| Other Equity | | 18,634 | 10,510 | (29,467) | (30,576) | (26,266) | (26,592) |
| Treasury share | | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-controlling interest | | 14,048 | 11,122 | 18,355 | 22,836 | 12,296 | 12,673 |
| Total Equity | Before distribution | 1,596,597 | 1,445,121 | 1,425,543 | 1,317,105 | 1,234,446 | 1,214,770 |
| | After distribution | 1,596,597 | 1,445,121 | 1,425,543 | 1,317,105 | (note 4) | Note applicable |

Note 1: The Company's financial information for the most recent five years using IFRS has been audited by certified public accountants.

Note 2: The Company did not carry out asset revaluation in 2022.

Note 3: The financial information on March 31, 2023 has been reviewed by the certified public accountants.

Note 4: The net loss after tax in 2022 was NT$76,804,000, and the loss to be made up at the end of the period was NT$ 412,812,000. On March 22, 2023, the Board of Directors resolved not to distribute the surplus for the year 2022, which has not yet been resolved by the shareholders meeting.

(2) Consolidated Condensed Statements of Comprehensive Incom─IAS

Unit: NT$ thousand

| Item \ Year | Financial information for the most recent five years (note 1) | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | Financial information as of March 31, 2023 (note 2) |
| Operating revenue | 1,043,651 | 889,299 | 644,823 | 665,878 | 490,883 | 143,158 |
| Gross operating profit (loss) | 13,193 | 22,286 | (24,610) | (31,022) | (67,247) | 1,157 |
| Operating profit (loss) | (147,438) | (146,154) | (125,261) | (122,416) | (152,263) | (18,980) |
| Non-operating revenue and expense | 27,545 | (11,018) | 129,454 | 60,581 | 88,218 | 1,197 |
| Net profit (loss) before tax | (119,893) | (157,172) | 4,193 | (61,835) | (64,045) | (17,783) |
| Net profit (loss) of continued operations for current year | (102,020) | (143,064) | 10,312 | (107,582) | (68,344) | (19,350) |
| Loss of discontinued operations | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit (loss) for the current year | (102,020) | (143,064) | 10,312 | (107,582) | (68,344) | (19,350) |
| Other comprehensive income for the current year (Net after tax) | (3,462) | (8,412) | (39,890) | (856) | 4,685 | (326) |
| Total comprehensive income for the current year | (105,482) | (151,476) | (29,578) | (108,438) | (63,659) | (19,676) |
| Net profit attributable to owners of the parent | (100,068) | (140,138) | 13,079 | (112,063) | (76,804) | (19,727) |
| Net profit attributable to non-controlling interest | (1,952) | (2,926) | (2,767) | 4,481 | 8,460 | 377 |
| Comprehensive income attributable to owners of the parent | (103,530) | (148,550) | (26,811) | (112,919) | (72,119) | (20,053) |
| Comprehensive income attributable to non-controlling interest | (1,952) | (2,926) | (2,767) | 4,481 | 8,460 | 377 |
| Earnings per share | (0.60) | (0.84) | 0.08 | (0.67) | (0.46) | (0.12) |

Note 1: The Company's financial information for the most recent five years using IFRS has been audited by certified public accountants.

Note 2: The financial materials on March 31, 2023 have been reviewed by certified public accountants.

(2)Parent Company Only Condensed Balance Sheet and Statements of Comprehensive Income-IAS

(1) Parent Company Only Condensed Balance Sheet─IAS

Unit: NT$ thousand

| Year / Item | | Financial information for the most recent five years (note 1) | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | Financial information as of March 31, 2023(note 3) |
| Current assets | | 1,034,097 | 903,430 | 1,169,683 | 977,604 | 882,116 | Note applicable |
| Property, plant and equipment (note 2) | | 348,473 | 380,546 | 368,463 | 388,209 | 381,146 | |
| Intangible assets | | 237 | 230 | 463 | 4,874 | 3,519 | |
| Other assets (note 2) | | 529,235 | 420,788 | 195,713 | 217,996 | 167,286 | |
| Total assets | | 1,912,042 | 1,704,994 | 1,734,322 | 1,588,683 | 1,434,067 | |
| Current liabilities | Before distribution | 278,951 | 210,105 | 219,672 | 213,966 | 149,426 | |
| | After distribution | 278,951 | 210,105 | 219,672 | 213,966 | (note 4) | |
| Non-current liabilities | | 50,542 | 60,890 | 107,462 | 80,448 | 62,491 | |
| Total liabilities | Before distribution | 329,493 | 270,995 | 327,134 | 294,414 | 211,917 | |
| | After distribution | 329,493 | 270,995 | 327,134 | 294,414 | (note 4) | |
| Equity attributable to owners of the parent | | 1,582,549 | 1,433,999 | 1,407,188 | 1,294,269 | 1,222,150 | |
| Share capital | | 1,661,228 | 1,661,228 | 1,661,228 | 1,661,228 | 1,661,228 | |
| Legal reserve | | 2,416 | 0 | 0 | 0 | 0 | |
| Retained earnings | Before distribution | (99,729) | (237,739) | (224,573) | (336,383) | (412,812) | |
| | After distribution | (99,729) | (237,739) | (224,573) | (336,383) | (note 4) | |
| Other Equity | | 18,634 | 10,510 | (29,467) | (30,576) | (26,266) | |
| Treasury share | | 0 | 0 | 0 | 0 | 0 | |
| Non-controlling interest | | 0 | 0 | 0 | 0 | 0 | |
| Total Equity | Before distribution | 1,582,549 | 1,433,999 | 1,407,188 | 1,294,269 | 1,222,150 | |
| | After distribution | 1,582,549 | 1,433,999 | 1,407,188 | 1,294,269 | (note 4) | |

Note 1: The Company's financial information for the most recent five years using IFRS has been audited by certified public accountants.

Note 2: The Company did not carry out asset revaluation in 2022.

Note 3: The company did not prepare the parent company only financial report for the first quarter of 2023.

Note 4: The net loss after tax in 2022 was NT$ 76,804,000, and the loss to be made up at the end of the period was NT$ 412,812,000. On March 22, 2023, the Board of Directors resolved not to distribute the surplus for the year 2022, which has not yet been resolved by the shareholders meeting.

(2) Parent company only Condensed Statements of Comprehensive Income-IAS

Unit: NT$ thousand

| Year / Item | Financial information for the most recent five years (note 1) | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | Financial information as of March 31, 2023(note 2) |
| Operating revenue | 795,487 | 734,427 | 605,865 | 641,439 | 477,113 | Note applicable |
| Gross operating profit (loss) | (21,779) | 8,987 | (36,865) | (44,948) | (74,799) | |
| Operating profit (loss) | (99,562) | (75,343) | (118,569) | (120,174) | (147,563) | |
| Non-operating revenue and expense | (16,139) | (75,407) | 128,901 | 16,108 | 75,044 | |
| Net profit (loss) before tax | (115,701) | (150,750) | 10,332 | (104,066) | (72,519) | |
| Net profit (loss) of continued operations for current year | (100,068) | (140,138) | 10,332 | (104,066) | (72,519) | |
| Loss of discontinued operations | 0 | 0 | 0 | 0 | 0 | |
| Net profit (loss) for the current year | (100,068) | (140,138) | 13,079 | (112,063) | (76,804) | |
| Other comprehensive income for the current year (Net after tax) | (3,462) | (8,412) | (39,890) | (856) | 4,685 | |
| Total comprehensive income for the current year | (103,530) | (148,550) | (26,811) | (112,919) | (72,119) | |
| Net profit attributable to owners of the parent | (100,068) | (140,138) | 13,079 | (112,063) | (76,804) | |
| Net profit attributable to non-controlling interest | 0 | 0 | 0 | 0 | 0 | |
| Comprehensive income attributable to owners of the parent | (103,530) | (148,550) | (26,811) | (112,919) | (72,119) | |
| Comprehensive income attributable to non-controlling interest | 0 | 0 | 0 | 0 | 0 | |
| Earnings per share | (0.60) | (0.84) | 0.08 | (0.67) | (0.46) | |

Note 1: The Company's financial information for the most recent five years using IFRS has been audited by certified public accountants.

Note 2: The company did not prepare the parent company only financial report for the first quarter of 2023.

(3) The names of CPA conducting financial audits in the most recent five years

| Audit year | Names of CPAs | Audit opinions |
|---|---|---|
| 2022 | TSENG KUO FU, CHENG HSIEN HSIU | Unqualified opinion |
| 2021 | TSENG KUO FU, CHENG HSIEN HSIU | Unqualified opinion |
| 2020 | TSENG KUO FU, LAI CHIA YU | Unqualified opinion |
| 2019 | TSENG KUO FU, LAI CHIA YU | Unqualified opinion |
| 2018 | TSENG KUO FU, LAI CHIA YU | Unqualified opinion |

2. Financial Analysis for the most recent five years

(1)Consolidated financial analysis - IAS

| Analytical item (note 3) / Year (note 1) | | Financial analysis for the most recent five years 2018 | 2019 | 2020 | 2021 | 2022 | Financial information as of March 31, 2023 (note 2) |
|---|---|---|---|---|---|---|---|
| Financial Structure % | Debt-asset Ratio | 35.15 | 34.03 | 35.78 | 37.38 | 15.62 | 16.56 |
| | Ratio of Long-term Capital to Property, Plant and Equipment | 414.72 | 514.99 | 542.98 | 359.84 | 340.26 | 328.46 |
| 2 Solvency % | Current Ratio | 334.48 | 434.66 | 424.78 | 230.77 | 608.72 | 550.64 |
| | Quick Ratio | 303.06 | 394.64 | 384.66 | 211.90 | 556.74 | 497.51 |
| | Interest Coverage Ratio | (26.42) | (13.91) | 1.41 | (7.19) | (46.20) | (60.53) |
| Operating Ability | Receivables Turnover Rate (times) | 3.31 | 3.59 | 3.62 | 4.08 | 3.57 | 4.81 |
| | Average Collection Days for Receivables | 110.27 | 101.67 | 100.82 | 89.46 | 102.24 | 75.88 |
| | Inventory Turnover Rate (times) | 8.94 | 8.71 | 7.15 | 6.25 | 5.27 | 6.40 |
| | Account payable turnover rate (times) | 6.61 | 7.12 | 6.42 | 7.20 | 7.22 | 7.36 |
| | Average Days of Sale | 40.82 | 41.9 | 51.04 | 58.40 | 69.25 | 57.03 |
| | Property, Plant and Equipment Turnover Rate (times) | 2.02 | 2.02 | 1.76 | 1.80 | 1.29 | 1.49 |
| | Total Asset Turnover Rate (times) | 0.46 | 0.38 | 0.29 | 0.31 | 0.28 | 0.39 |
| Profitability | Return on Assets (%) | (4.31) | (5.79) | 0.84 | (4.70) | (3.77) | (5.24) |
| | Return on Equity (%) | (6.25) | (9.29) | 0.92 | (8.30) | (5.36) | (6.32) |
| | Ratio of net profit before tax to paid-in capital (%)(note 7) | (7.22) | (9.46) | 0.25 | (3.72) | (3.86) | (4.28) |
| | Profit Margin (%) | (9.78) | (16.09) | 1.60 | (16.16) | (13.92) | (13.52) |
| | Earnings per share (NT$) | (0.60) | (0.84) | 0.08 | (0.67) | (0.46) | (0.12) |
| Cash Flow | Cash Flow Ratio (%) | 80.66 | (49.84) | (10.43) | (21.12) | (3.39) | (11.86) |
| | Cash Flow Adequacy Ratio (%) | 282.57 | 187.60 | 135.26 | 63.89 | (7.62) | (141.30) |
| | Cash Reinvestment Ratio (%) | 11.67 | (6.29) | (1.32) | (7.17) | (0.28) | (1.10) |
| Leverage | Working Leverage | (0.09) | (0.15) | 0.20 | 0.25 | 0.44 | (0.06) |
| | Financial Leverage | 0.97 | 0.93 | 0.92 | 0.94 | 0.99 | 0.99 |

If the increase or decrease of various financial ratios in the most recent 2 years has increased or decreased by 20% or more, the explanation is as follows:

1. Debt ratio: The decrease in the debt ratio is mainly due to the recognition of interests in investment real estate and the elimination of non-current assets and liabilities to be sold.

2. In terms of solvency: The increase in current ratio and quick ratio is mainly due to the recognition of interests in investment real estate and the elimination of non-current assets and liabilities to be sold. The decrease in the interest coverage ratio was mainly due to the decrease in interest expenses.
3. In terms of operating ability: The turnover rate of property, plant and equipment decreased, mainly due to the decrease in operating revenue.
4. In terms of profitability: The change in profitability was mainly due to the decrease in losses.
5. Cash flow: The decrease in cash flow was mainly due to the decrease in net cash outflow from operating activities.
6. Leverage: The increase in operating leverage was mainly due to the decrease in operating revenue.

Note 1: (1) The Company's financial information for the most recent five years using IFRS has been audited by certified public accountants.
(2) The Company has prepared parent company only financial reports in 2022, and will prepare separately (2) the analysis of parent company only financial ratios for the most recent five years.
Note 2: The financial information on March 31, 2023 has been reviewed by the certified public accountants.
Note 3: The aforementioned calculation formula is set out as follows:

1.Financial Structure

(1)Debt-asset Ratio ＝Total liabilities／Total assets

(2)Ratio of Long-term Capital to Property, Plant and Equipment＝ (Total Equity＋Non-current liabilities)／ Net of Property, Plant and Equipment

2.Solvency

(1)Current Ratio ＝Current assets／Current liabilities

(2)Quick Ratio＝ (Current assets－Inventory – Prepaid Expenses)／Current liabilities

(3)Interest Coverage Ratio ＝Income Before Income Tax and Interest Expenses / Interest Expenses for the Period

3.Operating Ability

(1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover Rate = Net Sales / Average Receivables (including accounts receivable and notes receivable arising from business operation) for Each Period

(2)Average Collection Days for Receivables ＝365／Receivables Turnover Rate

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

(4) Payables (including accounts payable and notes payable arising from business operations) Turnover Rate = Cost of Goods Sold / Average Payables (including accounts payable and notes payable arising from business operations) for Each Period

(5)Average Days of Sale ＝365／Inventory Turnover Rate

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

(7)Total Asset Turnover Rate = Net Sales / Average Total Assets

4.Profitability

(1)Return on Assets ＝[Profit or Loss after Tax + Interest Expenses × (1 – Tax Rate)] / Average Total Assets

(2)Return on Equity ＝Profit or Loss after Tax / Average Total Equity

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

(4)Earnings per share ＝(Profit and Loss Attributable to Owners of the Parent – Dividends on Special Shares) / Weighted Average Number of Issued Shares (note 4)

5.Cash Flow

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

(2)Net Cash Flow Adequacy Ratio ＝Net Cash Flow from Operating Activities for the Most Recent Five Years / (Capital Expenditures + Inventory Increase + Cash Dividend) for the most recent five years

(3)Cash Reinvestment Ratio＝((Net Cash Flow from Operating Activities – Cash Dividend) / (Gross Value of Property, Plant and Equipment + Long-term Investment + Other Non-current Assets +

Working Capital)(note 5)

6.Leverage:

(1)Working Leverage ＝(Net Operating Revenue – Variable Operating Costs and Expenses) / Operating Income (note 6)

(2)Financial Leverage ＝Operating Income / (Operating Income – Interest Expenses)

Note 4: For the aforementioned formula for calculating earnings per share, special attention should be paid to the following items when measuring:

1. Based on the weighted average number of ordinary shares, not the number of shares outstanding at the end of the year.
2. For cash capital increase or treasury stock transactions, the weighted average number of shares during the circulation period shall be calculated.
3. For converting surplus into capital increase or capital reserve into capital increase, when calculating earnings per share for previous years and semi-annual years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividends for the current year (whether paid or not) shall be deducted from the net profit after tax, or the net loss after tax shall be added. If the preferred share is non-cumulative and when there is a net profit after tax, the preferred share dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment is required.

Note 5: When measuring the cash flow analysis, it should pay special attention to the following items:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory will only be included when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividends include cash dividends of ordinary shares and preferred shares.
5. Gross property, plant and equipment refers to the total amount of property, plant and equipment before deduction of accumulated depreciation.

Note 6: The issuer should classify various operating costs and operating expenses into fixed and variable according to their nature. If estimates or subjective judgments are involved, they should pay attention to their rationality and maintain consistency.

Note 7: For foreign companies, the foregoing ratio of paid-in capital shall be calculated based on the ratio of net worth.

(2)parent company only financial analysis - IFRS

| Analytical item (note 3) / Year (note 1) | | Financial analysis for the most recent five years | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | Financial information as of March 31, 2023 (note 2) |
| Financial Structure % | Debt-asset Ratio | 17.23 | 15.89 | 18.86 | 18.53 | 14.78 | Note applicable |
| | Ratio of Long-term Capital to Property, Plant and Equipment | 468.64 | 398.03 | 421.75 | 359.87 | 337.05 | |
| Solvency % | Current Ratio | 370.71 | 429.99 | 532.47 | 456.90 | 590.34 | |
| | Quick Ratio | 345.84 | 385.04 | 487.63 | 395.37 | 533.00 | |
| | Interest Coverage Ratio | (98.91) | (108.80) | 8.53 | (61.17) | (52.56) | |
| Operating Ability | Receivables Turnover Rate (Times) | 3.16 | 3.48 | 3.51 | 4.00 | 3.52 | |
| | Average Collection Days for Receivables | 115.5 | 104.88 | 103.98 | 91.25 | 103.69 | |
| | Inventory Turnover Rate (times) | 10.59 | 9.21 | 7.00 | 6.18 | 5.22 | |
| | Account payable turnover rate (times) | 6.65 | 7.35 | 6.82 | 7.81 | 7.75 | |
| | Average Days of Sale | 34.46 | 39.63 | 52.14 | 59.06 | 69.92 | |
| | Property, Plant and Equipment Turnover Rate (times) | 2.31 | 2.03 | 1.65 | 1.73 | 1.25 | |
| | Total Asset Turnover Rate (times) | 0.40 | 0.41 | 0.35 | 0.39 | 0.32 | |
| Profitability | Return on Assets (%) | (5.03) | (7.69) | 0.82 | (6.66) | (5.01) | |
| | Return on Equity (%) | (6.13) | (9.29) | 0.92 | (8.30) | (6.10) | |
| | Ratio of net profit before tax to paid-in capital (%)(note 6) | (6.96) | (9.07) | 0.62 | (6.26) | (4.37) | |
| | Profit Margin (%) | (12.58) | (19.08) | 2.16 | (17.47) | (16.10) | |
| | Earnings per share (NT$) | (0.60) | (0.84) | 0.08 | (0.67) | (0.46) | |
| Cash Flow | Cash Flow Ratio (%) | 103.29 | (51.73) | (12.55) | (65.24) | 15.05 | |
| | Cash Flow Adequacy Ratio (%) | 147.24 | 117.46 | 77.09 | 43.07 | 8.99 | |
| | Cash Reinvestment Ratio (%) | 12.48 | (4.97) | (1.24) | (6.79) | 1.14 | |
| Leverage | Working Leverage | 0.22 | (0.12) | 0.31 | 0.37 | 0.51 | |
| | Financial Leverage | 0.99 | 0.98 | 0.99 | 0.99 | 0.99 | |

If the increase or decrease of various financial ratios in the most recent two years has increased or decreased by 20% or more, the explanation is as follows:

1. In terms of financial structure: The debt ratio decreased, mainly due to the decrease in bank borrowings.
2. In terms of solvency: The increase in the current ratio and quick ratio is mainly due to the decrease in current liabilities. It was mainly due to the decrease in profit due to the inconspicuous effect of product

transformation.

3. In terms of operating ability: The turnover rate of property, plants, and equipment decreased, mainly due to the decrease in net sales.
4. In terms of profitability: The change in profitability was mainly due to the decrease in losses.
5. In terms of cash flow: The change in cash flow ratio and cash reinvestment ratio is mainly due to the net cash inflow from operating activities. The change in cash flow allowable ratio is mainly due to the decrease in cash inflow from operating activities in the past 5 years.
6. Leverage: The increase in operating leverage was mainly due to the decrease in operating revenue.

Note 1: The Company's parent company only financial information for the most recent five years has been audited by certified public accountants.
Note 2: The company did not prepare the parent company only financial report for the first quarter of 2023.
Note 3: The aforementioned calculation formula is set out as follows:

1.Financial Structure
(1)Debt-asset Ratio ＝Total liabilities／Total assets
(2)Ratio of Long-term Capital to Property, Plant and Equipment＝ (Total Equity＋Non-current liabilities)／ Net of Property, Plant and Equipment

2.Solvency
(1)Current Ratio ＝Current assets／Current liabilities
(2)Quick Ratio＝ (Current assets－Inventory – Prepaid Expenses)／Current liabilities
(3)Interest Coverage Ratio ＝Income Before Income Tax and Interest Expenses / Interest Expenses for the Period

3.Operating Ability
(1) Receivables (including accounts receivable and notes receivable arising from business operations) Turnover Rate = Net Sales / Average Receivables (including accounts receivable and notes receivable arising from business operation) for Each Period
(2)Average Collection Days for Receivables ＝365／Receivables Turnover Rate
(3)Inventory Turnover Rate = Cost of Goods Sold / Average Inventory
(4) Payables (including accounts payable and notes payable arising from business operations) Turnover Rate = Cost of Goods Sold / Average Payables (including accounts payable and notes payable arising from business operations) for Each Period
(5)Average Days of Sale ＝365／Inventory Turnover Rate
(6) Property, Plant and Equipment Turnover Rate = Net Sales / Average Net of Property, Plant and Equipment
(7)Total Asset Turnover Rate = Net Sales / Average Total Assets

4.Profitability
(1)Return on Assets ＝[Profit or Loss after Tax + Interest Expenses × (1 – Tax Rate)] / Average Total Assets
(2)Return on Equity ＝Profit or Loss after Tax / Average Total Equity
(3)Profit Margin＝Profit or Loss after Tax / Net Sales
(4)Earnings per share ＝(Profit and Loss Attributable to Owners of the Parent – Dividends on Special Shares) / Weighted Average Number of Issued Shares (note 4)

5.Cash Flow
(1)Cash Flow Ratio＝Net Cash Flow from Operating Activities ／Current liabilities
(2)Net Cash Flow Adequacy Ratio ＝Net Cash Flow from Operating Activities for the Most Recent Five Years / (Capital Expenditures + Inventory Increase + Cash Dividend) for the most recent five years
(3)Cash Reinvestment Ratio＝((Net Cash Flow from Operating Activities – Cash Dividend) / (Gross Value of Property, Plant and Equipment + Long-term Investment + Other Non-current Assets + Working Capital)(note 5)

6.Leverage:
(1)Working Leverage ＝(Net Operating Revenue – Variable Operating Costs and Expenses) /

Operating Income (note 6)

(2)Financial Leverage ＝Operating Income / (Operating Income – Interest Expenses)

Note 4: For the aforementioned formula for calculating earnings per share, special attention should be paid to the following items when measuring:

1. Based on the weighted average number of ordinary shares, not the number of shares outstanding at the end of the year.
2. For cash capital increase or treasury stock transactions, the weighted average number of shares during the circulation period shall be calculated.
3. For converting surplus into capital increase or capital reserve into capital increase, when calculating earnings per share for previous years and semi-annual years, retrospective adjustments should be made according to the capital increase ratio, regardless of the issuance period of the capital increase.
4. If the preferred shares are non-convertible accumulated preferred shares, the dividends for the current year (whether paid or not) shall be deducted from the net profit after tax, or the net loss after tax shall be added. If the preferred share is non-cumulative and when there is a net profit after tax, the preferred share dividend shall be deducted from the net profit after tax; if it is a loss, no adjustment is required.

Note 5: When measuring the cash flow analysis, pay special attention to the following items:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the annual cash outflow of capital investment.
3. The increase in inventory will only be included when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividends include cash dividends of ordinary shares and preferred shares.
5. Gross property, plant and equipment refers to the total amount of property, plant and equipment before deduction of accumulated depreciation.

Note 6: The issuer should classify various operating costs and operating expenses into fixed and variable according to their nature. If estimates or subjective judgments are involved, they should pay attention to their rationality and maintain consistency.

Note 7: For foreign companies, the foregoing ratio of paid-in capital shall be calculated based on the ratio of net worth.

3. Audit Committee’ Review Report on the Financial Statement of the most recent year: Please refer to page113 of this manual.

4. The most recent financial report includes the certified public accountant's audit report, a two-year comparative balance sheet, a consolidated income statement, a statement of changes in equity, a cash flow statement, and notes or schedules: Please refer to pages 114-184.

5. The Company's parent company only financial report in the most recent year that has been audited and attested by an certified public accountant: Please refer to pages 185-248.

6. In the most recent year and as of the date of publication of the annual report, if there is a financial turnover difficulty for the Company and its affiliates, it shall specify its impact on the Company's financial position: None.

# VII. Review of Financial Position, Financial Conditions, and Risk Matters

1. Consolidated Financial Position

| Item \ Year | 2022 | 2021 | Variation | |
|---|---|---|---|---|
| | | | Amount | % |
| Current assets | 1,010,142 | 1,628,616 | (618,474) | -37.98% |
| Property, plant and equipment | 382,441 | 388,240 | (5,799) | -1.49% |
| Investment property | 0 | 0 | 0 | |
| Other assets | 70,333 | 86,414 | (16,081) | -18.61% |
| **Total assets** | 1,462,916 | 2,103,270 | (640,354) | -30.45% |
| Current liabilities | 165,945 | 705,717 | (539,772) | -76.49% |
| Non-current liabilities | 62,525 | 80,448 | (17,923) | -22.28% |
| **Total liabilities** | 228,470 | 786,165 | (557,695) | -70.94% |
| Share capital | 1,661,228 | 1,661,228 | 0 | 0.00% |
| Other Equity | (26,266) | (30,576) | 4,310 | -14.10% |
| Retained earnings | (412,812) | (336,383) | (76,429) | 22.72% |
| Non-controlling interest | 12,296 | 22,836 | (10,540) | -46.16% |
| **Total shareholders equity** | 1,234,446 | 1,317,105 | (82,659) | -6.28% |

The 20% difference in financial position and operating results is explained as follows:

1. Current assets, current liabilities, and non-current liabilities: mainly due to the recognition of interests in investment real estate and the elimination of non-current assets and liabilities to be sold. The decrease in non-current liabilities was mainly due to the decrease in long-term borrowings.
2. Retained earnings: mainly due to losses.
3. Non-controlling interests: mainly due to capital reduction of subsidiaries.

2. Consolidted FinancalPerformance

(1) Comparative Analysis of Operating Results

| Year / Item | 2022 | 2021 | Increase (decrease) amount | Variation Ratio |
|---|---|---|---|---|
| Operating revenue | 490,883 | 665,878 | (174,995) | -26.28% |
| Gross operating profit (loss) | (67,247) | (31,022) | (36,225) | 116.77% |
| Operating profit (loss) | (152,263) | (122,416) | (29,847) | 24.38% |
| Non-operating revenue and expense | 88,218 | 60,581 | 27,637 | 45.62% |
| Net profit (loss) before tax | (64,045) | (61,835) | (2,210) | 3.57% |
| Net profit (loss) for current year | (68,344) | (107,582) | 39,238 | -36.47% |
| Other comprehensive income(Net after tax) | 4,685 | (856) | 5,541 | -647.31% |
| Comprehensive income attributable to owners of the parent | (72,119) | (112,919) | 40,800 | -36.13% |
| Comprehensive income attributable to non-controlling interest | 8,460 | 4,481 | 3,979 | 88.80% |

Note: The financial performance of 2022 and 2021 is filled in with consolidated financial information.

Explanation of the change analysis of the ratio of increase and decrease:

1. Changes in operating revenue, gross operating loss, and net operating loss:
   (1) Affected by the war and high inflation, terminal demand is very weak, and the demand for electronic consumer products has dropped sharply. Due to many uncertain factors in the general environment, clients prioritize inventory adjustment. The inventory is very conservative, and the order volume has shrunk sharply.
   (2) Due to changes in demand from major clients, the factory has lost a lot of orders; new products are being developed successively, but the market benefits are not yet obvious.
   (3) Due to the sharp shrinkage of orders and the low utilization rate due to production reduction, the equipment is idle and the loss of overcapacity is recognized as an annual increase of 40%.
   (4) The local pandemic situation became severe, causing large-scale confirmed cases of employees in the factory, resulting in production reduction or shutdown of the production line, and some production capacity had to be outsourced for processing. Due to the decrease in utilization rate, the loss of idle production capacity was enlarged, and the cost pressure was greatly increased.
   (5) In the face of the continuous rise in international raw materials, it is difficult to pass on the cost immediately and completely. In addition, the 15% increase in electricity prices and the increase in environmental protection expenditures have increased labor costs, resulting in increased operating costs and impact on profit performance.
   （6） Affected by the slowdown in demand, the shipments of automobile sheet clients were delayed, resulting in a large increase in the loss of sluggish inventory.
2. Changes in net non-operating income and expenses: mainly due to foreign currency exchange benefits.
3. Changes in net loss and total comprehensive income attributable to the owner of the parent company for the current period: The decrease in net loss for the current period is mainly due to the impact of the property and land integration tax in the same period last year.
4. Changes in other comprehensive income (net of tax): mainly due to the increase in exchange differences resulting from translating the financial statements of a foreign operation.
5. Changes in the total comprehensive income attributable to non-controlling interests: mainly due to the recognition and disposal of investment property interests by subsidiaries.

(2) Analysis of changes in gross operating profit:

Ditto (1) 1. Changes in operating revenue, gross operating loss, and net operating loss.

(3) The expected sales volume in the coming year and its basis and the main factors affecting the Company's expected sales volume to continue to grow or decline:

1. Expected sales volume in the coming year: 2.2 million square feet (including the sales volume of products)
2. The main factors affecting the Company's expected sales volume to continue to grow or decline:

The Company is mainly in the industrial supply chain of high thermal conductivity products and industrial control, medical and microwave radio frequency devices, and has cut into automotive boards in recent years. The evaluation of the Company's niche points, and market development trends are as follows:

(1) Single-sided multi-layer metal heat sink printed circuit board:

Used in display backlight products, outdoor lighting, automatic vehicle motor control and battery equipment, high-power power supply equipment and products requiring high heat dissipation. Sales are expected to grow slightly.

(2) Double-sided and multi-layer printed circuit boards:

Used in Mini LED displays, data storage devices, monitoring devices, servers, communication network equipment, energy storage equipment, satellite communication equipment, industrial automation related equipment and medical equipment, etc. Sales are expected to increase slightly.

(3) Circuit boards made of ceramic boards and special materials:

Used in solar power supply system, automatic car charging device, microwave system and high frequency wireless system and power system. Product samples were delivered successively last year and this year, and there is an opportunity for small-scale production this year.

(4) Rigid-flex board:

Used in flash modules, auto parts, mobile phone parts, mobile phone battery modules and medical equipment, etc. Sales are expected to be flat.

3. Consolidtaed cash flow

(1) Flow analysis for the most recent two years:

| Item \ Year | 2022 | 2021 | Increase (decrease) ratio(%) |
|---|---|---|---|
| Cash Flow Ratio | -3.39% | -21.12% | -83.95% |
| Cash Flow Adequacy Ratio | -7.62% | 63.89% | -111.93% |
| Cash Reinvestment Ratio | -0.28% | -7.17% | -96.09% |

Explanation on the analysis of changes in the increase/decrease ratio: The decrease in cash flow is mainly due to the decrease in net cash outflow from operating activities. The decrease in net cash flow was mainly due to the decrease in inventory.

(2) Cash flow analysis for the next year

Unit: NT$ thousand

| Beginning of year cash balance (1) | Expected net operating activities cash flow for the whole year (2) | Cash (outflow) inflow for the whole year (3) | Cash surplus (deficit) (1)+(2)+(3) | Remedial measures for expected cash shortage | |
|---|---|---|---|---|---|
| | | | | Investment | Wealth management |
| 302,164 | (71,775) | (32,510) | 197,879 | — | — |

1. Analysis of cash flow changes in the coming year

(1) Operating activities: It is estimated that the growth of operating income in 2023 will lead to an increase in accounts receivable and inventory, resulting in a net outflow of funds for business activities.

(2) Investment and financing activities: In 2023, bank loans are expected to be repaid, so investment and financing are net cash outflows.

2. Remedial measures and liquidity analysis for expected cash shortage: None.

4. The impact of major capital expenditures on financial operations in the most recent year:

The Company has no capital expenditures exceeding 5% of the paid-in capital or in the amount of NT$ 100 million or more in the most recent year.

5. The reinvestment policy for the most recent year, the main reasons for its profit or loss, and the improvement plan and investment plan for the next year:

(1) Reinvestment policy for the most recent year: The Company's reinvestment policy is based on improving its own products and market competitiveness in order to increase investment returns.

(2) Analysis for reinvestment profitability

Dec. 31, 2022

| Description / Item | Carrying amount | Policy | Main reasons for profit or loss | Improvement plan | Investment plan for the coming year |
|---|---|---|---|---|---|
| PSC ENPERPRISE CO., LTD. | 35,252 | Trading | Profit from trading | Continue to develop new clients to increase profitability. | Examine the market and industrial development situation to evaluate and adjust in a timely manner. |
| Enrich Nationals Trade Limited | 9,643 | Holding and trading | Recognized in the income of reinvesting in GIA TZOONG (ShenZhen) Ltd. | | |
| Puyu Investment Co., Ltd. | 49,186 | Investment in real estate | Disposal of investment income | | |
| PSC (H.K.) ELECTRONICS LIMITED | 5,425 | Sales base | Profit from trading | | |
| GIA TZOONG (ShenZhen) Ltd. | 7,420 | Sales base | Profit from trading | | |

6. Risk items should be analyzed and evaluated for the following matters in the most recent year and as of the printing date of the annual report:

(1) The impact of changes in interest rates, exchange rates, and inflation on the Company's profit and loss and future response measures:

1. Changes in interest rates

| Item | 2022 | | 2021 | |
|---|---|---|---|---|
| | Amount | Ratio to revenue | Amount | Ratio to revenue |
| Interest income | 6,213 | 1.27% | 1,094 | 0.16% |
| Interest expense | (1,357) | 0.28% | (7,554) | 1.13% |
| Sub-total | 4,856 | 0.99% | (6,460) | 0.97% |

In 2022, the net interest income and expenses accounted for about 0.99% of the Company's revenue, which was relatively small; the calculation was based on the changes in the fair value of fixed-income investments and floating-rate loans at the end of 2022, and it was assumed to be held for one quarter. Every change in interest rate (0.25%) affected profit and loss decrease/increase in the amount of NT$ (423,000) / NT$423,000 respectively, and thus the impact of interest rate changes on the Company's profit and loss should not be significant. Considering that the Company still needs to invest a large amount of working capital for its future development, in order to avoid future interest rate rises, the Company regularly evaluates bank loan interest rates, and keeps in touch with banks to obtain more favorable loan interest rates, and pays attention to changes in interest rates to obtain the best capital cost.

2. Exchange rate fluctuations

| Item | 2022 | | 2021 | |
|---|---|---|---|---|
| | Amount | Ratio to revenue | Amount | Ratio to revenue |
| Gain on exchange | 0 | 0% | 0 | 0% |
| Loss on exchange | 37,641 | 7.67% | -12,682 | 1.90% |
| Sub-total | 37,641 | 7.67% | -12,682 | 1.90% |

About 40% of the Company's product sales revenue is denominated in foreign currency, and some raw materials, machinery, and equipment purchases are also denominated in foreign currency. The foreign currency assets and liabilities are offset against each other, resulting in a natural hedging effect. For the difference, the Company takes hedging transactions (such as forward foreign exchange) when necessary to avoid the risk of exchange rate fluctuations; or in order to avoid the decrease in the value of foreign currency assets and the fluctuation of future cash flow due to exchange rate changes, we use short-term borrowings to avoid exchange rate risks. Financial personnel collect information about exchange rate changes at all times and refer to financial and fiduciary information provided by banks and investment institutions to grasp exchange rate dynamics in real time and adjust foreign currency positions held at any time.

The exchange rate has a clear risk-avoiding foreign exchange operation strategy and a strict control process to monitor changes in foreign exchange, and manage foreign currency positions well to reduce the impact of exchange rate changes.

3. Inflation

Inflation in recent years has had no significant impact on the Company's profit or loss. Recently, the price of raw materials has risen due to the shortage of raw materials. The Company always observes the price fluctuation of raw materials in the market, and maintains a good interactive relationship with suppliers and clients to reduce the impact of inflation.

(2) Policies for engaging in high-risk, high-leverage investments, lending funds to others, endorsement guarantees, and derivatives transactions, the main reasons for profits or losses, and future countermeasures:

1. The Company does not engage in high-risk, high-leverage investment transactions.
2. Loaning funds to others: Refers to a loan to a company in which the Company reinvests 20% or more of shares, or with which the Company has business dealing where it is necessary for the purpose of short-term financing due to operational turnover needs, and is subject to the “Operational Procedures for Loaning Funds to Others” formulated by the Company for implementation.
3. Endorsement and guarantee: The counterparty of the Company's endorsement and guarantee is a company that directly and indirectly holds more than 50% of the voting shares, and it will be implemented in accordance with the “Endorsement and Guarantee Guidelines” formulated by the Company.
4. Derivatives trading: The Company has not engaged in derivatives trading. If there is any derivative transaction, it will be executed in accordance with the “Handling Procedures for

Acquisition and Disposal of Assets" formulated by the Company.

(3) Future R&D plans and estimated R&D expenses:

1. Future R&D plans

In response to market trends, the Company's research and development of various products and technologies in recent years has been mainly divided into three categories: (1) High-density HDI circuit boards, which are applied to electronic products such as mini-LEDs and SIP substrates; (2) High thermal conductivity metal power circuit boards, used in power IC module circuit boards, electric vehicle power circuit boards and other products; (3) DBC copper-clad ceramic substrate, used in power IC modules above 1200V. The research and development plan is as follows:

| Main product category | R&D plan name | Mass production schedule | R&D plan content | Key factors for successful R&D | R&D plan current progress | Estimated investment |
|---|---|---|---|---|---|---|
| Advanced HDI circuit board | 1. Advanced blind buried Via Mini-LED circuit board development<br>2. Advanced HDI circuit board development | 2023 Q4 | 1. Optimization of hole filling process<br>2. Advanced HDI process yield improvement | Information feedback on client end, product verification issues | 1. Completion rate 50%<br>2. Completion rate 40% | 25 million |
| High thermal conductivity metal power circuit board | 1. Development of double-sided copper bump circuit board | 2023 Q2 | 1. Process optimization of high heat dissipation wattage power copper bump circuit board<br>2. Improvement of process yield of power IC module double-sided copper convex circuit board | Information feedback on client end product verification issues | 1. Completion rate 40%<br>2. Completion rate 80% | 5 million |
| DBC Copper clad ceramic substrate | 1. Improvement of alumina DBC process yield<br>2. Aluminum nitride DBC process development | 2023 Q2 | 1. Alumina DBC process optimization<br>2. Aluminum nitride DBC process development | Signed a contract with the Industrial Technology Research Institute for long-term cooperation | 1. Completion rate 90%<br>2. Completion rate 20% | 35 million |

2. Estimated research and development expenses: estimated at 7% of revenue.

(4) The impact of major domestic and foreign policy and legal changes on the Company's finance and business and countermeasures: None.

(5) The impact of technological changes (including cyber security risks) and industrial changes on the Company's finance and business, and the countermeasures:

1. The Company keeps abreast of market changes and adjusts product policies, finds out the direction that is beneficial to the Company for sales, responds to technological development and industrial changes, and manages risks well to reduce the impact on the Company.
2. The analysis of the Company's cyber security risk assessment is as follows:

Information security risk assessment focuses on: (1) information architecture review, (2) network activity review, (3) network equipment, server and terminal equipment testing, (4) website security testing, (5) security setting review, (6) e-mail social engineering drill, (7) remote office information security risk review and other operational items. The main testing items and implementation methods are described as follows:

(1) Information architecture inspection

A. Examine the suitability of the equipment architecture

For the configuration of the network structure, check its adequacy, assess whether there are possible risks, and if so, take necessary countermeasures. Evaluate the security control of various processes in information security management; measure the effectiveness of the current security control mechanism design; and focus on the adequacy of information security management, the rationality of network topology configuration, the current situation of security control of external connection points of firewalls, and network control and management methods of equipment and hosts based on network architecture, host deployment, firewall rules, and authority control mechanisms.

B. Examine the maximum impact and risk bearing capacity of a single point of failure

Assess whether the impact is within the risk tolerance, and if not, discuss and implement improvement plans.

C. Examine the appropriateness of the relevant measures taken for continuous operation

Check whether there is a single point of failure risk in the structure and maintenance mechanism of relevant measures, conduct risk analysis on the suitability of business continuity, and propose the results and suggestions of information architecture security assessment.

(2) Network activity inspection

A. Examine device access records and account permissions

Check whether the access records of network equipment, information security equipment and servers, and the granting and monitoring mechanism of account permissions comply with the internal control operation rules; check the account permissions and access records of these devices based on the principle of least privilege; identify abnormal records and confirm alert mechanism.

B. Examine the monitoring records of information security equipment

Confirm the correctness of relevant settings of information security equipment (such as firewalls, intrusion detection systems, anti-virus software), review information security event monitoring records, process procedures for sending alarm messages, identify abnormal records and confirm alarm mechanisms, and ensure the effectiveness of monitoring mechanisms.

C. Examine the connection of network packets

Deploy network traffic packet skimming tools (such as: Riverbed, NIKSUN) to capture internal network traffic, check whether there are abnormal connections in network packets or abnormal domain name resolution servers (Domain Name System Server, DNS Server) query, collect the connection records of the network gateway firewall and proxy server, analyze and compare whether the internal host has a connection to the relay station or conforms to the characteristics of malicious network behavior.

(3) Detection of network equipment, servers, terminals and other equipment

A. Vulnerability scanning and patching

Conduct regular or timely vulnerability scans of network equipment, servers, and terminals, and perform improvements and repairs for the discovered vulnerabilities. Evaluate the scope, operation mode, and vulnerability improvement plan and repair situation of the vulnerability scanning operation, and provide evaluation suggestions based on the scanning results. The focus is to find out possible weaknesses and loopholes in the structure, improve and repair them, and reduce the overall information security risk.

B. Malware detection

Use malicious program detection tools (such as: XecProbe, Fireeye HX) to detect whether there are malicious programs on the terminal and server, including: suspicious programs with malicious behavior, suspicious backdoor programs with unknown connections, implanting one or more important suspicious libraries of system programs, unnecessary unknown system services, hidden unknown programs and hacking tools, etc. The detection work includes: identifying malicious programs, checking the correlation between malicious programs and system records, analyzing the network connection behavior and characteristics of malicious programs, which can be performed in the test and OA environment first, and then deployed to check the operating environment. If any abnormality is found, it must be improved immediately, and a reexamination shall be carried out after improvement.

C. Detection of password and its protection mechanism

Detect the login password of the system account, whether its complexity complies with the principles of internal control norms; check external connections, such as: file transfer (File Transfer Protocol, FTP), database connection, etc., password storage protection mechanism and access control, and check the settings of the relevant rules disclosed above.

(4) Website security detection

A. Penetration testing on the website

collection, information analysis, and target penetration; the execution method simulates hacker attack behavior, and uses security detection tools (such as: Nessus, Nmap, Ixia BreakingPoint) to conduct penetration testing on websites with open external links, so as to discovers the weaknesses exposed to the outside world as soon as possible and repairs them.

B. Scan against the website

Conduct vulnerability scanning, program source code scanning or black box testing for websites; use detection tools (such as: WebInspect, Checkmarx) to evaluate website operating systems, website services and applications; identify, track, and repair software source codes in technical and logical aspect security loopholes; truly grasp and improve hidden vulnerability risks and design flaws.

C. Examine the website directory and web page access authority

Check the website directories and webpages that provide services to the outside world to see if the authority recovery and management operations are actually performed, and correct them if they do not match.

D. Examine the operation status of the authorized connection

Check whether the system has authorized connections being hijacked, a large number of unauthenticated connections consuming resources, database deadlocks, abnormal CPU consumption, unsafe exception handling and unsafe database query commands (including unlimited conditions and unlimited count), etc. Check the website directory permission setting rules and access records, confirm that the database deadlock detection setting is enabled, and check whether the relevant webpage replacement protection and database resource monitoring mechanisms are sound.

(5) Security settings inspection

A. Server security policy setting

Check the settings of the server (such as: domain service active directory) related to "password setting policy" and "account lockout policy". Through tool analysis and manual operation, check whether the relevant domain security policy settings comply with internal control regulations.

B. Firewall connection settings

Use firewall connection rule management tools (such as: FireMon, tuffin) to check the firewall connection rules, confirm that no security risk or unnecessary communication ports are opened; and check the operation of the firewall, including whether there are security weaknesses in the connection settings, etc.

C. Access restrictions and account management

Check whether the access restrictions of the system (such as: Access Control List) and privileged account management are appropriate; manually check whether the account permission list is consistent with the work item list, and test its related access authority.

D. Software update

Use the asset management system and vulnerability scanning reports to collect update information on Windows, Office, and SQL server, and check the update settings and update status of the operating system, anti-virus software, Office software, and application software to confirm compliance with the current situation.

E. Key storage protection mechanism and access control

Check whether the storage protection mechanism and access control of the key comply with internal control regulations.

(6) E-mail social engineering drill

For information operators, within the scope of internal security monitoring, drill e-mails are sent to test, publicize and strengthen information security education. The main evaluation items are:

A. E-mail content and attachment files

B. Mail delivery time and method

C. E-mail open rate and click-through rate

The goal of follow-up improvement mechanism drills is mainly to let colleagues understand the risks of using e-mails, improve the crisis awareness of colleagues in preventing social engineering attacks, and continue to conduct drills to reduce the risks caused by social engineering attacks, thereby achieving the goal of protecting client data and important operational information and the purpose of services.

(7) Remote office information security risk inspection

The novel coronavirus (COVID-19) pandemic continues to expand, and it is imperative for companies to provide employees with flexible working methods. The Company has mitigated the impact by canceling overseas business trips and large-scale events, working in different areas and batches, and permitting some employees to work from home. However, opening up remote connections increases the risk of data theft or surveillance. When the Company establishes the “remote work” mechanism, it is necessary to strengthen the information security protection of “network security, equipment monitoring, data protection, and platform confidentiality” in order to prevent the spread of the pandemic and maintain the Company's operations. New thinking for emergency management in three aspects: In the face of global mobilization for pandemic prevention, companies should optimize emergency management thinking in terms of “technology, process, and personnel” to improve the effectiveness of the Company's network security protection strategy.

A. Technical aspect: strengthen the network monitoring mechanism

The “Firewall” is the first barrier in place the Company’s network protection plan. In addition to setting device or IP restrictions, it should also monitor, intercept and analyze the traffic of remote work; since the Company has built a virtual private network (VPN), it should also be examined whether a dedicated encrypted channel needs to be established, and the encryption strength and certificate management should be confirmed. However, in the face of the shortage of manpower and resources of the Company during the pandemic, it is suggested that the Company can use external risk consultants to strengthen the effectiveness of information security protection measures.

B. Process aspect: multi-layer access and emergency response

The looser the access authority setting, the greater the convenience for employees, but the risk of data leakage also increases. It is recommended to establish a multi-level access mechanism based on the level of data alertness and urgency, and introduce a springboard mechanism (such as restricting external remote end-to-end connection is limited to the relay personal computer host connected to the office network segment) and strengthened authentication. At the same time, the Company should plan the abnormal event response process in advance, and strengthen external communication with employees to take into account the Company's operations and information security protection.

C. Personnel aspect: strengthen cyber security awareness

When a disaster occurs, unscrupulous people may take advantage of the chaos to launch malicious attacks. Therefore, safety awareness promotion in emergencies is extremely important. The Company should train employees to have the ability to protect data assets and identify security threats and high-risk behaviors. Since the current pandemic situation is under control and has not caused community infection, the Company should prepare emergency response measures based on work types and risk tolerance. It is not recommended that significant changes be made to the structure.

Conclusion of information security risk assessment

The popularization of the network environment and the convenience of the open network system has led to more and more network-based applications. However, malicious attack methods are changing with each passing day. For network service providers and users, it is always necessary to prevent and respond to the trend, and the information departments of various companies are also facing unprecedented challenges in information security protection. For this reason, the information security risk assessment operation has become increasingly important and practical. Through the implementation of various testing items, the gap between the system and the requirements of internal control security regulations is analyzed to reveal the hidden risks of the system under the existing network security framework. Based on this improvement, the risk is minimized to maintain the safe and continuous operation of the system. Therefore, under the implementation of the above evaluation points, the Company's information security has no immediate information security risk hazards.

(6) The impact of corporate image changes on corporate crisis management and countermeasures: None.

(7) Expected benefits, possible risks and countermeasures of mergers and acquisitions: None.

(8) Expected benefits, possible risks and countermeasures of plant expansion: None.

(9) Risks and countermeasures faced by concentrated purchase or sales: The Company has never purchased or sold 30% or more of its revenue or net purchases. The Company actively researches and develops customized products, develops clients in related industries at home and abroad, so as to diversify revenue sources and reduce the risk of being affected by a single client's prosperity.

(10) Directors, supervisors, or major shareholders holding 10% or more of the shares, the impact and risk of a large number of equity transfers or replacements on the Company, and the countermeasures: We keep track of directors, supervisors, or shareholders holding 10% or more of the shares. There has been no large-scale transfer or replacement of equity in recent years, so there is no significant impact on the Company.

(11) The effect, risk and countermeasures of the change of management right on the Company: None.

(12) Litigation or non-litigation events:

1. Major litigation, non-litigation, or administrative disputes that have been decided or are still pending in the Company's most recent year and as of the date of the annual report, the results of which may have a significant impact on shareholders' equity or securities prices: None.
2. The Company’s directors, supervisors, president, substantive responsible person, major shareholders holding more than 10% of the shares, and affiliated companies in the most recent year and as of the date of the annual report, that have been rendered a judgement that has become final and binding or are currently in the process of major litigation, non-litigation or administrative disputes, the outcome of which may have a significant impact on shareholders' equity or securities prices: None.

(13) Other important risks and countermeasures: None.

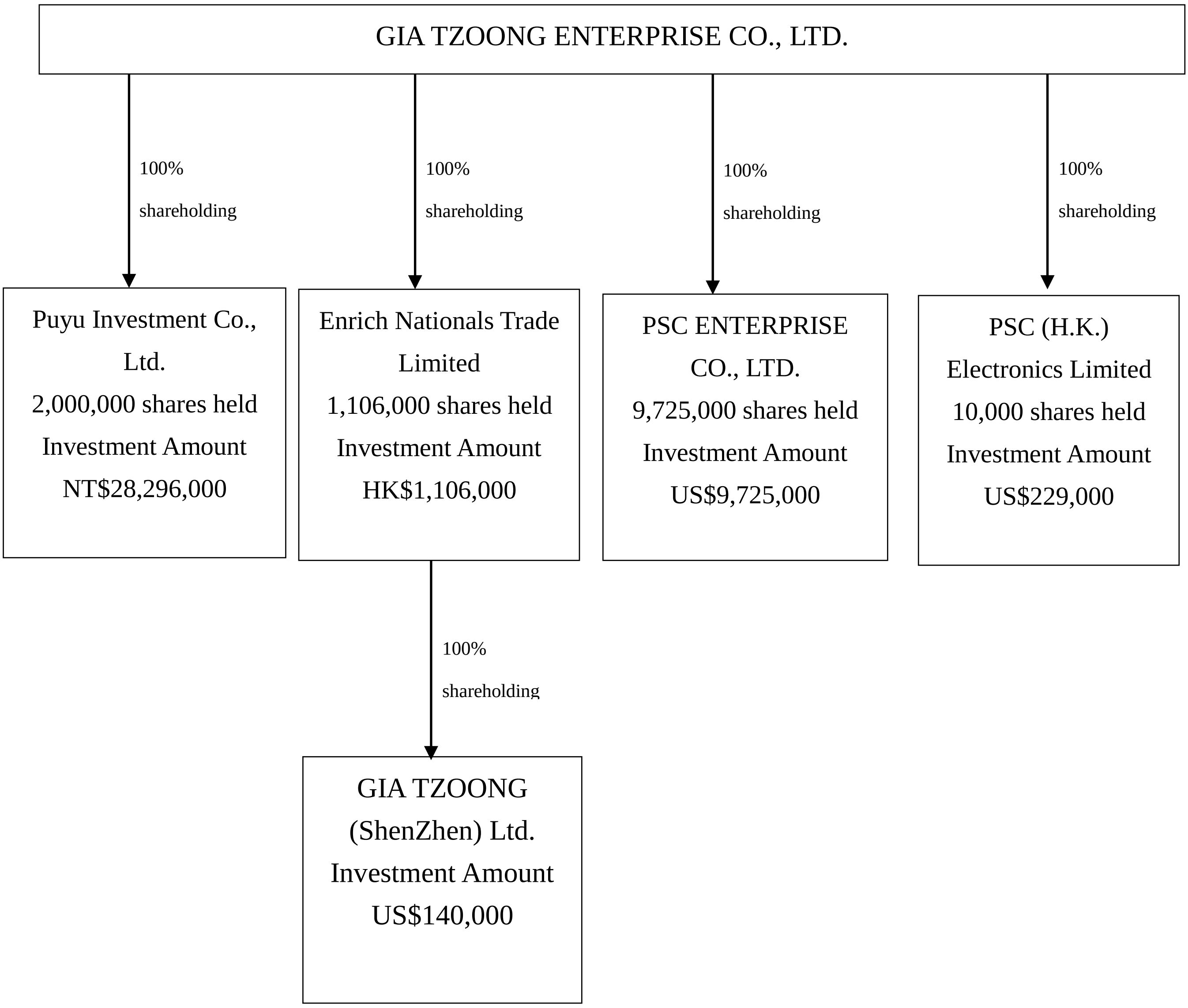
7. Other important matters: None.

# VIII. Special Disclosure

1. Information regarding the Company's affiliates

(1) Consolidated business report of the Company's affiliates

1. Organization Chart of the Company's affiliates:



2. Profiles of the Company's Affiliates

| Company Name | Date of Establishment | Address | Paid-in Capital | Major business or production items |
|---|---|---|---|---|
| PSC ENTERPRISE CO., LTD. | July 5, 2011 | Unit 25, 2nd Floor, Nia Mall, Saleufi Street, Apia, Samoa. | US$9,725,000 | Trading on PCB |
| PSC (H.K.) Electronics Limited | Dec. 10, 2010 | Room 1204, Yu Sung Boon Bldg., 107-111 Des Voeux Road Central, Hong Kong | US$10,000 | Trading on PCB |
| Enrich Nationals Trade Limited | Jan. 28, 2008 | FLAT/RM 6 16/F WORKINGBOND COMMERCIAL CENTRE 162-164 PRINCE EDWARD ROAD WEST MONGKOK | HK$1,106,222 | Trading on PCB |
| GIA TZOONG(ShenZhen) Ltd. | July 17, 2019 | 3F, No. 3 Hengchang Rd., Xinsheng Community, Longgang Block, Longgang District, Shenzhen | US$140,000 | Trading on PCB |
| Puyu Investment Co., Ltd. (note 2) | Mar. 2, 2018 | No. 39-4, Xingbang Rd., Dalin Village, Taoyuan District, Taoyuan City | NT$20,000,000 | General investment and real estate rental and sales |

Note 1. The exchange rate on the balance sheet day was as follows: US dollar (USD) 1 = NT$30.71, Renminbi (RMB) 1 = NT$4.4094.

Note 2. The Company's original shareholding ratio was 80%. As of April 17, 2023, the shareholding ratio was 100%.

3. If it is presumed to have a relationship of control and subordination, information on the same shareholder: None.

4. The industries covered by the businesses operated by the whole affiliated companies mainly include:

(1) Main business: manufacturing, processing, and trading of printed circuit boards.

(2) General investment and real estate trading business.

5. Information on directors, supervisors and presidents of each affiliate

Unit: shares; %

| Company Name | Title | Name or Representative | Shareholdings | |
|---|---|---|---|---|
| | | | No. of shares | Shareholding ratio |
| PSC ENTERPRISE CO., LTD. | Director | Representative person of GIA TZOONG ENTERPRISE CO., LTD.: Cheng An Investment Co., Ltd.-TSENG CHI LI | 9,725,000 | 100% |
| PSC (H.K.) Electronics Limited | Director | Representative person of GIA TZOONG ENTERPRISE CO., LTD.: Cheng An Investment Co., Ltd.-TSENG CHI LI<br>TSENG CHI LI | 10,000<br>— | 100%<br>— |
| Enrich Nationals Trade Limited | Director | Representative person of GIA TZOONG ENTERPRISE CO., LTD.: Cheng An Investment Co., Ltd.-TSENG CHI LI<br>TSENG CHI LI | 1,106,222<br>— | 100%<br>— |
| GIA TZOONG(ShenZhen) Ltd. | Director | TSENG CHI LI | — | — |
| Puyu Investment Co., Ltd. | Director | Representative person of GIA TZOONG ENTERPRISE CO., LTD.: TSENG CHI LI | 2,000,000 | 100% |

6. Business operations of each affiliate:

Unit: NT$ thousand，Earnings (loss) per share (NT$)

As of Dec. 31, 2022

| Company Name | Capital | Total assets | Total liabilities | Net Worth | Operating revenue | Operating profit | Profit or loss for the current period (after tax) | Earnings per share (loss)(NT$) |
|---|---|---|---|---|---|---|---|---|
| PSC ENTERPRISE CO., LTD. | 329,006 | 39,285 | 4,033 | 35,252 | 545 | (162) | 193 | 0.02 |
| PSC (H.K.) Electronics Limited | 7,142 | 7,405 | 1,980 | 5,425 | 7,398 | 109 | 271 | 27.05 |
| Enrich Nationals Trade Limited | 4,536 | 9,643 | 0 | 9,643 | 0 | (33) | 217 | 0.20 |
| GIA TZOONG(ShenZhen) Ltd. | 4,339 | 14,274 | 6,853 | 7,421 | 19,809 | (82) | 222 | Note applicable |
| Puyu Investment Co., Ltd. (note 2) | 20,000 | 67,597 | 6,115 | 61,482 | 46,869 | 42,301 | 42,301 | 4.44 |

Note 1: The exchange rate on the balance sheet was as follows: US dollar (USD) 1 = NT$30.71, Renminbi (RMB) 1 = NT$4.4094. The conversion rate on the profit and loss statement was as follows: US dollar (USD) 1 = NT$29.804, Renminbi (RMB) 1 = NT$4.4346

Note 2: The Company's original shareholding ratio was 80%. As of April 17, 2023, the shareholding ratio was 100%.

(2) Consolidated financial statements of Company Affiliates: Please refer to pages114-184.

2. Private placement of securities in 2022 and up to the date of publication of the annual report: None

3. Subsidiaries’ holding or disposal of the Company’s shares in 2022 and up to the date of publication of the annual report: None

4. Other necessary supplementary notes: None

# IX. Any matter in the most recent year and up to the date of publication of the annual report which has a significant impact on shareholders' equity or securities prices as stipulated in subparagraph 2 of paragraph 3 of Article 36 of the Securities and Exchange Act: None

## 3. Audit Committee Review Report

# GIA TZOONG ENTERPRISE CO., LTD.

# Audit Committee Review Report

The Company's Board of Directors has prepared and submitted the Company's business report, consolidated (parent company-only) financial statements, and a proposal for the loss compensation for the year 2022, of which the consolidated (parent company-only) financial statements have been audited by accountants TSENG KUO FU and CHENG HSIEN HSIU of Baker Tilly Clock & Co., and an audit report has been issued.

We, as the Audit Committee of GIA TZOONG ENTERPRISE CO., LTD., have reviewed and verified the abovementioned business report, consolidated (parent company-only) financial statements, and a proposal for loss compensation, and have determined them to have no inaccuracies. Therefore, we hereby certify the above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Sincerely submitted to

GIA TZOONG ENTERPRISE CO., LTD. 2023 Annual General Shareholder Meeting

GIA TZOONG ENTERPRISE CO., LTD. Audit Committee

Chair: Wu Tseng-feng

March 22, 2023

# 4.The most recent financial report

**Representation of Letter**

For 2022 (from January 1, 2022 to December 31, 2022), the companies that are required to be included in the consolidated financial statements in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those required to be included in the consolidated financial statements for the parent company and its subsidiary companies in accordance with International Financial Reporting Standard No. 10. Furthermore, the relevant information that shall be disclosed in the consolidated financial statements of related affiliates has already been disclosed in the aforementioned consolidated financial statements for the parent company and its subsidiary companies. Therefore, no separate consolidated financial statements for affiliates need to be prepared.

The entities that are required to be included in the combined financial statements of GIA TZOONG ENTERPRISE CO., LTD. as of and for the year ended 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 International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements. " In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries do not prepare a separate set of consolidated financial statements.

Company Name: GIA TZOONG ENTERPRISE CO., LTD.

Responsible Person: Cheng An Investment Co., Ltd.

March 22, 2023

# Independent Auditors' Report

NO.16931110ECA

To GIA TZOONG ENTERPRISE CO., LTD.

**Opinion**

We have audited the accompanying consolidated financial statements of GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries, which comprise the consolidated Balance Sheet as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

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

**Key Audit Matters**

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

Key audit matters of GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries' consolidated financial statements for the year ended December 31, 2022 are stated as follows:

1. Revenue recognition

   Description of key audit matters

   For the accounting policy of revenue recognition, please refer to Note 4(12); for the description of the revenue of the current period, please refer to Note 23.

   The sales locations of GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries include markets in Taiwan, China, Asia, the United States, Europe, etc. Different clients apply rather different trade conditions, and it is necessary to determine the transaction terms and conditions based on client orders and other documents. Since the recognition of relevant revenue involves more manual operations in determining the timing of the transfer of risk and rewards of ownership of sold goods, it is likely to cause inconsistent timing of revenue recognition. and the amount of the transactions during the period of time before and after the balance sheet date has a relatively direct effect on consolidated financial statements. Therefore, revenue recognition is considered one of the key audit matters.

How our audit addressed the matter

The audit procedures were as follows:

1. Acquire an understanding of the internal control of the sales cycle and test the effectiveness of the internal control, to understand whether GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries have properly implemented internal controls.

2. Perform the cut-off test on the revenue recognition during a selected period of time before and after the balance sheet date, including verifying client orders, reviewing their transaction terms and conditions, and confirming whether the timing of revenue recognition was consistent with the timing of the performance of obligations and transfer of risk and rewards as stated in the purchase order.

2. Impairment assessment of property, plant, and equipment

Description of key audit matters

For the accounting policy of property, plant, and equipment impairment, please refer to Note 4(10); for the description of significant accounting judgments, and the uncertainty of accounting estimates and assumptions that are involved in the impairment assessment of property, plant, and equipment, please refer to Note 5(3).

The property, plant, and equipment of GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries constituted 26% of consolidated total assets. Due to factors such as market maturity and saturation of panels and consumer electronic products, competition in the printed circuit board industry to which GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries belong is relatively fierce. Where indications of impairment exist, the recoverable amounts shall be assessed. GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries engaged external experts to assess the related assets' recoverable amounts based on the net fair value and found after the assessment that there was no impairment. However, this assessment used valuation techniques to measure the recoverable amount of related assets. The adoption of these assumptions and parameters is prone to subjective judgments, which may have a significant effect on the measurement of net fair value, which would in turn affect property, plant, and equipment test results. Therefore, the assessment of the impairment of property, plant, and equipment is considered a key audit matter.

How our audit addressed the matter

The audit procedures were as follows:

1. Obtain written documents regarding indications of asset impairment and impairment test for GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries, and conducted discussions with the management.

2. Inquire about the professional qualifications, experience, and reputation of external valuation experts engaged by GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries, in order to ascertain whether such experts were reliable in terms of their skills and abilities, and to ascertain factors that may affect external experts' objectivity.

3. Obtain information provided by the management of GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries to external experts, to ascertain the appropriateness as well as the consistency of assumptions compared with those in the previous year.

4. Understand the basis upon which external experts adopted methods, to assess

their appropriateness and consistency.

5. Assess the reasonableness of assumptions made by the engaged external experts and the management of GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries, through the literature on related industries, market information, or historical results.

**Other Matter**

GIA TZOONG ENTERPRISE CO., LTD. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion, respectively.

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

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

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

Those charged with governance, (inclusive of the Audit Committee), are responsible for overseeing GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries' financial reporting process.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with auditing standards, we exercise professional judgment and professional skepticism. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries' internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the GIA TZOONG ENTERPRISE CO., LTD. and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Tseng, Kuo-Fu and Cheng, Hsien-Hsiu.

Baker Tilly Clock & Co
March 22, 2023

## ***Notice to Readers***

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flow in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit (or review) such consolidated financial statements are those generally applied in the Republic of China. For the convenience of readers, the independent auditors ' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
Consolidated Balance Sheet
December 31, 2022 and 2021

In Thousands of New Taiwan dollars

| Code | Assets | Note | Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|---|
| | | | Amount | % | Amount | % |
| | Current assets | | | | | |
| 1100 | Cash and cash equivalents | 4, 6 | $ 302,164 | 21 | $ 679,710 | 32 |
| 1110 | Financial assets measured at fair value through profit or loss-current | 4, 7 | 80,773 | 6 | 109,851 | 5 |
| 1136 | Financial assets measured at amortized cost - current | 4, 8, 33 | 425,445 | 29 | 115,704 | 6 |
| 1150 | Notes receivable - not related parties | 4, 9 | 524 | — | 1,036 | — |
| 1170 | Accounts receivable - not related parties | 4, 9 | 107,694 | 7 | 165,761 | 8 |
| 1200 | Other receivables | 4 | 5,900 | — | 9,367 | 1 |
| 1220 | Income tax assets for current period | 4, 28 | 1,162 | — | 849 | — |
| 130X | Inventories | 4, 10 | 83,014 | 6 | 128,876 | 6 |
| 1460 | Non-current assets held for sale | 4, 11 | — | — | 412,550 | 20 |
| 1470 | Other current assets | | 3,466 | — | 4,912 | — |
| 11XX | Total current assets | | 1,010,142 | 69 | 1,628,616 | 78 |
| | Non-current assets | | | | | |
| 1510 | Financial assets measured at fair value through profit or loss-non-current | 4, 7 | 1,147 | — | 1,617 | — |
| 1600 | Property, plant and equipment | 4, 12, 33 | 381,168 | 26 | 382,031 | 18 |
| 1755 | Right-of-use assets | 4, 13 | 1,273 | — | 6,209 | — |
| 1780 | Intangible assets | 4, 15 | 3,519 | — | 4,874 | — |
| 1840 | Deferred income tax assets | 4, 28 | 39,053 | 3 | 39,701 | 2 |
| 1915 | Prepayments for equipment | | 24,484 | 2 | 37,894 | 2 |
| 1920 | Refundable deposits | | 2,130 | — | 2,328 | — |
| 15XX | Total non-current assets | | 452,774 | 31 | 474,654 | 22 |
| 1XXX | Total assets | | $ 1,462,916 | 100 | $ 2,103,270 | 100 |

(Continued to next page)

GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
Consolidated Balance Sheet (continued)
December 31, 2022 and 2021

In Thousands of New Taiwan dollars

| Code | Liabilities and Equity | Note | Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|---|
| | | | Amount | % | Amount | % |
| | Current liabilities | | | | | |
| 2150 | Notes payable - not related parties | 17 | $ — | — | $ 9 | — |
| 2170 | Accounts payable - not related parties | 17 | 63,415 | 4 | 91,271 | 4 |
| 2220 | Other payable | 18 | 77,060 | 5 | 105,217 | 5 |
| 2230 | Income tax liabilities for current period | 4, 28 | — | — | 26,223 | 1 |
| 2260 | Liabilities directly affiliated with non-current assets held for sale | 11 | — | — | 450,563 | 22 |
| 2281 | Lease liabilities- current | 13 | 963 | — | 3,788 | — |
| 2322 | Current portion of long-term liabilities | 19 | 19,992 | 2 | 23,686 | 1 |
| 2300 | Other current liabilities | | 4,515 | — | 4,960 | — |
| 21XX | Total current liabilities | | 165,945 | 11 | 705,717 | 33 |
| | Non-current liabilities | | | | | |
| 2540 | Long-term borrowings | 19 | 31,748 | 2 | 51,724 | 3 |
| 2570 | Deferred income tax liabilities | 4, 28 | 14,098 | 1 | 10,367 | — |
| 2581 | Lease liabilities- non-current | 13 | 344 | — | 2,511 | — |
| 2640 | Net defined benefit liabilities - non-current | 4, 20 | 14,562 | 1 | 14,873 | 1 |
| 2645 | Deposits received | | 1,773 | — | 973 | — |
| 25XX | Total non-current liabilities | | 62,525 | 4 | 80,448 | 4 |
| 2XXX | Total liabilities | | 228,470 | 15 | 786,165 | 37 |
| | Equity attributable to owners of the parent | 21 | | | | |
| | Share capital | | | | | |
| 3110 | Ordinary share | | 1,661,228 | 114 | 1,661,228 | 79 |
| | Retained earnings | | | | | |
| 3350 | Deficit to be offset | | (412,812) | (28) | (336,383) | (16) |
| 3400 | Other equity | 21 | | | | |
| 3410 | Exchange differences resulting from translating the financial statements of a foreign operation | 4 | (26,266) | (2) | (30,576) | (1) |
| 31XX | Total of equity to owners of the parent | | 1,222,150 | 84 | 1,294,269 | 62 |
| 36XX | Non-controlling interest | 21 | 12,296 | 1 | 22,836 | 1 |
| 3XXX | Total equity | | 1,234,446 | 85 | 1,317,105 | 63 |
| | Total liabilities and equity | | $ 1,462,916 | 100 | $ 2,103,270 | 100 |

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

# GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
## Consolidated Statements of Comprehensive Income
## For the years ended December 31, 2022 and 2021

In Thousands of New Taiwan Dollars, Except Loss Per Share

| Code | Item | Note | 2022 Amount | 2022 % | 2021 Amount | 2021 % |
|---|---|---|---|---|---|---|
| 4000 | Operating revenue | 4, 23 | $ 490,883 | 100 | $ 665,878 | 100 |
| 5000 | Operating costs | 10 | (558,130) | (114) | (696,900) | (104) |
| 5900 | Gross operating loss | | (67,247) | (14) | (31,022) | (4) |
| 6000 | Operating expenses | | | | | |
| 6100 | Selling expenses | | (26,928) | (5) | (32,106) | (5) |
| 6200 | Administrative expenses | | (46,136) | (9) | (48,711) | (7) |
| 6300 | Research and development expenses | | (12,322) | (3) | (12,640) | (2) |
| 6450 | Expected credit gain | 9 | 370 | － | 2,063 | － |
| 6000 | Total of operating expenses | | (85,016) | (17) | (91,394) | (14) |
| 6900 | Net operating loss | | (152,263) | (31) | (122,416) | (18) |
| 7000 | Non-operating revenue and expense | | | | | |
| 7100 | Interest income | 24 | 6,213 | 1 | 1,094 | － |
| 7010 | Other income | 25 | 3,431 | 1 | 956 | － |
| 7020 | Other profit and loss | 26 | 79,931 | 16 | 66,085 | 10 |
| 7050 | Financial cost | 27 | (1,357) | － | (7,554) | (1) |
| 7000 | Total non-operating revenue and expense | | 88,218 | 18 | 60,581 | 9 |
| 7900 | Net loss before tax of continued operations | | (64,045) | (13) | (61,835) | (9) |
| 7950 | Income tax expense | 4, 28 | (4,299) | (1) | (45,747) | (7) |
| 8200 | Net loss for current year | | (68,344) | (14) | (107,582) | (16) |
| | Other comprehensive income | | | | | |
| 8310 | Components of other comprehensive loss that will not be reclassified to profit or loss: | | | | | |
| 8311 | Remeasurement of defined benefit plans | 4, 20 | 469 | － | 316 | － |
| 8341 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 4, 28 | (94) | － | (63) | － |
| 8360 | Items that may be subsequently reclassified into profit or loss: | | | | | |
| 8361 | Exchange differences resulting from translating the financial statements of a foreign operation | 4 | 4,310 | 1 | (1,109) | － |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | 4, 28 | － | － | － | － |
| 8300 | Other comprehensive income for current year (net after tax) | | 4,685 | 1 | (856) | － |
| 8500 | Total comprehensive income for current year | | $ (63,659 | (13) | $ (108,438) | (16) |
| 8600 | Net loss attributable to: | | | | | |
| 8610 | Owner of consolidated company | | $ (76,804 | (16) | $ (112,063) | (17) |
| 8620 | Non-controlling interest | | 8,460 | 2 | 4,481 | 1 |
| | | | $ (68,344 | (14) | $ (107,582) | (16) |
| 8700 | Total comprehensive income attributable to: | | | | | |
| 8710 | Owner of consolidated company | | $ (72,119 | (15) | $ (112,919) | (17) |
| 8720 | Non-controlling interest | | 8,460 | 2 | 4,481 | 1 |
| | | | $ (63,659 | (13) | $ (108,438) | (16) |
| | Loss per share | 22 | | | | |
| | From continued operations | | | | | |
| 9710 | Basic | | $ (0.46) | | $ (0.67) | |
| 9810 | Diluted | | $ (0.46) | | $ (0.67) | |

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

GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021

In Thousands of New Taiwan dollars

| Item | Equity attributable to owners of the parent | | | Total of Equity attributable to owners of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|
| | Share capital | Deficit to be offset | The exchange differences resulting from translating the financial statements of a foreign operation | | | |
| Balance on January 1, 2021 | $ 1,661,228 | $ (224,573) | $ (29,467) | $ 1,407,188 | $ 18,355 | $ 1,425,543 |
| Net profit (loss) for 2021 | — | (112,063) | — | (112,063) | 4,481 | (107,582) |
| Other comprehensive income (after tax) for 2021 | — | 253 | (1,109) | (856) | — | (856) |
| Total comprehensive income for 2021 | — | (111,810) | (1,109) | (112,919) | 4,481 | (108,438) |
| Balance on December 31, 2021 | 1,661,228 | (336,383) | (30,576) | 1,294,269 | 22,836 | 1,317,105 |
| Net profit (loss) for 2022 | — | (76,804) | — | (76,804) | 8,460 | (68,344) |
| Other comprehensive income (after tax) for 2022 | — | 375 | 4,310 | 4,685 | — | 4,685 |
| Total comprehensive income for 2022 | — | (76,429) | 4,310 | (72,119) | 8,460 | (63,659) |
| Decreased in non-controlling interest | — | — | — | — | (19,000) | (19,000) |
| Balance on December 31, 2022 | $ 1,661,228 | $ (412,812) | $ (26,266) | $ 1,222,150 | $ 12,296 | $ 1,234,446 |

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

GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

In Thousands of New Taiwan dollars

| Item | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities | | |
| Loss before tax for current year | $ (64,045) | $ (61,835) |
| Income and expenses having not effect on cash flows: | | |
| Depreciation expense | 35,320 | 36,793 |
| Amortization expense | 2,706 | 1,167 |
| Expected credit gain | (370) | (2,063) |
| Net loss (gains) on financial assets measured at fair value through profit or loss | 4,418 | (3,618) |
| Interest expense | 1,357 | 7,554 |
| Interest income | (6,213) | (1,094) |
| Dividend income | (726) | (230) |
| Gain on disposal of property, plant and equipment | (1,556) | (663) |
| Profit from lease modification | (33) | — |
| Gain on disposal of non-current assets held for sale | (45,482) | (74,930) |
| Net change in assets and liabilities relating to operating activities | | |
| Financial assets mandatorily measured at fair value through profit or loss | 25,130 | 7,495 |
| Notes receivable | 512 | 127 |
| Accounts receivable | 57,670 | (4,734) |
| Other receivables | 5,785 | (3,459) |
| Inventories | 45,862 | (34,852) |
| Other current assets | 1,446 | 1,968 |
| Notes payable | (9) | (754) |
| Accounts payable | (27,856) | (10,387) |
| Other payable | (17,049) | 2,390 |
| Other current liabilities | (445) | (316) |
| Net defined benefit liabilities | 64 | 41 |
| Net cash (used in) provided by operating activities | 16,486 | (141,400) |
| Interest received | 4,895 | 1,381 |
| Dividend received | 726 | 230 |
| Interest paid | (1,278) | (7,523) |
| Income tax paid | (26,456) | (1,763) |
| Net cash used in operating activities | $ (5,627) | $ (149,075) |

(Continued to next page)

GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
Consolidated Statements of Cash Flows (continued)
For the years ended December 31, 2022 and 2021

In Thousands of New Taiwan dollars

| Item | 2022 | 2021 |
|---|---|---|
| Cash flows from investing activities | | |
| Acquisition of financial assets measured at amortized cost | $ (309,741) | $ — |
| Proceeds from repayments of financial assets at amortized cost | — | 18,585 |
| Acquisition of non-current assets held for sale | (1,741) | — |
| Disposal of non-current assets held for sale | 458,773 | 360,138 |
| Acquisition of property, plant and equipment | (29,922) | (59,586) |
| Disposal of property, plant and equipment | 1,645 | 663 |
| Acquisition of investment property | — | (4,503) |
| (Decreased) increased in advance receipts - disposal of assets | (450,563) | 450,563 |
| Acquisition of intangible assets | (1,351) | (5,578) |
| Decrease (increase)in refundable deposits | 198 | (321) |
| Net cash used in (provided from) investing activities | (332,702) | 759,961 |
| Cash flows from financing activities | | |
| Repayments of long-term debt | (23,670) | (476,095) |
| Increased (decreased) in deposits received | 800 | (67) |
| Repayments of principal of lease liabilities | (2,423) | (4,620) |
| Change in non-controlling interest | (19,000) | — |
| Net cash used in financing activities | (44,293) | (480,782) |
| Effects of exchange rate change on cash and cash equivalents | 5,076 | (1,348) |
| Net (decreased) increased in cash and cash equivalents | (377,546) | 128,756 |
| Cash and cash equivalents at the beginning | 679,710 | 550,954 |
| Cash and cash equivalents at the end | $ 302,164 | $ 679,710 |

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

GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
Note to Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(The amounts below are expressed in thousands of NTD, unless otherwise stated)

1. Company History

GIA TZOONG ENTERPRISE CO., LTD. (hereinafter referred to as “the Company”) was approved for establishment on September 19, 1988, in accordance with the Company Act of the Republic of China, and started business on April 3, 1989. The main business is the manufacturing, processing, and trading of printed circuit boards. The Company's stock began to be listed and traded on the Gre Tai Securities Market on June 23, 1998. For the main business activities of the Company and its subsidiaries (hereinafter referred to as the “Consolidated Companies”), please refer to the description in Note 38.

This consolidated financial report is presented in New Taiwan dollars, the Company's functional currency.

2. Authorization of the Consolidated Financial Statements

This consolidated financial report was approved and issued by the Board of Directors on March 22, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Initial application of the International Financial Reporting Standards (IFRS) approved and issued by the Financial Supervisory Commission (hereinafter referred to as the “FSC”), International Accounting Standards (IAS), IFRIC Interpretations (developed by the International Financial Reporting Interpretations Committee), and SIC Interpretations (developed by the Standard Interpretations Committee) (hereinafter referred to as the “IFRSs”)

The application of the revised IFRSs approved and issued by the FSC will not result in major changes in the Consolidated Companies' accounting policies.

(2) The Regulations Governing the Preparation of Financial Reports by Securities Issuers applicable in 2023 and the IFRSs approved by the FSC

| Newly released/amended/revised standards and interpretations | Effective date as announced by the 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 Income Tax Related to Assets and Liabilities Arising from a Single Transaction” | January 1, 2023 (Note 3) |

Note 1: The deferred application of this amendment is available for the annual reporting period beginning after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting

| Newly released/amended/revised standards and interpretations | Effective date as announced by the IASB |
| --- | --- |

policies that occur during annual reporting periods beginning after January 1, 2023.

Note 3: This amendment applies to transactions that occur after January 1, 2022, except for the deferred income tax recognized on January 1, 2022 for temporary differences in leases and decommissioning obligations.

As of the release date of this consolidated financial report, the Consolidated Companies continued to assess the effects of the amendments to other standards and interpretations on post-merge financial positions and financial performance; the effects will be disclosed when the assessment is completed.

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

| Newly released/amended/revised standards and interpretations | Effective date as announced by the IASB (Note 1) |
| --- | --- |
| Amendments to IFRS 10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture" | Not set |
| Amendments to IFRS 16 - "Lease liability in a Sale and Leaseback" | January 1, 2024 (Note 2) |
| IFRS 17 - "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments 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/Non-current" | January 1, 2024 |
| Amendments to IAS 1 - "Non-current Liabilities with Covenants" | January 1, 2024 |

Note 1: Unless otherwise specified, the aforementioned newly released/amended/revised standards or interpretations become effective for the annual period beginning after the respective dates.

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

As of the release date of this consolidated financial report, the Consolidated Companies continued to assess the effects of the amendments to other standards and interpretations on the post-merge financial position and financial performance; the effects will be disclosed when the assessment is completed.

## 4. Summary of Significant Accounting Policies

A description of the Consolidated Companies' material accounting policies is as follows:

(1) Compliance statement

This consolidated financial report was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, as well as the International Financial Reporting Standards, International Accounting Standards, interpretations, and interpretation releases approved by the FSC.

(2) Basis of preparation

This consolidated financial report was prepared on a historical cost basis, with the exception of financial instruments that are measured at fair value. Historical cost is generally determined based on the fair value of the consideration paid to acquire the asset.

(3) Criteria for distinguishing between current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;

2. Assets expected to be realized within 12 months after the balance sheet date; and

3. Cash and cash equivalents (but excluding those subjects to restrictions for the purpose of exchange or settlement of liability more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;

2. Liabilities that were due and expected to be settled within 12 months after the balance sheet date (also classified as current liabilities, even if an agreement to refinance or retable payments on a long-term basis has been completed after the balance sheet date but before the approval and issuance of the financial report); and

3. Liabilities for which settlement cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, where the terms of the liability may, at the option of the counterparty to the transaction, result in the settlement thereof through the issuance of equity instruments, this does not affect the classification thereof.

Those not classed as either the aforementioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

(4) Consolidated basis

1. Principle for preparation of this consolidated report

This consolidated financial report includes the financial reports of the Consolidated Companies, as well as of the entities (subsidiaries) controlled by the Consolidated Companies. The financial statements of the subsidiaries have been adjusted so as to bring their accounting policies into line with those of the Consolidated Companies. All inter-entity transactions, account balances, income, and expenses were eliminated when preparing the consolidated financial statements.

The total comprehensive income of the subsidiary was attributed to the owners of the parent company and non-controlling interests, even when the non-controlling interests had thus become the balance of the loss.

2. Subsidiaries included in the consolidated financial report

The entities preparing this consolidated financial report are as follows:

| Name of Investment company | Name of subsidiary | Business nature | Percent of shareholding | | Explanation |
|---|---|---|---|---|---|
| | | | Dec. 31, 2022 | Dec. 31, 2021 | |
| GIA TZOONG ENTERPRISE CO., LTD. | PSC ENTERPRISE CO., LTD. | PCB Trading and investment | 100% | 100% | |
| GIA TZOONG ENTERPRISE CO., LTD. | ENRICH NATIONALS TRADE LIMITED | PCB Trading | 100% | 100% | |
| GIA TZOONG ENTERPRISE CO., LTD. | Puyu Investment Co., Ltd. | Trading and investment in property | 80% | 80% | |
| GIA TZOONG ENTERPRISE CO., LTD. | PSC (H.K.) ELECTRONICS LIMITED | PCB Trading | 100% | 100% | |
| ENRICH NATIONALS TRADE LIMITED | GIA TZOONG(ShenZhen) Ltd. | PCB Trading | 100% | 100% | |

(5) Foreign currency

When the parent company only company prepared financial reports, transactions in currencies other than the parent company only company's functional currency (that is, transactions in foreign currencies) were recorded by translating the foreign currency into the functional currency at the exchange rate on the transaction day.

Foreign currency monetary items were translated at the closing exchange rate on each balance sheet date.

Foreign currency non-monetary items measured at fair value were translated at the exchange rate on the day when the fair value was determined, and the resulting exchange difference was recognized in the profit or loss for the period. However, where the change in fair value was recognized in other comprehensive income, the resulting exchange difference was recognized in other comprehensive income.

Foreign currency non-monetary items measured at historical cost were translated at the exchange rate on the transaction date and were not re-translated.

When preparing the consolidated financial report, the assets and liabilities of the Consolidated Companies' foreign operations (including subsidiaries operating in a country or using a currency different from that of the Consolidated Companies) were translated into New Taiwan dollars at the exchange rate on each balance sheet date. Income and expense items were translated at the average exchange rate for the period, and the resulting exchange differences were recognized in other comprehensive income.

(6) Inventories

Inventories include raw materials, supplies, work in progress, finished goods, and merchandise inventories. Inventories were measured at the lower of cost and net realizable value, and the comparison between cost and net realizable value was based on individual items, except with inventories of the same category. Net realizable value refers to the balance of the estimated selling price under normal circumstances, minus the estimated cost to complete the project and the estimated cost to complete the sale. The calculation of inventory costs adopts the weighted average method.

(7) Property, plant, and equipment

Property, plant, and equipment are recognized at cost, and subsequently measured at cost minus accumulated depreciation and accumulated impairment losses.

Property, plant, and equipment were depreciated on a straight line basis, with separate depreciation for each significant part. The Consolidated Companies reviewed the estimated service life, salvage value, and depreciation methods at a minimum at the end of each year. The effect of changes in accounting estimates was dealt with in a deferred manner.

The amount of profit or loss arising from the derecognition of property, plant, and equipment was the difference between the net disposal proceeds and the carrying amount of the asset disposed of, and was recognized in profit or loss for the period.

(8) Investment property (measured using the cost model)

Investment property is real estate held to earn rentals or for capital appreciation or both (including property under construction that meets the definition of investment property). Investment property also includes land held for which the future use has not yet been determined.

Self-owned investment property was initially measured at cost (including transaction costs), and subsequently measured at the cost minus accumulated depreciation and accumulated impairment losses.

Investment property under construction was recognized at the amount of costs minus accumulated impairment losses. Costs include professional service fees and borrowing costs eligible for capitalization. The depreciation of such assets starts when they reach the expected state of use.

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

(9) Intangible assets

1. Separately acquired

Intangible assets with a finite useful life, acquired separately, were initially measured at cost, and subsequently measured at costs minus accumulated amortization and accumulated impairment losses. The Consolidated Companies conducted amortization on a straight line basis and reviewed the estimated useful live, salvage value and the depreciation method at a minimum at the end of each year. The salvage value of an intangible asset with a finite useful life was estimated to be zero, except that the Consolidated Companies expect to dispose of the asset before the economic life of the intangible asset expires. The effect of changes in accounting estimates was dealt with in a deferred manner.

2. Derecognition

The amount of profit or loss arising from the derecognition of intangible assets was the difference between the net disposal proceeds and the carrying amount of the asset disposed of, and was recognized in the profit or loss for the period.

(10) Impairment of tangible and intangible assets (excluding goodwill)

The Consolidated Companies assessed on each balance sheet date whether there was any indication that tangible and intangible assets (other than goodwill) might have been impaired. If any indication of impairment existed, the asset's recoverable amount was estimated. If it was not possible to estimate the recoverable amount of an individual asset, the Consolidated Companies estimated the recoverable amount of the cash-generating unit to which the asset belonged.

For intangible assets with indefinite useful lives and not yet available for use, impairment tests were conducted at a minimum annually, or when there was an indication of impairment.

The recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount. However, the increased carrying amount is limited to the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior periods. The reversal of the impairment loss is recognized in profit or loss.

(11) Financial instruments

Financial assets and financial liabilities were recognized in the consolidated balance sheet when the Consolidated Companies became the parties to the contractual terms of the instrument.

When initially recognizing financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of a financial asset or financial liability at fair value through profit or loss are recognized immediately in profit or loss.

(1) Financial assets

Regular way purchase or sale of financial assets are recognized and derecognized using trade date accounting.

A. Measurement bases

The types of financial assets held by the Consolidated Companies were financial assets measured at fair value through profit and loss, and financial assets measured at amortized cost.

a. Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit or loss include financial assets mandatory at fair value through profit or loss and designated at fair value through profit or loss. Financial assets mandatory at fair value through profit or loss include investments in equity instruments not designated by the Consolidated Companies to be measured at fair value through other comprehensive income, as well as investments in debt instruments that do not qualify for classification as measured at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value, and any profit or loss arising from their remeasurement does not include any dividends or interest generated by the financial asset, which is recognized in profit or loss. For the detailed method of determining the fair value, refer to the description in Note 31, Financial Instruments.

b. Financial assets measured at amortized cost

Financial assets invested in by the Consolidated Companies shall be classified as financial assets measured at amortized cost if both of the following two conditions are met:

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

(b) The terms of the contract give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable and accounts receivable at amortized cost) are measured, after initial recognition, at their amortized cost to their gross carrying amounts determined using the effective interest method minus any impairment losses, with any foreign exchange gains or losses recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of financial assets, except in the following two circumstances:

(a) For purchased or originated credit impaired financial assets, interest income is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.

(b) For financial assets that are not purchased or originated but subsequently become credit-impaired, interest income is calculated by multiplying the effective interest rate by the amortized cost of the financial asset.

Cash equivalents include highly liquid time deposits within 3 months after the date of acquisition, which can be readily converted into known amounts of cash at any time with insignificant risk of change in value, and are used to meet short-term cash commitments.

B. Impairment of financial assets

The Consolidated Companies assessed impairment losses on financial assets (including accounts receivable) measured at amortized cost based on expected credit losses at each balance sheet date.

All accounts receivable is recognized in loss allowance based on expected credit losses over the expected life thereof. For other financial assets, an assessment shall be made as to whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in credit risk, a loss allowance for 12-month expected credit losses is recognized; if there has been a significant increase in credit risk, a loss allowance for the expected credit losses over the expected life thereof is recognized.

Expected credit losses are weighted average credit losses with the probability of default as the weight. 12-month expected credit losses represent expected credit losses arising from possible default events on the financial instrument within 12 months after the reporting date, and lifetime expected credit losses represent expected credit losses arising from all possible default events on the financial instrument over the expected life thereof.

For impairment losses on all financial assets, their carrying amounts are reduced through the use of an allowance account. However, loss allowance for investments in debt instruments measured at fair value through other comprehensive income are recognized in other comprehensive income without reducing their carrying amounts.

(2) Equity instruments

Debt and equity instruments issued by the Consolidated Companies are classified as financial liabilities or equity in accordance with the substance of the contractual arrangement and the definition of financial liabilities and equity instruments.

The equity instruments issued by the Consolidated Companies are recognized at the amount of the proceeds acquired after deducting the direct issuance costs.

The recaptured equity instruments of the Consolidated Companies itself are recognized and deducted as equity items. The purchase, sale, issuance or cancellation of equity instruments of the Consolidated Companies themselves are not recognized in profit or loss.

(3) Financial liabilities

A. Follow-up measurement

All financial liabilities are measured at amortized cost using the effective interest method, except in the following circumstances:

a. Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include the ones held-for-trading and designated at fair value through profit or loss.

Financial liabilities held for trading are measured at fair value; and the gain or loss arising from remeasurement thereof, not including any dividends or interest paid on the financial liabilities, are recognized in profit or loss.

B. Derecognition of financial liabilities

When derecognizing a financial liability, the difference between its carrying amount and the consideration paid is recognized in profit or loss.

(12) Revenue recognition

After the Consolidated Companies identified the performance obligations in the client contract, they allocated the transaction price to each performance obligation, and recognized revenue when each performance obligation is satisfied.

(13) Lease

The Consolidated Companies assessed whether each contract was classed as (or contained) a lease on the contract inception date.

For each contract classed as lease and non-lease components, the Consolidated Companies allocated the consideration in the contract on the basis of relative stand-alone prices and treated it separately.

1. The Consolidated Companies as the lessors

   Leases were classed as finance leases when the terms of the lease transfer to the lessee substantially all the risks and rewards of ownership of the asset. All other leases were classified as operating leases.

   Under operating leases, lease payments net of lease incentives are recognized in income on a straight-line basis over the term of the lease. The initial direct cost incurred in obtaining the operating lease is added to the carrying amount of the underlying asset, and is recognized as an expense on a straight-line basis over the lease term.

2. The Consolidated Companies as the lessees

   Lease payments for low-value underlying asset leases and short-term leases to which the recognition exemption applies are recognized as expenses on a straight-line basis over the lease term; otherwise, right-of-use assets and lease liabilities are recognized on the lease commencement date for other leases.

   Each right-of-use asset is initially measured at cost (including the initially measured amount of the lease liability, lease payments minus lease incentives received prior to the lease commencement date, initial direct costs, and the estimated cost of restoring the underlying asset), and is subsequently measured at the amount of the cost minus accumulated depreciation and accumulated impairment losses, with the remeasured amount being recognized as an adjustment to the lease liability. Right-of-use assets are presented separately in the consolidated balance sheet.

   Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease, up to the expiry of the useful life or the expiry of the lease term (whichever is earlier).

   Lease liabilities are initially measured at the present value of lease payments including fixed payments and in-substance fixed payments. If the interest rate implicit in the lease can be readily determined, the lease payment is discounted using the interest rate. If this rate cannot be readily determined, the lessee’s incremental borrowing rate is used.

   Subsequently, the lease liability is measured on an amortized cost basis using the effective interest method, and the interest expense is amortized over the lease term. If there is a change in the future lease payment due to changes in the lease term, the expected payment amount under the residual value guarantee, the evaluation of the purchase option of the underlying asset, or the index or rate used to determine the lease payment, the Consolidated Companies re-measure the lease liability and adjust the right-of-use asset accordingly. However, if the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are presented separately in the consolidated balance sheet.

Variable lease payments in lease agreements that do not depend on an index or rate are recognized as an expense in the period in which they are incurred.

(14) Employee benefits

1. Short-term employee benefits

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

2. Post-employment benefits

If it is a defined contribution plan, during the period when the employee provides services, the amount of the pension fund that must be contributed is recognized as the employee welfare expense for the period.

The defined benefit cost (including service cost, net interest, and remeasurement amount) of the defined benefit pension plan is actuarially calculated using the projected unit credit method. Service costs (including service costs for the period) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expenses when incurred. The remeasurement amount (including actuarial profit or loss and return on plan assets after deducting interest) is recognized in other comprehensive income and included in retained earnings when it occurs, and will not be reclassified to profit or loss in subsequent periods.

The net defined benefit liability (asset) is the contribution deficit (surplus) of defined benefit pension plans. Net defined benefit assets cannot exceed the present value of contribution refunds from the plan or reduction in future plan contributions.

(15) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current income tax

   Income tax is calculated at the additional tax rate on undistributed earnings in accordance with the Income Tax Act, and is recognized as the income tax expense for the shareholder meeting year.

   Adjustment to the income tax payable in the previous year is recognized in the current income tax.

2. Deferred income tax

   Deferred income tax is recognized based on the temporary difference between the carrying amount of assets and liabilities recorded in the consolidated financial statements and the tax base for calculating taxable income. Deferred income tax liabilities are generally recognized based on all taxable temporary differences, while deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences or losses can be set off.

   Taxable temporary differences affiliated with their investment in subsidiaries are recognized as deferred income tax liabilities, except if the Consolidated Companies can control the timing of the reversal of the temporary difference, and the temporary difference is very likely not to reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences affiliated with such investment and equity are recognized only to the extent that it is probable that there will be sufficient taxable income to realize the profit of the temporary difference and reversal is expected in the foreseeable future.

   The carrying amount of deferred tax assets is reviewed on each balance sheet date, and is reduced for those assets for which it is no longer probable that sufficient taxable income will be available to recover all or part of the asset. Those that have not been recognized as deferred income tax assets are also reviewed on each balance sheet date; for those that are very likely to generate taxable income in the future to recover all or part of the assets, the carrying amount is increased.

   Deferred income tax assets and liabilities are measured at the tax rates for the liabilities or assets expected to be settled or realized in the current period. Such tax rates are based on the tax rates and tax laws that have been enacted or substantively enacted on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences arising from the manner in which the enterprise expects to recover or pay off the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and deferred income tax for the year

Current and deferred income taxes are recognized in profit or loss, except that current and deferred income taxes affiliated with items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

(16) Non-current assets held for sale

When the carrying amount of the disposal group is expected to be recovered primarily through a sale transaction rather than continued use, the asset is classified as held for sale. To qualify for this classification, a disposal group must be available for immediate sale in its current state, and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and the sale must be expected to close within one year after the classification date.

If control of the subsidiary will be lost at the time of sale, regardless of whether the non-controlling interest in the former subsidiary is retained after the sale, all assets and liabilities of the subsidiary are classified as held for sale and all investments in the subsidiary are classified as held for sale, which however still continue to be dealt with using the equity method.

When the sales plan committed thereto will dispose of all or part of the investment in an affiliate or a joint venture, only the equity that meets the conditions for being classified as held for sale will be classified as held for sale, and the use of the equity method will be discontinued for this part. The equity method continues to be used for any equity interests not classified as held for sale. If the significant influence of and joint control over the investment will be lost after the disposal, any equity that is not classified as held for sale will be dealt with in accordance with the accounting policy of the financial instruments when disposing of the equity held for sale.

The disposal group classified as held for sale is measured at the lower of the carrying amount, and fair value minus costs to sell; depreciation of such assets is suspended.

For subsidiaries, joint operations, joint ventures, affiliates, partial interests in joint ventures, or partial interests in affiliates that no longer qualify as held for sale, assets are measured based on the carrying amount that would have been expected if such interests had not been classified as held for sale from the beginning, and their financial statements previously classified as held for sale are retrospectively adjusted.

When the disposal group held for sale is reclassified as a disposal group held for distribution to owners, assets are measured at the lower of the carrying amount, and fair value minus distribution cost; there is no need to reverse the accounting treatment under the initial classification.

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

When the Consolidated Companies adopt the accounting policies described in Note 4, they make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available to obtain from other sources. The estimates and affiliated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. If the revision of the estimate affects only the current period, it is recognized in the period in which the accounting estimate is revised. If an accounting estimate revision affects both current and future periods, it is recognized in the current and future periods of the estimate revision.

The following sets out information on key assumptions made about the future and other key sources of estimation uncertainty at the end of financial reporting that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Estimated impairment of financial assets (accounts receivable)

The estimated impairment of accounts receivable is based on the Consolidated Companies' assumptions about the default ratio and expected loss ratio. The Consolidated Companies consider historical experience, current market conditions, and forward-looking information to make assumptions and select inputs for impairment assessments. For the detailed material assumptions and input values adopted, refer to the description in Note 9, Notes Receivable and Accounts Receivable. If the actual future cash flow is less than expected, significant impairment losses may arise.

(2) Depreciation of inventories

Since inventories must be priced at the lower of cost and net realizable value, the Consolidated Companies must use judgment and estimation to determine the net realizable value of inventories at the end of the financial reporting period.

Due to rapid changes in the industry, the Consolidated Companies evaluate the amount of inventory due to normal wear and tear, obsolescence, or a lack of market value at the end of the financial reporting period, and writes down the inventory cost to the net realizable value. This inventory valuation is primarily based on the estimated demand for products in a specific period in the future, and thus there may be major changes.

For details on the carrying amount of the Consolidated Companies' inventory, refer to Note 10.

(3) Impairment assessment of tangible assets and intangible assets (except for goodwill)

In the process of asset impairment assessment, the Consolidated Companies need to rely on subjective judgments, and on asset usage patterns and industry characteristics, to determine the independent cash flow and asset lifespan in specific asset groups as well as possible future income and expenses. Any changes due to economic conditions or changes in estimates brought about by corporate strategies may cause material impairment in the future.

For details on the carrying amount of the investment property of the Consolidated Companies after deducting the recognized accumulated impairment, refer to Note 14.

6. Cash and cash equivalents

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Cash on hand and revolving funds | $ 522 | $ 592 |
| Demand deposits and check deposit | 286,642 | 524,118 |
| Time deposit | 15,000 | 155,000 |
| Total | $ 302,164 | $ 679,710 |

As of December 31, 2022 and 2021, the time deposit interest rate collars were 0.975% and 0.35% respectively.

were 0.975% and 0.35% respectively.

7. Financial assets measured at fair value through profit or loss

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Financial assets - current | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Fund beneficiary certificate | $ 80,676 | $ 106,090 |
| TWSE (TPEx) listed shares | 97 | 3,761 |
| Total | $ 80,773 | $ 109,851 |
| Financial assets - non-current | | |

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Domestic company shares not TWSE (TPEx) listed | $ 1,147 | $ 1,617 |

The net (loss) profit of the Consolidated Companies due to changes in fair value in 2022 and 2021 was (NT$4,418,000) and NT$3,618,000, respectively.

8. Financial assets measured at amortized cost

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Time deposits with an initial maturity of more than three months | $ 418,616 | $ 108,884 |
| Other | 6,829 | 6,820 |
| Total | $ 425,445 | $ 115,704 |
| Current | $ 425,445 | $ 115,704 |

(1) As of December 31, 2022 and 2021, the interest rate collars for time deposits with an initial maturity of more than three months were 0.975% to 4.5%, and 0.13% to 1.5%, respectively.

(2) For details on the pledge of financial assets measured at amortized cost, refer to Note 33.

9. Notes and accounts receivable

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Notes receivable | | |
| Arising from operations | $ 524 | $ 1,036 |
| Less: Loss allowances | — | — |
| | $ 524 | $ 1,036 |
| Accounts receivable | | |
| Measured at amortized cost | | |
| Gross carrying amounts | $ 118,274 | $ 176,388 |
| Less: Loss allowances | (10,580) | (10,627) |
| | $ 107,694 | $ 165,761 |

(1) The average credit period of the Consolidated Companies for the sale of goods was 90 to 120 days, and accounts receivable were not interest-bearing. It is the policy of the Consolidated Companies that only other publicly available financial information and historical transaction records are used to rate key customers. The Consolidated Companies continued to monitor each counterparty's credit exposure and credit rating, distributed the total transaction amount to different clients with qualified credit ratings, and managed credit exposures through the credit limit granted to the counterparty reviewed and approved by the business department and the chairman every year.

In order to mitigate credit risk and to ensure that appropriate actions are taken to recover overdue accounts receivable, the Consolidated Companies' management assigned a dedicated team to be in charge of determining credit limit extensions, credit approvals, and other monitoring procedures. In addition, the Consolidated Companies reviewed the recoverable amounts of accounts receivable one by one on the balance sheet date to ensure that appropriate impairment losses on unrecoverable accounts receivable had been recognized. In view of this, the Consolidated Companies' management believed that the Consolidated Companies' credit risk had been significantly reduced.

(2) The Consolidated Companies adopted the simplified approach of IFRS 9 to recognize the loss allowance for accounts receivable based on the lifetime expected credit loss. The lifetime expected credit loss was calculated using a provision matrix, which took into consideration each client's past default record, current financial position, as well as industrial and economic situations. Since the historical credit loss experience of the Consolidated Companies indicated that there is no significant difference in the loss patterns of different client groups, the provision matrix did not further distinguish among client groups, and only determined the expected credit loss rate based on accounts receivable's number of days overdue.

If there is evidence indicating that a counterparty is facing severe financial difficulties and the Consolidated Companies cannot reasonably expect the recoverable amount, such as if the counterparty is in liquidation or the debt is overdue, the Consolidated Companies write off the accounts receivable directly. However, the Consolidated Companies still continue recourse activities, and the amount recovered due to recourse is recognized in profit or loss.

(3) The Consolidated Companies measured the loss allowance for notes receivable and accounts receivable based on the provision matrix as follows:

| | Dec. 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Note yet overdue | Overdue 1～30 days | Overdue 31～60 days | Overdue 61～90 days | Overdue more than 90 days | Total |
| Expected credit loss rate | 0% | 0 %～0.1% | 2.02%～5.97% | 28.94%～34.21% | 100% | |
| Gross carrying amounts | $ 107,694 | $ 108 | $ 399 | $ 49 | $ 10,548 | $ 118,798 |
| Loss allowances | — | — | (16) | (16) | (10,548) | (10,580) |
| Measured at amortized cost | $ 107,694 | $ 108 | $ 383 | $ 33 | $ — | $ 108,218 |

| | Dec. 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Note yet overdue | Overdue 1～30 days | Overdue 31～60 days | Overdue 61～90 days | Overdue more than 90 days | Total |
| Expected credit loss rate | 0%～0.1% | 0 %～0.25% | 2.99%～10.55% | 11.39%～44.44% | 100% | |
| Gross carrying amounts | $ 164,602 | $ 281 | $ 2,137 | $ 5 | $ 10,399 | $ 177,424 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Loss allowances | – | – | (226) | (2) | (10,399) | (10,627) |
| Measured at amortized cost | $ 164,602 | $ 281 | $ 1,911 | $ 3 | $ – | $ 166,797 |

(4) The information of the changes in loss allowances of notes and account receivables is as follows:

| | 2022 | 2021 |
|---|---|---|
| Beginning balance | $ 10,627 | $ 12,910 |
| Recognized as profit for the current period | (370) | (2,063) |
| Loss allowances of write-off for the current period | (444) | – |
| Difference on translation of foreign currency | 767 | (220) |
| Ending balance | $ 10,580 | $ 10,627 |

10. Inventories

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Commodities | $ 971 | $ 189 |
| Finished goods | 28,830 | 38,829 |
| Work in progress | 33,892 | 53,238 |
| Raw materials | 13,361 | 27,292 |
| Supplies | 5,960 | 9,328 |
| Net | $ 83,014 | $ 128,876 |

(1) The allowance for inventory write-down on December 31, 2022 and 2021 was NT$19,110,000 and NT$19,729,000, respectively.

(2) Inventory-related expenses recognized in the current period:

| | 2022 | 2021 |
|---|---|---|
| Printed circuit boards | | |
| Costs of inventories sold | $ 408,036 | $ 602,579 |
| Allowance for inventory valuation and obsolescence loss | 13,173 | 4,636 |
| Idle capacity cost | 145,781 | 103,638 |
| Other | (8,860) | (13,953) |
| Operating costs | $ 558,130 | $ 696,900 |

11. Non-current assets held for sale

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Land held for sale | $ – | $ 396,518 |
| Property under the construction held for sale | – | 16,032 |

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Total | $ − | $ 412,550 |
| Liabilities directly related to non-current assets held for sale | $ − | $ 450,563 |

(1) On May 12, 2021, the Board of Directors of the Consolidated Companies resolved to authorize the subsidiary Puyu Investment Co., Ltd. to dispose of the land and the factory building under construction in Yangmei District, Taoyuan City. A real estate purchase and sale agreement with the price of NT$465,246,000 (including tax) was entered into with VADI MEDICAL TECHNOLOGY CO., LTD on May 18, 2021. When the land and property under construction were classified as non-current assets held for sale, there was no impairment loss to be recognized.

In accordance with the terms and conditions under the purchase and sale agreement and the supplementary agreement, if the Consolidated Companies cannot complete the transfer of buildings and application for changes of existing roadways, said real estate transaction shall be deemed to be cancelled. Therefore, the land to which the ownership has been transferred shall be returned to the Consolidated Companies, and the contract price in the trust account and the signing payment shall be refunded to the buyer. Both parties agreed that the conditions for the change of existing roadways in the aforementioned transaction shall be completed prior to October 24, 2021.

As of December 31, 2021, the escrow account opened for the real estate transaction had collected contract prices of NT$449,018,000 and NT$1,546,000 (not including tax), which were deposited in the designated trust account. The balance of the trust account was NT$449,018,000, part of which funds was repaid on August 5, 2021 to the borrowing bank by the Consolidated Companies that created the mortgage on the land thereto based on the escrow instruction letter for the real estate purchase and sale price agreed upon and entered into by both the buyer and the seller.

The registration of ownership transfer of the aforementioned land was completed on June 28, 2021; the application for the change of existing roadways was completed; the use license of the building under construction was obtained on July 29, 2022; and registration of ownership transfer was completed on December 21, 2022.

The amount of the gains and losses on disposal recognized in 2022 was as follows:

| Item | Amount |
|---|---|
| Disposition price | $ 464,473 |

| | |
|---|---|
| Less: Net derecognition of non-current assets held for sale in the current day | (414,291) |
| Directly attributable costs related to the sale | (4,700) |
| Recognized disposal of investment gains | $ 45,482 |

(2) On September 14, 2021, the Board of Directors of the Company resolved to authorize its subsidiary Puyu Investment Co., Ltd. to dispose of the land and factory building in Luzhu District, Taoyuan City. A real estate purchase and sale agreement with the price of NT$362,980,000 was entered into with Yuan Jen Enterprises Co., Ltd. on September 15, 2021. When the land and building were classified as non-current assets held for sale, there was no impairment loss to be recognized.

The registration of ownership transfer of the property was completed on October 27, 2021.

The amount of the gains and losses on disposal recognized in 2021 was as follows:

| Item | Amount |
|---|---|
| Disposition price | $ 362,608 |
| Less: Net derecognition of non-current assets held for sale in the current day | (285,208) |
| Directly attributable costs related to the sale | (2,470) |
| Recognized disposal of investment gains | $ 74,930 |

## 12. Property, plant and equipment

| Item | 2022 Beginning balance | Increase | Disposal | Reclassification | Effect of exchange rate | Ending balance |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Land | $ 99,170 | $ – | $ – | $ – | $ – | $ 99,170 |
| Increase on land revaluation | 36,656 | – | – | – | – | 36,656 |
| Building | 250,553 | 1,236 | – | 11,905 | – | 263,694 |
| Machine equipment | 538,033 | 1,011 | 23,329 | 15,960 | – | 531,675 |
| Transportation equipment | 4,448 | – | 590 | – | – | 3,858 |
| Office equipment | 5,966 | – | – | – | 1 | 5,967 |
| Lease Improvement | 165 | – | 165 | – | – | – |
| Other equipment | 135,295 | 1,546 | – | 570 | – | 137,411 |
| Sub-total | 1,070,286 | 3,793 | 24,084 | 28,435 | 1 | 1,078,431 |
| Accumulated depreciation | | | | | | |
| Building | 120,966 | 8,110 | – | – | – | 129,076 |
| Machine equipment | 438,699 | 20,008 | 23,240 | – | – | 435,467 |
| Transportation | 4,325 | 69 | 590 | – | – | 3,804 |

| Item | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning balance | Increase | Disposal | Reclassification | Effect of exchange rate | Ending balance |
| equipment | | | | | | |
| Office equipment | 3,867 | 481 | — | — | — | 4,348 |
| Lease Improvement | 165 | — | 165 | — | — | — |
| Other equipment | 120,233 | 4,335 | — | — | — | 124,568 |
| Sub-total | 688,255 | 33,003 | 23,995 | — | — | 697,263 |
| Net | $ 382,031 | $ (29,210) | $ 89 | $ 28,435 | $ 1 | $ 381,168 |

| Item | 2021 | | | | |
|---|---|---|---|---|---|
| | Beginning balance | Increase | Disposal | Reclassification | Ending balance |
| Cost | | | | | |
| Land | $ 99,170 | $ — | $ — | $ — | $ 99,170 |
| Increase on land revaluation | 36,656 | — | — | — | 36,656 |
| Building | 248,211 | 2,580 | 238 | — | 250,553 |
| Machine equipment | 554,341 | 2,528 | 60,957 | 42,121 | 538,033 |
| Transportation equipment | 4,598 | — | 150 | — | 4,448 |
| Office equipment | 5,607 | 1,563 | 1,204 | — | 5,966 |
| Lease Improvement | 165 | — | — | — | 165 |
| Other equipment | 130,713 | 3,441 | 1,139 | 2,280 | 135,295 |
| Sub-total | 1,079,461 | 10,112 | 63,688 | 44,401 | 1,070,286 |
| Accumulated depreciation | | | | | |
| Building | 114,103 | 7,101 | 238 | — | 120,966 |
| Machine equipment | 482,448 | 17,208 | 60,957 | — | 438,699 |
| Transportation equipment | 3,762 | 713 | 150 | — | 4,325 |
| Office equipment | 4,523 | 548 | 1,204 | — | 3,867 |
| Lease Improvement | 165 | — | — | — | 165 |
| Other equipment | 115,323 | 6,049 | 1,139 | — | 120,233 |
| Sub-total | 720,324 | 31,619 | 63,688 | — | 688,255 |
| Net | $ 359,137 | $ (21,507) | $ — | $ 44,401 | $ 382,031 |

(1) Capitalized amount and interest rate range on borrowing costs for property, plant and equipment:

| | 2022 | 2021 |
|---|---|---|
| Capitalized amount | $ — | $ — |
| Capitalized interest | 1.93% | 1.63% |

(2) The major components of the Consolidated Companies' buildings included the main building, auxiliary equipment, etc., and were

depreciated in accordance with their service lives of 45 to 50 years, and 3 to 10 years, respectively.

(3) For details on the equipment provided by the Consolidated Companies as a loan guarantee on December 31, 2022 and 2021, refer to Note 33.

## 13. Lease agreements

(1) Right-of-use assets

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Carrying amount of right-of-use assets | | |
| Building | $ 66 | $ 4,502 |
| Machine equipment | 265 | 517 |
| Transportation equipment | 942 | 1,190 |
| | $ 1,273 | $ 6,209 |

| | 2022 | 2021 |
|---|---|---|
| Increase of right-of-use assets | $ 1,487 | $ 1,329 |
| Lease modifications of right-of-use assets | $ (4,106) | $ − |
| Depreciation expense of right-of-use assets | | |
| Building | $ 429 | $ 2,349 |
| Machine equipment | 605 | 608 |
| Transportation equipment | 1,283 | 1,489 |
| | $ 2,317 | $ 4,446 |

(2) Lease liabilities

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Carrying amount of lease liabilities | | |
| Current | $ 963 | $ 3,788 |
| Non-current | $ 344 | $ 2,511 |

The discount rate ranges for lease liabilities are as follows:

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Building | 1.475% | 1.475% |
| Machine equipment | 1.6%～1.77% | 1.6%～1.63% |
| Transportation equipment | 4.972%～5.246% | 4.972%～5.245% |

(3) Information on other lease

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Short-term lease expense | $ | 147 | $ | 188 |
| Leases expense on low-value assets | $ | 215 | $ | 204 |
| Total of cash (used in) on lease | $ | 2,785 | $ | 5,012 |

The Consolidated Companies chose to apply the recognition exemption to equipment leases that qualify for low-value assets and short-term leases of vehicles and house leases, etc., and did not recognize the right-of-use assets and lease liabilities for these leases.

14. Investment property

| Item | 2021 Beginning balance | Increase | Sale | Reclassification | Ending balance |
|---|---|---|---|---|---|
| Cost | | | | | |
| Land | $ 681,248 | $ 83 | $ — | $ (681,331) | $ — |
| Building | 7,217 | 334 | — | (7,551) | — |
| Investment property under Building | 11,946 | 4,086 | — | (16,032) | — |
| Sub-total | 700,411 | 4,503 | — | (704,914) | — |
| Accumulated depreciation and impairment | | | | | |
| Land | 3,595 | — | — | (3,595) | — |
| Building | 2,833 | 728 | — | (3,561) | — |
| Sub-total | 6,428 | 728 | — | (7,156) | — |
| Net | $ 693,983 | $ 3,775 | $ — | $ (697,758) | $ — |

Investment property has all been reclassified as non-current assets held for sale and the disposal group held for sale. Refer to Note 11 for details.

15. Intangible assets

| Item | 2022 Beginning balance | Increase | Disposal | Ending balance |
|---|---|---|---|---|
| Cost | | | | |
| Computer software | $ 7,390 | $ 351 | $ — | $ 7,741 |
| Professional skill | 1,000 | 1,000 | — | 2,000 |
| Sub-total | 8,390 | 1,351 | — | 9,741 |

| | | | | |
|---|---|---|---|---|
| Accumulated amortization | | | | |
| Computer software | 2,933 | 1,956 | — | 4,889 |
| Professional skill | 583 | 750 | — | 1,333 |
| Sub-total | 3,516 | 2,706 | — | 6,222 |
| Net | $ 4,874 | $ (1,355) | $ — | $ 3,519 |

| Item | 2021 | | | |
|---|---|---|---|---|
| | Beginning balance | Increase | Disposal | Ending balance |
| Cost | | | | |
| Computer software | $ 2,812 | $ 4,578 | $ — | $ 7,390 |
| Professional skill | — | 1,000 | — | 1,000 |
| Sub-total | 2,812 | 5,578 | — | 8,390 |
| Accumulated amortization | | | | |
| Computer software | 2,349 | 584 | — | 2,933 |
| Professional skill | — | 583 | — | 583 |
| Sub-total | 2,349 | 1,167 | — | 3,516 |
| Net | $ 463 | $ 4,411 | $ — | $ 4,874 |

The amortization expenses recognized by the Consolidated Companies in 2022 and 2021 were incorporated into the consolidated statements of comprehensive income, at NT$2,706,000 and NT$1,167,000, respectively.

16. Short-term loans

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Unused limit | $ 120,098 | $ 186,993 |

For details on assets provided as guarantees for short-term loans, refer to Note 33.

17. Notes and accounts payable

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Notes payable | $ — | $ 9 |
| Accounts payable | 63,415 | 91,271 |
| Total | $ 63,415 | $ 91,280 |
| Current | $ 63,415 | $ 91,280 |

(1) The payment terms for trades between the Consolidated Companies and its suppliers were 90–120 days. The Consolidated Companies had formulated a financial risk management policy to ensure that all accounts payable would be paid off within the pre-agreed credit period.

(2) For details on disclosures related to accounts payable and other payables by the Consolidated Companies subject to exchange rate exposure, refer to Note 31.

18. Other payable

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Other payable- not-related parties | | |
| Salary payable | $ 20,138 | $ 24,299 |
| Payment for equipment payable | 5,788 | 16,892 |
| Interest payable | 32 | 36 |
| Payment for non-leave payable | 5,392 | 5,602 |
| Other | 45,710 | 58,388 |
| Total | $ 77,060 | $ 105,217 |
| Current | $ 77,060 | $ 105,217 |

19. Long-term borrowings

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Loan against land and buildings - monthly repayments from March 2008 to February 2023 with floating interest rates. The interest rates on December 31, 2022 and 2021 were 2.0423% and 1.3499% respectively. | $ 778 | $ 5,444 |
| Loan against machinery - monthly repayments from January 2020 to December 2024, with floating interest rates. The interest rates on December 31, 2022 and 2021 were 1.976% and 1.6%, respectively. | 10,540 | 15,668 |
| Loan against land and buildings - monthly repayments from October 2020 to September 2025 with floating interest rates. The interest rates on December 31, 2022 and 2021 were 1.976% and 1.6%, respectively. | 22,422 | 30,298 |
| Loan against land and buildings - quarterly repayments from February 2021 to November 2025 with floating interest rates. The interest rates on December 31, 2022 and 2021 were 2.425% and 1.8%, respectively. | 18,000 | 24,000 |

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Total | $ 51,740 | $ 75,410 |
| Current | $ 19,992 | $ 23,686 |
| Non-current | $ 31,748 | $ 51,724 |
| Unused limit | $ — | $ — |

For details on assets provided as guarantees for long-term loans, refer to Note 33.

20. Post-employment benefit plan

(1) Defined contribution plan

The employee pension plan established by the Consolidated Companies in accordance with the Labor Pension Act was a defined contribution plan. The aforementioned company appropriated 6% of employees' monthly salary as pension funds to personal dedicated accounts with the Bureau of Labor Insurance. In accordance with the aforementioned regulations, the pension costs recognized as expenses in the Consolidated Statements of Comprehensive Income of the Consolidated Companies in 2022 and 2021 were NT$6,629,000 and NT$7,172,000, respectively.

The subsidiary in Mainland China appropriated pension insurance funds in accordance with a certain percentage of the total salary of its local employees every month, in accordance with the local laws and regulations. Overall planning and appropriation for each employee’s pension fund was done by the local government on a monthly basis and not subject to further obligations. The pension costs recognized in 2022 and 2021 were NT$264,000 and NT$242,000, respectively.

(2) Defined benefit plan

The Company's employee pension plan established in accordance with the Labor Standards Act was a defined benefit plan. In accordance with the provisions of said plan, employee pensions were calculated based on years of service and the average salary of the six months prior to retirement. The Company appropriated NT$150,000 to the employee pension fund every month, which funds were then deposited in the dedicated account with the Bank of Taiwan by the Labor Retirement Reserve Supervisory Committee in the name of said committee. However, after the aforementioned employee pension plan had successively cleared the employee's service seniority accumulated prior to the application of the Labor Standards Act, the Company had no obligation to make such appropriation. The remaining funds in the dedicated account had been retrieved and the cancellation of the account was completed on January 18, 2021. As the remaining funds included pension assets contributed by the manager who used to be the employee in prior years, the Company transferred to and deposited such funds in the manager's existing dedicated account, "GIA TZOONG ENTERPRISE CO., LTD. Employee Pension Fund Management Committee".

In addition, the Company formulated the Employee Pension Guidelines applicable to appointed managers for their service seniority after the start-work date. The aforementioned guidelines were passed by the Board of Directors on April 11, 2007 and by the general shareholder meeting on June 28, 2007.

(1) The pension expense and other comprehensive income amount recognized in the comprehensive income statement under the defined benefit plan are set out as follows:

| | 2022 | 2021 |
|---|---|---|
| Service cost for current period | $ 645 | $ 648 |
| Net interest expense | 53 | 31 |
| Recognized in profit or loss | 698 | 679 |
| Remeasurement | | |
| Return on plan assets | 146 | 64 |
| Actuarial gains - Experience adjustments | 189 | (709) |
| Actuarial assumptions — | | |
| Demographic | — | 744 |
| Changes in assumptions | (804) | (415) |
| Recognized as other comprehensive income | (469) | (316) |
| Total | $ 229 | $ 363 |

(2) Amount recognized in balance sheet is set out as follows:

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Present value of defined benefit obligation | $ (30,369) | $ (30,114) |
| Fair value of plan assets | 15,807 | 15,241 |
| Net defined benefit liabilities | $ (14,562) | $ (14,873) |

(3) The change of net defined benefit liabilities is as follows:

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities |
|---|---|---|---|
| 2022 | | | |
| Balance on Jan. 1 | $ (30,114) | $ 15,241 | $ (14,873) |
| Service cost for current period | (645) | — | (645) |
| Interest (expense) income | (225) | 172 | (53) |
| Recognized in profit or loss | (870) | 172 | (698) |
| Remeasurement: | | | |
| Return on plan assets | — | (146) | (146) |
| Effect from changes in financial assumptions | 804 | — | 804 |
| Experience adjustments | (189) | — | (189) |
| Recognized as other comprehensive income | 615 | (146) | 469 |
| Retirement fund contributions | — | 540 | 540 |
| Retirement pension paid | — | — | — |
| Balance on Dec. 31 | $ (30,369) | $ 15,807 | $ (14,562) |

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities |
|---|---|---|---|
| 2021 | | | |
| Balance on Jan. 1 | $ (29,742) | $ 14,657 | $ (15,085) |
| Service cost for current period | (648) | — | (648) |
| Interest (expense) income | (104) | 73 | (31) |
| Recognized in profit or loss | (752) | 73 | (679) |
| Remeasurement: | | | |
| Return on plan assets | — | (64) | (64) |
| Effect from changes in demographic assumptions | (744) | — | (744) |
| Effect from changes in financial assumptions | 415 | — | 415 |
| Experience adjustments | 709 | — | 709 |
| Recognized as other comprehensive income | 380 | (64) | 316 |
| Retirement fund contributions | — | 575 | 575 |
| Retirement pension paid | — | — | — |
| Balance on Dec. 31 | $ (30,114) | $ 15,241 | $ (14,873) |

(4) The fund assets of the defined benefit pension plan of the Consolidated Companies were deposited in a dedicated account

in the name of the Labor Retirement Reserve Supervisory Committee with the Trust Department of the Bank of Taiwan. The Labor Pension Fund Supervisory Committee of the Executive Yuan's Council of Labor Affairs continually monitors and inspects the asset investment portfolio, prudently constructs investment portfolios and diversifies types of outsourcing, strengthens risk controls, and adjusts investment strategies in a timely manner in accordance with market changes so as to increase the fund’s stable income. The revenues, expenditures, custody, and utilization of the plan assets are handled by the central competent authority in conjunction with the financial institution commissioned by the finance department. The minimum return shall not be lower than the return on the two-year time deposit interest rate of the local bank; if there is a loss, it shall be made up by the state treasury. The central competent authority has formulated the regulations for the revenues, expenditures, custody, and utilization of plan assets. For details on the fair value of the fund's total assets on December 31, 2022 and 2021, refer to the annual report on the use of labor pension funds announced by the government.

(5) The present value of the defined benefit obligations of the Consolidated Companies is calculated by a qualified actuary. The main assumptions of the actuarial valuation on the measurement date are listed as follows:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 1.40% | 0.75% |
| Future salary increase rate | 3.50% | 3.50% |

(6) An analysis of the present value of the definite benefit obligations affected by changes in the main actuarial assumptions adopted is as follows:

| | Discount rate | | Salary adjustment rate | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| Dec. 31, 2022 | | | | |
| Impact on the present value of defined benefit obligations | $ 319 | $ (325) | $ 309 | $ (313) |

The aforementioned sensitivity analysis is based on the analysis of the impact of a single assumption change, under the condition that other assumptions remain unchanged. In practice, changes in many assumptions may be linked. The sensitivity analysis is consistent with the methodology used to calculate the net pension liability on the balance sheet.

The methods and assumptions used in preparing the sensitivity analysis in this period are the same as those in the previous period.

(7) The Consolidated Companies expected to pay the amount of NT$15,456,000 for the pension plan contributions in 2022.

(8) As of December 31, 2022, the weighted average duration of said pension plan was 2 years.

21. Equity

(一) Share capital of ordinary shares

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Number of authorized capital (thousand shares) | 250,000 | 250,000 |
| Authorized capital | $ 2,500,000 | $ 2,500,000 |
| Number of shares (stock) issued and paid-in (thousand shares) | 166,123 | 166,123 |
| Shares issued | $ 1,661,228 | $ 1,661,228 |

(2) Capital reserve

In accordance with the law and regulations, the capital reserve shall not be used except to make up for the Company's losses. However, the excess from the issuance of stocks exceeding the par value (including issuance of ordinary shares in excess of par value, share premium of shares issued due to merger, conversion premium of corporate bonds, treasury stock transactions, etc.) and the capital reserve generated from the receipt of gifts may be set aside as equity capital every year up to a certain percentage of the paid-in capital, provided that unrealized employee stock options and the capital reserve generated from stock options shall not be used for any purpose.

(3) Retained earnings and dividends

1. In accordance with the Company Act and the surplus distribution policy stipulated in the Company's Articles of Incorporation, if the Company's annual final accounts have a surplus, the Company must first pay taxes and make up for past losses, and then set aside 10% thereof as the legal reserve, except when the legal reserve has reached the total paid-in capital of the Company, and the special surplus reserve has been set aside or reversed in accordance with the law or regulations of the competent authority. If there remains any surplus, the Board of Directors shall make a distribution

proposal to be submitted to the shareholder meeting for a resolution before the distribution of the balance of the aforementioned surplus plus the accumulated undistributed earnings from the previous year.

2. The legal reserve shall be appropriated until its balance reaches the Company's total paid-in share capital. The legal reserve may be used to make up for losses. If the Company has no losses, the portion of the legal reserve exceeding 25% of the paid-in share capital may be distributed to shareholders in proportion to the number of shares then held, via issuance of new shares or cash in accordance with the proportion of shareholders' original shares.

3. The Company is part of the electronic manufacturing industry. Although the Company can retain funds to engage in research and development as well as business expansion activities, when it distributes stock dividends to shareholders for a year in which it has made a profit, doing so will also cause the inflation of share capital. In view of this fact, if the profit does not increase proportionally, it will cause a decrease in earnings per share, thereby causing damage to shareholder equity. Therefore, the Company currently upholds a policy of cash dividends. The method of implementing this is to evaluate the capital needs of the future year based on the Company's future capital budget planning, and to distribute cash dividends to the greatest extent possible. With regard to the implementation ratio of the aforementioned cash dividend policy, the dividends to be distributed are primarily cash dividends, and stock dividends (including stock dividends from retained earnings and stock dividend from capital reserve) account for 50% or less thereof.

4. The Company had a net profit after tax in 2020, and the general shareholder meeting resolved on August 6, 2021 to make up for losses in 2020. The Company had a net loss after tax in 2021, and the general shareholder meeting resolved on June 16, 2022 to make up for losses in 2021.

5. For information on the Company's surplus distribution, queries can be made on the Market Observation Post System.

(4) Other equity items

Exchange difference on translation of financial reports for foreign operations

| | 2022 | 2021 |
|---|---|---|
| Beginning balance | $ (30,576) | $ (29,467) |

| | 2022 | 2021 |
|---|---|---|
| Occurred in current period | | |
| Exchange difference on translation for foreign operations | 4,310 | (1,109) |
| Ending balance | $ (26,266) | $ (30,576) |

(5)Non-controlling interest

| | 2022 | 2021 |
|---|---|---|
| Beginning balance | $ 22,836 | $ 18,355 |
| Net profit for current period | 8,460 | 4,481 |
| Capital refund due to capital reduction | (19,000) | — |
| Ending balance | $ 12,296 | $ 22,836 |

22. Loss per share

| | 2022 | 2021 |
|---|---|---|
| Basic loss per share | $ (0.46) | $ (0.67) |
| Diluted loss per share | $ (0.46) | $ (0.67) |

(1)Basic loss per share

The calculation of basic loss per share and the weighted average number of ordinary shares is as follows:

| | 2022 | 2021 |
|---|---|---|
| Net loss attributable to owners of the parent company (NT$ thousand) | $ (76,804) | $ (112,063) |
| Weighted average number of ordinary shares for calculating basic loss per share (unit: 1,000 shares) | 166,123 | 166,123 |
| Basic loss per share (NT$) | $ (0.46) | $ (0.67) |

(2)Diluted loss per share

The Company does not have a complex capital structure, and thus only the basic loss per share is disclosed.

23. Operating revenue

The analysis of the revenue arising from the Consolidated Companies is as follows:

| | 2022 | 2021 |
|---|---|---|
| Revenue from contracts with customers | | |
| Printed circuit boards | | |
| Revenue of selling goods | $ 494,206 | $ 670,044 |
| Revenue of other operation | 1 | (4,166) |
| Less: sales returns and discount | (3,324) | (4,166) |
| Net | $ 490,883 | $ 665,878 |

24. Interest income

| | 2022 | 2021 |
|---|---|---|
| Interest on bank deposit | $ 6,213 | $ 1,094 |

25. Other income

| | 2022 | 2021 |
|---|---|---|
| Gains on write-off of accounts payable | $ 576 | $ 349 |
| Dividend income | 726 | 230 |
| Other | 2,129 | 377 |
| Total | $ 3,431 | $ 956 |

26. Other profit and loss

| | 2022 | 2021 |
|---|---|---|
| Gain on disposal of property, plant and equipment | $ 1,556 | $ 663 |
| Gain on disposal of non-current assets held for sale | 45,482 | 74,930 |
| Profit from lease modification | 33 | — |
| Net gains (loss) on foreign exchange | 37,641 | (12,682) |
| Gains on financial assets at fair value through profit or loss | (4,418) | 3,618 |
| Compensation loss | (163) | (19) |
| Miscellaneous expenses | (200) | (425) |
| Total | $ 79,931 | $ 66,085 |

27. Financial cost

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Interest expense | | | | |
| Bank loans | $ | 1,274 | $ | 7,362 |
| Interest from lease liabilities | | 83 | | 192 |
| Total | $ | 1,357 | $ | 7,554 |

28. Income tax

(1) The adjustment of income tax expense and accounting profit is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Loss before tax under income tax calculated based on the statutory tax rate | $ | (12,809) | $ | (12,367) |
| Effect on income tax that the item has been deducted according to the tax law | | (8,394) | | (5,342) |
| Unrecognized temporary differences | | (124) | | (743) |
| Unrecognized loss write-off | | 26,809 | | 25,472 |
| Adjustment for deduction of losses recognized in previous years | | (1,183) | | 10,157 |
| Land value increment tax | | — | | 2,345 |
| House and Land Transactions Income Tax System 2.0 | | — | | 26,225 |
| Income tax expenses recognized in profit or loss | $ | 4,299 | $ | 45,747 |

(2) Income tax recognized in profit or loss

Income tax expenses recognized in profit or loss for the current year are as follows:

| 2022 | 2021 |
|---|---|

| | 2022 | 2021 |
|---|---|---|
| Income tax expense for current period | $ 14 | $ 72 |
| Deferred income tax expense | | |
| Current year | 5,468 | 6,948 |
| Previous year | (1,183) | 10,157 |
| Land value increment tax | — | 2,345 |
| House and Land Transactions Income Tax System 2.0 | — | 26,225 |
| Income tax expenses recognized in profit or loss | $ 4,299 | $ 45,747 |

(3) Income tax recognized as other comprehensive income

| | 2022 | 2021 |
|---|---|---|
| Deferred income tax | | |
| Arising in the current year | | |
| —Actuarial losses and gains from defined benefit | (94) | (63) |
| Total | $ (94) | $ (63) |

(4) Income tax assets and liabilities for current period

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Income tax assets for current period | $ 1,162 | $ 849 |
| Income tax liabilities for current period | $ — | $ 26,223 |

(5) Deferred income tax

An analysis of deferred income tax assets and liabilities in the consolidated balance sheet is as follows:

| | 2022 | | | |
|---|---|---|---|---|
| | Beginning balance | Recognized as profit or (loss) | Recognized as other comprehensive income | Ending balance |
| Temporary differences | | | | |

| | 2022 | | | |
|---|---|---|---|---|
| | Beginning balance | Recognized as profit or (loss) | Recognized as other comprehensive income | Ending balance |
| Doubtful debts | $ 298 | $ 334 | $ — | $ 632 |
| Sales discounts | 188 | (186) | — | 2 |
| Losses on reduction of inventory to market | 3,946 | (124) | — | 3,822 |
| Actuarial losses from defined benefit plan | 684 | — | (94) | 590 |
| Unrealized pension expense | 2,454 | 31 | — | 2,485 |
| Loss deduction | 28,460 | 1,183 | — | 29,643 |
| Other | 3,671 | (1,792) | — | 1,879 |
| Deferred income tax assets | $ 39,701 | $ (554) | $ (94) | $ 39,053 |

| | 2022 | | | |
|---|---|---|---|---|
| | Beginning balance | Recognized as profit or (loss) | Recognized as other comprehensive income | Ending balance |
| Land value increment tax | $ 10,367 | $ — | $ — | $ 10,367 |
| Unrealized exchange gains | — | 3,731 | — | 3,731 |
| Deferred income tax liabilities | $ 10,367 | $ 3,731 | $ — | $ 14,098 |

| | 2021 | | | |
|---|---|---|---|---|
| | Beginning balance | Recognized as profit or (loss) | Recognized as other comprehensive income | Ending balance |
| Temporary differences | | | | |
| Doubtful debts | $ 957 | $ (659) | $ — | $ 298 |
| Sales discounts | — | 188 | — | 188 |
| Losses on reduction of inventory to market | 6,283 | (2,337) | — | 3,946 |
| Impairment loss for investment | 719 | (719) | — | — |

| | 2021 | | | |
|---|---|---|---|---|
| | Beginning balance | Recognized as profit or (loss) | Recognized as other comprehensive income | Ending balance |
| property | | | | |
| Actuarial losses from defined benefit plan | 747 | — | (63) | 684 |
| Unrealized pension expense | 2,433 | 21 | — | 2,454 |
| Loss deduction | 42,199 | (13,739) | — | 28,460 |
| Other | 3,531 | 140 | — | 3,671 |
| Deferred income tax assets | $ 56,869 | $ (17,105) | $ (63) | $ 39,701 |

| | 2021 | | | |
|---|---|---|---|---|
| | Beginning balance | Recognized as profit or (loss) | Recognized as other comprehensive income | Ending balance |
| Land value increment tax | $ 10,367 | $ — | $ — | $ 10,367 |
| Deferred income tax liabilities | $ 10,367 | $ — | $ — | $ 10,367 |

(6) Items not recognized as deferred income tax assets

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Investment loss | $ 92,779 | $ 92,915 |
| Loss deduction | 84,888 | 59,635 |
| Total | $ 177,667 | $ 152,550 |

(7) Information related to unused loss deduction as of December 31, 2022 is as follows:

| Year of occurrence | Un-deducted balance | Year of last deduction |
|---|---|---|
| GIA TZOONG ENTERPRISE CO., LTD. | | |
| 2017(Assessment) | $ 48,683 | 2027 |
| 2018(Assessment) | 63,956 | 2028 |
| 2019(Assessment) | 54,242 | 2029 |
| 2020(Assessment) | 120,351 | 2030 |
| 2021(Filing) | 127,347 | 2031 |
| 2022(Estimation) | 128,366 | 2032 |
| Sub-total | 542,945 | |
| Puyu Investment Co., | | |

| Year of occurrence | Un-deducted balance | Year of last deduction |
|---|---|---|
| Ltd.: | | |
| 2019(Assessment) | 7,174 | 2029 |
| 2020(Assessment) | 16,857 | 2030 |
| 2022(Estimation) | 5,679 | 2032 |
| Sub-total | 29,710 | |
| Total | $ 572,655 | |

(8) Income tax assessment

The Company's income tax return cases up to the year 2020 have been assessed by the tax collection agency.

29. Additional information on the nature of fees

(1) The employee benefits, depreciation, depletion and amortization expenses incurred in the current period, summarized by function, are as follows:

| By function / By manner | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Belonging to operating costs | Belonging to operating expense | Total | Belonging to operating costs | Belonging to operating expense | Total |
| Employee welfare expenses | | | | | | |
| Salary expense | $ 131,262 | $ 41,044 | $ 172,306 | $ 157,255 | $ 44,296 | $ 201,551 |
| Labor and NHI insurance premium | 14,278 | 3,038 | 17,316 | 15,430 | 3,524 | 18,954 |
| Pension expense | 5,461 | 2,130 | 7,591 | 5,806 | 2,287 | 8,093 |
| Director's Remuneration | — | 5,833 | 5,833 | — | 5,740 | 5,740 |
| Other employee welfare expense | 10,154 | 1,201 | 11,355 | 11,194 | 1,365 | 12,559 |
| Depreciation expense | $ 30,914 | $ 4,406 | $ 35,320 | $ 31,129 | $ 5,664 | $ 36,793 |
| Amortization expense | $ 1,398 | $ 1,308 | $ 2,706 | $ 289 | $ 878 | $ 1,167 |

(2) In accordance with the provisions of the Company Act and the Articles of Incorporation, the Company uses the profit before tax that is prior to deduction of distribution of employee compensation as well as director and supervisor remuneration in the current year to retain the amount to make up for accumulated losses. After that, if there is still any balance, no less than 3% thereof shall be appropriated for employee compensation, nor more than 2% thereof for director and supervisor remuneration. The Company had losses before tax both in 2022 and 2021, and thus did not

recognize estimated employee compensation, nor director and supervisor remuneration.

30. Capital risk management

Based on the characteristics of the industry in which the Consolidated Companies currently operate and the future development of such companies, as well as considering factors such as changes in the external environment, the Consolidated Companies plan out the working capital (including research and development expenses, debt repayment, etc.) that they will require in the future to ensure the Consolidated Companies' sustainable operations, to give back to shareholders while taking into account the interests of other stakeholders, and to maintain an optimal capital structure so as to enhance shareholder value. Generally speaking, the Consolidated Companies adopt a prudent risk management strategy.

31. Financial instruments

(1) Information on fair value

1. With carrying amounts of financial instruments measured at fair value is a reasonable approximation of the fair value, and investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, the fair value carrying amounts need not be disclosed; otherwise, the carrying amounts and fair value of the Consolidated Companies’ financial assets and financial liabilities are set out as follows:

| | Dec. 31, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value: | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Fund beneficiary certificate | $ 80,676 | $ － | $ － | $ 80,676 |
| Domestic company shares TWSE (TPEx) listed | 97 | － | － | 97 |
| Domestic company shares not TWSE (TPEx) listed | － | － | 1,147 | 1,147 |
| Total | $ 80,773 | $ － | $ 1,147 | $ 81,920 |

| | Dec. 31, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |

| | | | | |
|---|---|---|---|---|
| Recurring fair value: | | | | |
| <u>Financial assets measured at fair value through profit or loss</u> | | | | |
| Fund beneficiary certificate | $ 106,090 | $ — | $ — | $ 106,090 |
| Domestic company shares TWSE (TPEx) listed | 3,761 | — | — | 3,761 |
| Domestic company shares not TWSE (TPEx) listed | — | — | 1,617 | 1,617 |
| Total | $ 109,851 | $ — | $ 1,617 | $ 111,468 |

2. The methods and assumptions used by the Consolidated Companies to measure the fair value are as follows:

   The Consolidated Companies adopted market quotations as the input value for fair value (that is, the first level), which are set out by nature of the instrument as follows:

| | Shares of TWSE (TPEx) listed companies | Fund |
|---|---|---|
| Market quotation | Closing price | Net value on the date of balance sheet |

3. There was no transfer between Level 1 and Level 2 fair value measurement this year.

4. Adjustment of financial instruments measured at Level 3 fair value

   Financial assets measured at fair value through profit or loss

| | 2022 | 2021 |
|---|---|---|
| | Equity instrument | Equity instrument |
| Beginning balance | $ 1,617 | $ 1,114 |
| Recognized as profit or loss for current period | (470) | 503 |
| Ending balance | $ 1,147 | $ 1,617 |

(1) For the Consolidate Companies' assets measured at recurring fair value in Level 3 of the fair value hierarchy, the significant unobservable input value used for fair value measurement:

Dec. 31, 2022:

| | Valuation technique | Significant unobservable input value | Quantitative information | Relation between input value and fair value | Sensitivity analysis of relation between input value and fair value |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Fair value measurement through profit or loss | | | | | |
| Domestic company shares not TWSE (TPEx) listed | Market approach | Price-to-book ratio of similar companies | 0.57–1.4 | The higher the multiplier, the higher the fair value;<br>the higher the discount due to lack of market liquidity, the lower the fair value | When the price-to-book ratio of similar companies increases (decreases) by 10%, the comprehensive income of the Consolidated Companies increases/decreases by NT$114,000/(NT$114,000).<br>When the percentage of illiquidity increases (decreases) by 10%, the comprehensive income of the Consolidated Companies increases/decreases by NT$24,000/(NT$24,000). |

Dec. 31, 2021:

| | Valuation technique | Significant unobservable input value | Quantitative information | Relation between input value and fair value | Sensitivity analysis of relation between input value and fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Fair value measurement through profit or loss | | | | | |
| Domestic company shares not TWSE (TPEx) listed | Market approach | Price-to-book ratio of similar companies | 0.9~2.33 | The higher the multiplier, the higher the fair value;<br>the higher the discount due to lack of market liquidity, the lower the fair value | When the price-to-book ratio of similar companies increases (decreases) by 10%, the comprehensive income of the Consolidated Companies increases/decreases by NT$161,000/(NT$161,000).<br>When the percentage of illiquidity increases (decreases) by 10%, the comprehensive income of the Consolidated Companies increases/decreases by NT$34,000/(NT$34,000). |

Valuation process of Level 3 fair value measurement

The Consolidated Companies' finance departments were in charge of the certification of fair value, using independent data sources to make valuation results adhere to market conditions and to confirm that data sources are independent, reliable, consistent with other resources, and representative of the executable price. They also conducted analysis of value changes in assets and liabilities that require re-measurement or re-valuation on each reporting date, in accordance with the Consolidated Companies' accounting policies, so as to ensure that the valuation results were reasonable.

(2) Type of financial instruments

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through profit or loss | $ 81,920 | $ 111,468 |
| Financial assets measured at amortized cost (note1) | 843,857 | 973,906 |
| Financial liabilities | | |
| Measured at amortized cost (note 2) | 195,295 | 279,179 |

Note 1: Balance includes cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables, refundable deposits, and other financial assets measured at amortized cost.

Note 2: Balance includes notes and accounts payable, other payables, lease liabilities, long-term loans, refundable deposits, and other financial liabilities measured at amortized cost.

(3) Purpose of financial risk management

The objective of the Consolidated Companies’ financial risk management is to manage exchange rate risk, interest rate risk, credit risk, and liquidity risk related to operating activities. In order to reduce related financial risks, the Consolidated Companies were committed to identifying, assessing and avoiding market uncertainties, so as to reduce potential adverse impacts from market changes on the Consolidated Companies’ financial performance.

The Consolidated Companies' material financial activities are reviewed by the Board of Directors in accordance with regulations and internal control systems. During implementation of the financial plan, the Consolidated Companies must strictly abide by the financial operating procedures regarding overall financial risk management and division of powers and responsibilities.

(4) Market risks

The Consolidated Companies' market risks refer to risks of change in financial instruments’ market price, resulting in fluctuations in fair value or cash flow. Said market risks primarily consist of exchange rate risks, interest rate risks, and other price risks.

1. Foreign currency exchange rate risks

The Consolidated Companies’ operating activities and foreign operations' net investment are primarily conducted in foreign currencies. As a result of this, foreign currency exchange rate risks arise. In order to avoid a decrease in the value of foreign currency assets and the fluctuation of future cash flow due to said exchange rate changes, the Consolidated Companies took out short-term loans to avoid exchange rate risks.

The purpose of the Consolidated Companies' taking out short-term loans was primarily to engage in natural hedging of USD accounts receivable. Since the Consolidated Companies' accounts receivable were primarily in US dollars, the use of US dollar short-term loans naturally avoids risks from US dollar accounts receivable that would arise from changes in foreign currency exchange rates.

Since the net investment of foreign operations was a strategic investment, the Consolidated Companies did not engage in hedging thereof.

The foreign currency assets and liabilities of the Consolidated Companies affected by major exchange rate fluctuations were as follows:

Units: US$1000/RMB¥1000/NT$1000

| | Dec. 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | Carrying amount (NT$) | Sensitivity analysis | |
| | | | | Range of change | Impact on profit or loss |
| Financial assets | | | | | |
| Monetary items | | | | | |
| US$ | $ 15,518 | 30.71 | $476,547 | 10% | $ 47,655 |
| RMB | 1,890 | 4.4094 | 8,333 | 10% | 833 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| US$ | 280 | 30.71 | 8,590 | 10% | 859 |
| RMB | 40 | 4.4094 | 178 | 10% | 18 |

| | Dec. 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Foreign currency | Exchange rate | Carrying amount (NT$) | Sensitivity analysis | |
| | | | | Range of change | Impact on profit or loss |
| Financial assets | | | | | |
| Monetary items | | | | | |
| US$ | $ 9,814 | 27.68 | $ 271,663 | 10% | $ 27,166 |
| RMB | 2,979 | 4.341 | 12,934 | 10% | 1,293 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| US$ | 234 | 27.68 | 6,484 | 10% | 648 |
| RMB | 205 | 4.341 | 888 | 10% | 89 |

2. Interest rate risks

Interest rate risks are risks from changes in the fair value of financial instruments arising from changes in market interest rates. The Consolidated Companies’ interest rate risks primarily arose from fixed-income investments and floating-rate loans.

A sensitivity analysis on interest rate risk was calculated based on fair value changes in fixed-income investments and floating-rate loans at the end of the financial reporting period, with the assumption that the investment/loan would be held for one quarter. If the interest rate increases/decreased by 25 basis points (0.25%), the profit and loss of the Consolidated Companies on December 31, 2022 and 2021 would (decrease)/increase by (NT$423,000)/NT$423,000 and (NT$451,000)/NT$451,000 respectively.

3. Other price risks

The price risk of the Consolidated Companies primarily arose from financial assets classified as mandatory fair value measurement through profit or loss, in addition to equity instruments and other investments measured at fair value through other comprehensive income. Except for investments made through venture capital funds, all other major investments in equity instruments were approved by the Consolidated Companies' boards of directors before the implementation thereof.

The sensitivity analysis of financial asset price risk measured by fair value through profit and loss was calculated based on changes in the fair value of TWSE (TPEx) listed shares and other investments held by the Consolidated Companies at the end of the financial reporting period. If the price of equity instruments had increased/decreased by 5%, the profit and loss of the Consolidated Companies on December 31, 2022 and 2021 would have increased/decreased NT$4,039,000 and NT$5,493,000, respectively.

For details on the sensitivity analysis of other equity instruments measured by Level 3 of the fair value hierarchy, refer to the description in Note 31. (1).

(5) Credit risk management

Credit risks are risks that a counterparty defaults in its contractual obligations, thereby causing financial losses to the

Group. As of the balance sheet date, the Consolidated Companies' largest credit risk exposure that had the potential to cause financial losses due to the failure of the counterparty to perform its obligations and the financial guarantee provided by the Consolidated Companies primarily arose from the carrying amount of financial assets recognized in the consolidated balance sheet.

In order to mitigate credit risks, the Consolidated Companies' management assigned a dedicated team to be in charge of determining credit limit extensions, credit approvals, and other monitoring procedures, to ensure that appropriate actions have been taken to recover overdue accounts receivables. In addition, the Consolidated Companies reviewed the recoverable amounts of accounts receivable one by one as of the balance sheet date, to ensure that appropriate impairment losses on unrecoverable accounts receivable had been recognized. In view of this, the Consolidated Companies' management believed that the credit risk of the Consolidated Companies had been significantly reduced.

Furthermore, since the counterparties in liquid funds and derivatives were banks with high credit ratings given by an international credit rating agency, the credit risks were not high.

As of December 31, 2022 and 2021, the accounts receivable balance of the Consolidated Companies' top ten clients accounted for 61% and 58%, respectively, of the accounts receivable balances. As the top ten clients were all well-known enterprises without major payment collection abnormalities, there was no concern of credit risk.

(6) Liquidity risk management

The Consolidated Companies managed and maintained sufficient cash and cash equivalents to support the group's operations and mitigate the impact of cash flow fluctuations. The management of the Consolidated Companies supervised the usage of bank financing facilities, and ensured compliance with loan contract terms and conditions.

Bank loans were the Consolidated Companies' major source of liquidity. For details on the Consolidated Companies' unused loan limits as of December 31, 2022 and 2021, refer to Notes 16 and 19.

The remaining contractual maturity analysis of non-derivative financial liabilities was prepared based on the undiscounted cash flows of financial liabilities (including principal and estimated interest), on the earliest date on which the Consolidated Companies might have been required to make repayments. Therefore, the bank loans that the Consolidated Companies could have been required to make immediate repayment are listed in the earliest period in the table below, regardless of the probability of the bank's immediate exercise of the right; the maturity analysis for other non-derivative financial liabilities was prepared based on the agreed repayment date.

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 2 - 3 years | 4 - 5 years | More than 5 years | Total |
| Non-derivative financial liabilities | | | | | |
| Accounts payable | $ 63,415 | $ — | $ — | $ — | $ 63,415 |
| Other payable | 77,060 | — | — | — | 77,060 |
| Lease liabilities | 963 | 344 | — | — | 1,307 |
| Long-term borrowings | 19,992 | 31,748 | — | — | 51,740 |
| Deposits received | 1,773 | — | — | — | 1,773 |
| Total | $ 163,203 | $ 32,092 | $ — | $ — | $ 195,295 |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 2 - 3 years | 4 - 5 years | More than 5 years | Total |
| Non-derivative financial liabilities | | | | | |
| Notes payable | $ 9 | $ — | $ — | $ — | $ 9 |
| Accounts payable | 91,271 | — | — | — | 91,271 |
| Other payable | 105,217 | — | — | — | 105,217 |
| Lease liabilities | 3,788 | 2,511 | — | — | 6,299 |
| Long-term borrowings | 23,686 | 39,462 | 12,262 | — | 75,410 |
| Deposits received | 973 | — | — | — | 973 |
| Total | $ 224,944 | $ 41,973 | $ 12,262 | $ — | $ 279,179 |

## 32. Related-party Transactions

The transactions, account balances, incomes, and expenses between the Company and its subsidiaries were eliminated upon consolidation, and thus are not disclosed in this note.

(1) Parent company and the ultimate controller:

The Company was the ultimate controller of the Consolidated

Companies.

(2) Remuneration to major supervisors

The remuneration information for directors and other key management personnel is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Short-term benefits | $ | 23,124 | $ | 24,216 |
| Post-employment benefits | | 817 | | 842 |
| Total | $ | 23,941 | $ | 25,058 |

The Consolidated Companies provided cars for the use of key management personnel. As of December 31, 2022 and 2021, the carrying amount thereof was both NT$ 0,000.

Remuneration to directors and other key management personnel was determined by the Compensation and Remuneration Committee, in accordance with individual performance and market trends.

33. Pledged Assets

As of December 31, 2022 and 2021, the guarantee statements provided by the Consolidated Companies based on their assets are as follows:

| Name | Purpose of guarantee | Carrying amounts Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|
| Land | Long-term borrowings | $ | 135,826 | $ | 135,826 |
| House and Building | Long-term borrowings | | 134,618 | | 129,587 |
| Machine equipment | Long-term borrowings | | 24,532 | | 28,326 |
| Limited assets (Financial assets measured at amortized cost recognized in the statements) | Long/Short-term loans | | 6,829 | | 6,820 |
| Total | | $ | 301,805 | $ | 300,559 |

34. Significant contingent liabilities and unrecognized contractual commitments

(1) As of December 31, 2022 and 2021, unused letters of credit already issued to the Consolidated Companies were NT$4,548,000 and NT$8,633,000, respectively.

(2) As of December 31, 2022 and 2021, the Consolidated Companies' contracted but unpaid amounts for the purchase of property, plant, and equipment were approximately NT$6,847,000 and NT$28,391,000 respectively.

(3) For details on contractual commitments made by the Consolidated Companies relating to real estate purchase and sale, refer to Note 11.

35. Significant Disaster Loss: None

36. Significant Subsequent Events: None

37. Additional Disclosures

In preparing the consolidated financial report, all significant transactions and balances between the parent company and its subsidiaries have been eliminated.

(1) Significant transactions:

| No | Item | Explanation |
|---|---|---|
| 1 | Lending funds to others. | None |
| 2 | Providing endorsements or guarantees for others. | None |
| 3 | Holding of securities at the end of the period. | Table 1 |
| 4 | Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. | None |
| 5 | Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more. | None |
| 6 | Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. | Table 2 |
| 7 | Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. | None |
| 8 | Accounts receivable from related parties reaching NT$100 million or 20 percent of paid-in capital or more. | None |
| 9 | Trading in derivative instruments. | None |
| 10 | Other: Inter-company Relationships and Significant Transactions. | Table 3 |
| 11 | Information on investee (If the issuer directly or indirectly exercises significant influence or control over, or has a joint venture interest in, an investee company not in the Mainland China) | Table 4 |

(2) Information on investments in the Mainland China:

1. The name of the investee in Mainland China, main business services, paid-in capital, investment method, inward and outward fund remittances, shareholding ratios, gain and loss on investment, end-of-period investment carrying amount, repatriated investment income, and investment limits for the investee company in Mainland China: Refer to Table 5.
2. The following significant transactions and their prices, payment terms, and unrealized gains and losses conducted directly or indirectly through a third region with the investee company in Mainland China: Refer to Table 6.

a. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Refer to Table 6.

b. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Refer to Table 6.

c. Amount of property transactions and the amount of profit or loss arising therefrom: None.

d. Closing balance of endorsements and guarantees on notes or provision of collateral and the purpose thereof: None.

e. Maximum balance of financing, ending balance, interest rate collar, and total interest of the current period: None.

f. Other transactions that have a significant impact on the current profit or loss or financial status, such as the provision or receipt of labor services: None.

(3) Information on major shareholders:

Name and number of shares held of any shareholder holding 5% or more shares: Refer to Table 7.

38. Operating Segment Information

(1) Operating segments

The Consolidated Companies' main business items were the production and marketing of printed circuit boards, real estate investment, and trading.

The profit and loss from the operating segments of the Consolidated Companies were primarily measured based on operating profit and loss, which also served as the basis for evaluating performance. In addition, there was no material inconsistency between the accounting policies used by the operating segments and the summary description of important accounting policies stated in Note 4.

(2) Segment revenue and operating results

Information on the Consolidated Companies' segment revenue and operating results is as follows:

| Item | 2022 Circuit board | 2022 Property investment | 2022 Inter-segment write-off | 2022 Total |
|---|---|---|---|---|
| Segment revenue | | | | |
| Net of external segment | $ 490,883 | $ — | $ — | $ 490,883 |
| Net of inter-segment revenue | 59,464 | — | (59,464) | — |
| Total revenue | $ 550,347 | $ — | $ (59,464) | $ 490,883 |
| Operating loss | $ (147,731) | $ 40,914 | $ (45,446) | $ (152,263) |
| Income tax expense | $ (4,299) | $ — | $ — | $ (4,299) |

| Item | 2021 Circuit board | 2021 Property investment | 2021 Inter-segment write-off | 2021 Total |
|---|---|---|---|---|
| Segment revenue | | | | |
| Net of external segment | $ 665,878 | $ — | $ — | $ 665,878 |
| Net of inter-segment revenue | 45,657 | — | (45,657) | — |
| Total revenue | $ 711,535 | $ — | $ (45,657) | $ 665,878 |
| Operating loss | $ (116,101) | $ 68,588 | $ (74,903) | $ (122,416) |
| Income tax expense | $ (8,069) | $ (37,678) | $ — | $ (45,747) |

Segment income refers to the revenue earned by each segment, excluding the allocated headquarters management costs and director remuneration; share of profit or loss of affiliates using the equity method; profit or loss on disposal of investment in affiliates; rental income; interest income; profit or loss on disposal of property, plant, and equipment; profit or loss on disposal of investments; net (profit) or loss on foreign exchanges; profit or loss on financial instrument valuation; financial costs; and income tax expenses. This measured amount is provided to the chief operating decision maker to allocate resources to segments and to evaluate their performance.

(3) Main product revenue

An analysis of the Consolidated Companies' main product revenues is as follows:

| | 2022 | 2021 |
|---|---|---|
| Circuit board | $ 490,883 | $ 665,878 |

(4) Regional information

The information on the Consolidated Companies' income from external clients is set out below in accordance with the location of operations and non-current assets. When the income is attributed to a region, it is calculated on the basis of the region where the enterprise receives the cash. Non-current assets include investments using the equity method, property, plant, and equipment, right-of-use assets, intangible assets, and prepaid equipment payments, but excludes financial instruments and deferred income tax assets.

| | Income from external clients | | Non-current assets | |
|---|---|---|---|---|
| | 2022 | 2021 | Dec. 31, 2022 | Dec. 31, 2021 |
| Taiwan | $ 275,901 | $ 378,144 | $ 410,356 | $ 430,977 |
| Asia | 100,255 | 132,719 | 88 | 31 |
| Americas | 55,676 | 102,474 | — | — |
| Europe | 54,009 | 43,741 | — | — |
| Other | 5,042 | 8,800 | — | — |
| Total | $ 490,883 | $ 665,878 | $ 410,444 | $ 431,008 |

(5) Main client information

Information on income from single clients that account for 10% or more of the Consolidated Companies' total income is as follows:

| | 2022 | 2021 |
|---|---|---|
| Client A | $ 67,608 | $ 69,298 |
| Client B | 31,238 | 66,354 |
| Client C | 29,733 | 75,762 |

GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
Holding of securities at the end of the period
Dec. 31, 2022

Table 1

In Thousands of New Taiwan dollars, unless stated otherwise.

| Name of this Company | Securities | | Relation with securities issuer (note 2) | Item listed in the statements | Ending | | | | Remark (note 4) |
|---|---|---|---|---|---|---|---|---|---|
| | Type | Name (note 1) | | | Number of shares (1000 shares) | Carrying amount (note 3) | shareholding ratio | Fair value | |
| GIA TZOONG ENTERPRISE CO., LTD. | Stocks | INNOVATIVE TURNKEY SOLUTION CORPORATION | — | Financial assets measured at fair value through profit or loss - non-current | 1,000 | $ 1,147 | 1.65% | $ 1,147 | |
| | Money Market Fund | TCB Taiwan Money Market Fund | — | Financial assets measured at fair value through profit or loss - current | 2,956 | 30,446 | — | 30,446 | |
| | Money Market Fund | Allianz Taiwan -Bank SinoPac | — | 〃 | 3,944 | 50,230 | — | 50,230 | |
| | Stocks | TAIWAN CHI CHENG ENTERPRISE CO., LTD. | — | 〃 | 3 | 97 | — | 97 | |

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the aforementioned items, within the scope of IFRS 9, Financial Instruments.

Note 2: Where the securities issuer is not a related party, this column is to be omitted.

Note 3: Where it is measured by fair value, fill in the carrying amount column with the book balance after the valuation adjustment at fair value and deduction of accumulated losses; where it is not measured at fair value, fill in the carrying amount column with the book balance of the initial acquisition cost or amortized cost less accumulated impairment.

Note 4: Where the securities listed are subject to the provision of guarantees, pledged loans, or other restricted use due to agreements, the number of shares provided for guarantees or pledges, the amount of guarantees or pledges, and restricted usage status shall be indicated in the Remarks column.

GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more.
January 1 to December 31, 2022

Table 2

In Thousands of New Taiwan dollars, unless stated otherwise.

| Company that disposes of real estate | Name of property | Date of occurrence (note 5) | Original date of acquisition | Carrying amount | transaction amount (note 4) | Price Collection Situation | Disposal profit and loss | Transacted with | Relationship | Purpose of disposal | Basis of reference for price determination | Other agreed matters |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Puyu Investment Co., Ltd. | Land in Yangmei District, Taoyuan City | 2021.05.13 | 2018.11.27 | $ 396,518 | $ 444,475 | Fully collected | $ 47,957 | VADI MEDICAL TECHNOLOGY CO., LTD. | Non-related party | Working capital replenishment | By referring to the valuation made by Zhan-Mao Real Estate Appraisers Firm, and determined after negotiation between both parties | None |
| Puyu Investment Co., Ltd. | Yangmei District, Taoyuan City | 2021.05.13 | 2022.07.29 (Completed and obtained a using license) | $ 17,773 | $ 15,298 | Fully collected (The final payment of 1,000,000 is collected after the due date) | $ (2,475) | VADI MEDICAL TECHNOLOGY CO., LTD. | Non-related party | Working capital replenishment | By referring to the valuation made by Zhan-Mao Real Estate Appraisers Firm, and determined after negotiation between both parties | None |

Note 1: Where an appraisal is required for the disposal of assets in accordance with regulations, the appraisal result shall be indicated in the “Basis of reference for price determination” column.

Note 2: "Paid-in capital” refers to the parent company's paid-in capital. Where the issuer's stock has no par value or the par value per share is not NT$10, the transaction amount requirement of 20% of paid-in capital shall be calculated based on 10% of equity attributable to the owner of the parent company on the balance sheet.

Note 3: “Date of occurrence” refers to the earlier of the transaction signing date, payment date, commission establishment date, date of ownership transfer, Board of Directors resolution date, or other date upon which the transaction counterparty and transaction amount can be sufficiently determined.

Note 4: The transaction amount is the net amount, after deducting expenses from the price before tax of the purchase and sale agreement.

Note 5: The date of occurrence is the day when the purchase and sale agreement is signed.

# GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
# Inter-company Relationships and Significant Transactions
# January 1 to December 31, 2022

Table 3

In Thousands of New Taiwan dollars, unless stated otherwise.

| No. (note 1) | Name of trader | Transacted with | Relationship with trader (note 2) | Condition of Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | Subject | Amount | Trading term | Ratio of consolidated total revenue or total assets (note 3) |
| 0 | GIA TZOONG ENTERPRISE CO., LTD. | PSC ENTERPRISE CO., LTD. | 1 | Sales revenue | $ 381 | Not significantly different from general sales | — |
| | | PSC (H.K.) ELECTRONICS LIMITED | 1 | Sales revenue | 91 | Not significantly different from general sales | — |
| | | Puyu Investment Co., Ltd. | 1 | Rental revenue | 36 | Received according to the contract period | — |
| | | GIA TZOONG(ShenZhen) Ltd. | 1 | Sales revenue | 4,224 | Not significantly different from general sales | 1% |
| | | | 1 | Accounts receivable | 1,251 | 〃 | — |
| | | | 1 | Purchase of goods | 4,932 | Not significantly different from general purchase | 1% |
| | | | 1 | Accounts payable | 956 | 〃 | — |
| 1 | GIA TZOONG(ShenZhen) Ltd. | PSC (H.K.) ELECTRONICS LIMITED | 3 | Sales revenue | 4,354 | Not significantly different from general sales | 1% |
| | | | 3 | Accounts receivable | 223 | 〃 | — |

Note 1: Information on business dealings between the parent company and its subsidiaries must be indicated in the Number column. The number is determined as follows:

(1) Enter 0 for the parent company.

(2) Subsidiaries are numbered individually and sequentially, starting with Arabic numeral 1.

Note 2: There are three types of the relationship with a trading partner; indicate the type thereof only:

(1) Parent company to subsidiary company.

(2) Subsidiary to parent company.

(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 and liability item, it is calculated based on the ending balance that accounts for the consolidated total assets; where it is a profit and loss item, it is calculated based on the interim cumulative amount that accounts for the consolidated total revenue.

Note 4: The Company may determine whether or not to state significant business transactions in this form, based on the principle of materiality.

# GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
## Information on investee company, its location and other information
## (Excluding investees in mainland China)
## January 1 to December 31, 2022

Table 4

In Thousands of New Taiwan dollars, unless stated otherwise.

| Name of Investment company | Name of Investee (Notes 1, 2) | location | Main business items | Initial investment amount | | Holding at the end of the period | | | Investee's profit (loss) of current period (note 2(2)) | Investment profit (loss) recognized current period (note 2(3)) | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | End of period for current period | End for last year | Number of shares (1000 shares) | Ratio | Carrying amount | | | |
| GIA TZOONG ENTERPRISE CO., LTD. | PSC ENTERPRISE CO., LTD. | Samoa | PCB trading and investment | $ 329,006 | $ 329,006 | 9,725 | 100% | $ 35,252 | $ 192 | $ 192 | Subsidiary |
| GIA TZOONG ENTERPRISE CO., LTD. | ENRICH NATIONALS TRADE LIMITED | Hong Kong | PCB trading | 4,536 | 4,536 | 1,106 | 100% | 9,643 | 217 | 217 | Subsidiary |
| GIA TZOONG ENTERPRISE CO., LTD. | Puyu Investment Co., Ltd. | Taiwan | Property investment | 16,000 | 104,000 | 1,600 | 80% | 49,186 | 42,301 | 33,841 | Subsidiary |
| GIA TZOONG ENTERPRISE CO., LTD. | PSC (H.K.) ELECTRONICS LIMITED | Hong Kong | PCB trading | 7,142 | 7,142 | 10 | 100% | 5,425 | 271 | 271 | Subsidiary |

Note 1: Where a public company has a foreign holding company that uses consolidated statements as its main financial report in accordance with local laws and regulations, the disclosure of information on the foreign investee company may be carried out to the extent of the information related to the holding company only.

Note 2: Where the circumstances mentioned in Note 1 do not apply, the information shall be filled in in accordance with the rules below:

(1) The “name of the investee company”, “location”, “main business items”, “initial investment amount” and “shareholding status at the end of the period” columns shall be filled in based on the status of the (public) Company's reinvestment, as well as the status of the reinvestment transfer made by each investee company directly or indirectly controlled thereby, in order, indicating also the relationship between each investee company and the (public) Company (for example: subsidiary or a sub subsidiary) in the remark column.

(2) The “Profit or loss of the investee company for the period” column must be filled in with the amount of profit or loss for the current period of each specific investee company.

(3) The “Investment profit or loss recognized in the current period” column must be filled in with the profit or loss amounts of the specific subsidiary recognized by the (public) Company as a direct reinvestment as well as each investee company valuated using the equity method only; the remainder may be omitted. When filling in the “recognition of the profit or loss amount of each subsidiary directly reinvested for the period”, it must be confirmed that the profit or loss amount of each subsidiary has included the profit or loss in investments for its reinvestment transfer to be recognized in accordance with the regulations.

Note 3: Had already been written off at this consolidated report's time of preparation.

GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
Information on investments in the Mainland China
January 1 to December 31, 2022

Table 5

In Thousands of New Taiwan dollars, unless stated otherwise.

| Investee company in Mainland China | Main business services | Paid-in capital | Investment method (note 1) | Cumulative investment amounts remitted out from Taiwan at the beginning of the period | Investment amount from outward or inward for current period | | Cumulative investment amounts remitted out from Taiwan at the end of the period | Profit / loss for the current period of investee company | Holding ratio of the Company after direct or indirect investments | Investment profit/ loss recognized for current period (note 3) | End-of-period investment carrying amount | Repatriated investment income as for this period | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Inward | | | | | | | |
| JIANGMEN PSC ELECTRONICS LTD | PCB production and sales business | $ 578,868 USD17,666,019.84 | 2 | $ 578,868 USD17,666,019.84 | $ | $ – | $ 578,868 USD17,666,019.84 | $ – | – | $ – | $ – | $ – | Note 4 |
| GIA TZOONG (ShenZhen) Ltd. | PCB trading | 4,339 USD 140,000 | 2 | 4,339 USD 140,000 | – | – | 4,339 USD 140,000 | 222 | 100% | 222 | 7,420 | – | |

| Cumulative investment amounts remitted out from Taiwan to China at the end of the period | Investment amount approved by Investment Commission, MOEA | Amount limited and approved by Investment Commission, MOEA for investment in China (note 2) |
|---|---|---|
| $ 578,868 (USD 17,666,019.84) | $ 595,014 (USD 17,380,576.81) | $ 733,290 |
| 4,339 (USD 140,000.00) | 9,744 (CNY 2,200,000.00) | |

Note 1: The investment methods are divided into the following four types. Indicate the type only:
(1) Investment in a Mainland China company via remittance through a third region.
(2) Investment in a Mainland China company via a company invested and established in a third region.
(3) Investment in a Mainland China company via an existing company established in a third region.
(4) Other methods, EX., entrusted investment.

Note 2: Based on and limited to 60% of the net worth at the time of approval being granted by the Ministry of Economic Affairs' Investment Commission, which after translation does not exceed the limit in accordance with the exchange rate at the time of filing.

Note 3: Financial statements that recognized the profit or loss in investments in the current period were audited by the certified public accountants of the parent company in Taiwan.

Note 4: The Company's Board of Directors passed a resolution on August 9, 2019 to authorize the subsidiary GIA TZOONG CIRCUIT ENTERPRISE CO., LTD. to dispose of 100% equity of its subsidiary JIANGMEN PSC ELECTRONICS LTD. The equity transfer procedure, change of responsible person, and re-election of directors and supervisors were completed on March 23, 2020, and the handover thereof was completed on June 3, 2020.

Note 5: Had already been written off at this consolidated report's time of preparation.

GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries

significant transactions and their prices, payment terms, and unrealized gains and losses conducted directly or indirectly through a third region with the investee company in Mainland China, and other related information

January 1 to December 31, 2022

Table 6

In Thousands of New Taiwan dollars, unless stated otherwise.

| Investee company in Mainland China | Type of trading | Purchases or sales of goods | | Price | Trading terms | | Notes and accounts receivable (payable) | | Unrealized gains and losses | Remark |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount | Percentage | | Collection terms | Comparison with general transactions | Amount | Percent age | | |
| GIA TZOONG (ShenZhen) Ltd. | Sales of goods | $9,286 | 2% | (note 1) | (note 1) | (note 1) | $1,179 | 1% | $ — | |
| | Purchases | 4,224 | 1% | 〃 | 〃 | 〃 | 1,251 | 2% | — | |

Note 1: With regard to the purchase and sales transactions between the Company and related parties, there is no significant difference in the transaction price, nor in collection terms and conditions, from those in transactions conducted with non-related parties.

Note 2: Had already been written off at this consolidated report's time of preparation.

GIA TZOONG ENTERPRISE CO., LTD. and Subsidiaries
Information on major shareholders
Dec. 31, 2022

Table 7

| Shares / Name of major shareholders | Number of shares | Shareholding ratio |
|---|---|---|
| LEE MAW CHANG | 16,388,066 | 9.86% |
| SHEN CHEN CHIEN | 10,133,000 | 6.09% |
| TSENG CHI LI | 9,561,794 | 5.75% |

Note 1: The information on major shareholders contained in this table is calculated by the central depositary company on the last business day of each quarter, based on information for shareholders holding a total of 5% or more of the ordinary shares and special shares of the Company that have been completed with non-physical delivery by means of registration (including treasury shares). As for the share capital recorded in the Company's financial report and the number of the Company's shares that have actually been completed with non-physical delivery by means of registration, there may be differences due to the different bases for preparation and calculation.

# 5.The Company's parent company only financial report in the most recent year that has been audited and attested by an certified public accountant

## Independent Auditors' Report

NO.16931110EA

To GIA TZOONG ENTERPRISE CO., LTD.

**Opinion**

We have audited the accompanying parent company only financial statements of GIA TZOONG ENTERPRISE CO., LTD., which comprise the parent company only Balance Sheet as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, parent company only statements of changes in equity and parent company only statements of cash flows for the years then ended, and the notes to the parent company only financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

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

**Key audit Matters**

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

Key audit matters of GIA TZOONG ENTERPRISE CO., LTD.'s parent company only financial statements for the year ended December 31, 2022 are stated as follows:

1. Revenue recognition

Description of key audit matters

For the accounting policy of revenue recognition, please refer to Note 4(11); for the description of the revenue of the current period, please refer to Note 22.

The sales locations of GIA TZOONG ENTERPRISE CO., LTD. include markets in Taiwan, China, Asia, the United States, Europe, etc. Different clients apply rather different trade conditions, and it is necessary to determine the transaction terms and conditions based on client orders and other documents. Since the recognition of relevant revenue involves more manual operations in determining the timing of the transfer of risk and rewards of ownership of sold goods, it is likely to cause inconsistent timing of revenue recognition. and the amount of the transactions during the period of time before and after the balance sheet date has a relatively direct effect on parent company only statements. Therefore, revenue recognition is considered one of the key audit matters.

How our audit addressed the matter

The audit procedures were as follows:

1. Acquire an understanding of the internal control of the sales cycle and test the effectiveness of the internal control, to understand whether GIA TZOONG ENTERPRISE CO., LTD. have properly implemented internal controls.
2. Perform the cut-off test on the revenue recognition during a selected period of time before and after the balance sheet date, including verifying client orders, reviewing their transaction terms and conditions, and confirming whether the timing of revenue recognition was consistent with the timing of the performance of obligations and transfer of risk and rewards as stated in the purchase order.

2. Impairment assessment of property, plant, and equipment

Description of key audit matters

For the accounting policy of property, plant, and equipment impairment, please refer to Note 4(9); for the description of significant accounting judgments, and the uncertainty of accounting estimates and assumptions that are involved in the impairment assessment of property, plant, and equipment, please refer to Note 5(3).

The property, plant, and equipment of GIA TZOONG ENTERPRISE CO., LTD. constituted 24% of parent company only total assets. Due to factors such as market maturity and saturation of panels and consumer electronic products, competition in the printed circuit board industry to which GIA TZOONG ENTERPRISE CO., LTD. belong is relatively fierce. Where indications of impairment exist, the recoverable amounts shall be assessed. GIA TZOONG ENTERPRISE CO., LTD. engaged external experts to assess the related assets' recoverable amounts based on the net fair value and found after the assessment that there was no impairment. However, this assessment used valuation techniques to measure the recoverable amount of related assets. The adoption of these assumptions and parameters is prone to subjective judgments, which may have a significant effect on the measurement of net fair value, which would in turn affect property, plant, and equipment test results. Therefore, the assessment of the impairment of property, plant, and equipment is considered a key audit matter.

How our audit addressed the matter

The audit procedures were as follows:

1. Obtain written documents regarding indications of asset impairment and impairment test for GIA TZOONG ENTERPRISE CO., LTD., and conducted discussions with the management.
2. Inquire about the professional qualifications, experience, and reputation of external valuation experts engaged by GIA TZOONG ENTERPRISE CO., LTD., in order to ascertain whether such experts were reliable in terms of their skills and abilities, and to ascertain factors that may affect external experts' objectivity.
3. Obtain information provided by the management of GIA TZOONG ENTERPRISE CO., LTD. to external experts, to ascertain the appropriateness as well as the consistency of assumptions compared with those in the previous year.
4. Understand the basis upon which external experts adopted methods, to assess their appropriateness and consistency.
5. Assess the reasonableness of assumptions made by the engaged external experts and the management of GIA TZOONG ENTERPRISE CO., LTD., through the literature on related industries, market information, or historical results.

**Responsibilities of Management and Those Charged with Governance for the Parent Company Only Financial Statements**

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, ( including members of Audit Committee), are responsible for overseeing GIA TZOONG ENTERPRISE CO., LTD.'s financial reporting process.

**Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

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

As part of an audit in accordance with auditing standards, we exercise professional judgment and professional skepticism. We also:

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

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

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

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

The engagement partners on the audit resulting in this independent auditors’ report are Tseng, Kuo-Fu and Cheng, Hsien-Hsiu.

Baker Tilly Clock & Co
March 22, 2023

***<u>Notice to Readers</u>***

*The accompanying parent company only financial statements are intended only to present the parent company only financial position, financial performance and cash flow in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit(or review) such parent company only financial statements are those generally applied in the Republic of China. For the convenience of readers, the independent auditors ' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and parent company only financial statements shall prevail.*

GIA TZOONG ENTERPRISE CO., LTD.
Parent Company Only Balance Sheet
December 31, 2022 and 2021

In Thousands of New Taiwan dollars

| Code | Assets | Note | Dec. 31, 2022 Amount | % | Dec. 31, 2021 Amount | % |
|---|---|---|---|---|---|---|
| | Current assets | | | | | |
| 1100 | Cash and cash equivalents | 4, 6 | $ 261,598 | 18 | $ 474,925 | 30 |
| 1110 | Financial assets measured at fair value through profit or loss-current | 4, 7 | 80,773 | 6 | 109,851 | 7 |
| 1136 | Financial assets measured at amortized cost - current | 4, 8, 32 | 342,426 | 24 | 85,708 | 6 |
| 1150 | Notes receivable - not related parties | 4, 9 | 524 | — | 1,036 | — |
| 1170 | Accounts receivable - not related parties | 4, 9 | 104,163 | 7 | 161,599 | 10 |
| 1180 | Accounts receivable - related parties | 4, 9, 31 | 1,251 | — | 2,181 | — |
| 1200 | Other receivables | 4 | 4,519 | — | 9,321 | 1 |
| 1220 | Income tax assets for current period | 4, 27 | 1,162 | — | 836 | — |
| 130X | Inventories | 4, 10 | 82,645 | 6 | 128,876 | 8 |
| 1479 | Other current assets | | 3,055 | — | 3,271 | — |
| 11XX | Total current assets | | 882,116 | 61 | 977,604 | 62 |
| | Non-current assets | | | | | |
| 1510 | Financial assets measured at fair value through profit or loss-non-current | 4, 7 | 1,147 | — | 1,617 | — |
| 1550 | Investments accounted for using the equity method | 4, 11 | 99,506 | 7 | 136,675 | 9 |
| 1600 | Property, plant and equipment | 4, 12, 32 | 381,146 | 27 | 382,000 | 24 |
| 1755 | Right-of-use assets | 4, 13 | 1,207 | — | 6,209 | 1 |
| 1780 | Intangible assets | 4, 14 | 3,519 | — | 4,874 | — |
| 1840 | Deferred income tax assets | 4, 27 | 39,053 | 3 | 39,701 | 2 |
| 1915 | Prepayments for equipment | | 24,484 | 2 | 37,894 | 2 |
| 1920 | Refundable deposits | | 1,889 | — | 2,109 | — |
| 15XX | Total non-current assets | | 551,951 | 39 | 611,079 | 38 |
| 1XXX | Total assets | | $ 1,434,067 | 100 | $ 1,588,683 | 100 |

(Continued to next page)

GIA TZOONG ENTERPRISE CO., LTD.
Parent Company Only Balance Sheet(continued)
December 31, 2022 and 2021

In Thousands of New Taiwan dollars

| Code | Liabilities and Equity | Note | Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|---|
| | | | Amount | % | Amount | % |
| | Current liabilities | | | | | |
| 2150 | Notes payable - not related parties | 16 | $ — | — | $ 9 | — |
| 2170 | Accounts payable - not related parties | 16 | 57,021 | 4 | 83,561 | 6 |
| 2180 | Accounts payable- related parties | 16, 31 | 956 | — | 800 | — |
| 2200 | Other payable- non-related parties | 17 | 66,020 | 5 | 97,374 | 6 |
| 2220 | Other payable- related parties | 17, 31 | — | — | 75 | — |
| 2281 | Lease liabilities- current | 13 | 930 | — | 3,788 | — |
| 2322 | Current portion of long-term liabilities | 18 | 19,992 | 2 | 23,686 | 1 |
| 2300 | Other current liabilities | | 4,507 | — | 4,673 | — |
| 21XX | Total current liabilities | | 149,426 | 11 | 213,966 | 13 |
| | Non-current liabilities | | | | | |
| 2540 | Long-term borrowings | 18 | 31,748 | 2 | 51,724 | 3 |
| 2570 | Deferred income tax liabilities | 4, 27 | 14,098 | 1 | 10,367 | 1 |
| 2581 | Lease liabilities- non-current | 13 | 310 | — | 2,511 | — |
| 2640 | Net defined benefit liabilities - non-current | 4, 19 | 14,562 | 1 | 14,873 | 1 |
| 2645 | Deposits received | | 1,773 | — | 973 | — |
| 25XX | Total non-current liabilities | | 62,491 | 4 | 80,448 | 5 |
| 2XXX | Total liabilities | | 211,917 | 15 | 294,414 | 18 |
| | Equity | 20 | | | | |
| | Share capital | | | | | |
| 3110 | Ordinary share | | 1,661,228 | 116 | 1,661,228 | 105 |
| | Retained earnings | | | | | |
| 3350 | Deficit to be offset | | (412,812) | (29) | (336,383) | (21) |
| 3400 | Other equity | 20 | | | | |
| 3410 | Exchange differences resulting from translating the financial statements of a foreign operation | 4 | (26,266) | (2) | (30,576) | (2) |
| 3XXX | Total equity | | 1,222,150 | 85 | 1,294,269 | 82 |
| | Total liabilities and equity | | $ 1,434,067 | 100 | $ 1,588,683 | 100 |

The accompanying notes are an integral part of the parent company only financial reports.

GIA TZOONG ENTERPRISE CO., LTD.
Parent Company Only Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021

In Thousands of New Taiwan Dollars, Except Loss Per Share

| Code | Item | Note | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Amount | % | | Amount | % |
| 4000 | Operating revenue | 4, 22, 31 | $ | 477,113 | 100 | $ | 641,439 | 100 |
| 5000 | Operating costs | 10, 31 | | (551,912) | (116) | | (686,387) | (106) |
| 5900 | Gross operating loss | | | (74,799) | (16) | | (44,948) | (6) |
| 6000 | Operating expenses | | | | | | | |
| 6100 | Selling expenses | | | (18,326) | (4) | | (22,452) | (4) |
| 6200 | Administrative expenses | | | (41,033) | (9) | | (41,816) | (7) |
| 6300 | Research and development expenses | | | (12,322) | (2) | | (12,640) | (2) |
| 6450 | Expected credit gain (impairment loss) | 9 | | (1,083) | — | | 1,682 | — |
| 6000 | Total of operating expenses | | | (72,764) | (15) | | (75,226) | (13) |
| 6900 | Net operating loss | | | (147,563) | (31) | | (120,174) | (19) |
| 7000 | Non-operating revenue and expense | | | | | | | |
| 7100 | Interest income | 23 | | 4,839 | 1 | | 3,606 | 1 |
| 7010 | Other income | 24 | | 2,590 | 1 | | 901 | — |
| 7020 | Other profit and loss | 25 | | 34,448 | 7 | | (8,650) | (1) |
| 7050 | Financial cost | 26 | | (1,354) | — | | (1,674) | — |
| 7070 | Shares recognized in profit or loss of subsidiary accounted for using the equity method | | | 34,521 | 7 | | 21,925 | 3 |
| 7000 | Total non-operating revenue and expense | | | 75,044 | 16 | | 16,108 | 3 |
| 7900 | Net loss before tax of continued operations | | | (72,519) | (15) | | (104,066) | (16) |
| 7950 | Income tax expense | 4, 27 | | (4,285) | (1) | | (7,997) | (1) |
| 8200 | Net loss for current year | | | (76,804) | (16) | | (112,063) | (17) |
| | Other comprehensive income | | | | | | | |
| 8310 | Components of other comprehensive loss that will not be reclassified to profit or loss: | | | | | | | |
| 8311 | Remeasurement of defined benefit plans | 4, 19 | | 469 | — | | 316 | — |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 4, 27 | | (94) | — | | (63) | — |
| 8360 | Items that may be subsequently reclassified into profit or loss: | | | | | | | |
| 8361 | Exchange differences resulting from translating the financial statements of a foreign operation | 4 | | 4,310 | 1 | | (1,109) | — |
| 8300 | Other comprehensive income for current year (net after tax) | | | 4,685 | 1 | | (856) | — |
| 8500 | Total comprehensive income for current year | | $ | (72,119) | (15) | $ | (112,919) | (17) |
| | Loss per share | 21 | | | | | | |
| | From continued operations | | | | | | | |
| 9710 | Basic | | $ | (0.46) | | $ | (0.67) | |
| 9810 | Diluted | | $ | (0.46) | | $ | (0.67) | |

The accompanying notes are an integral part of the parent company only financial reports.

GIA TZOONG ENTERPRISE CO., LTD.
Parent Company Only Statements of Changes In Equity
For the years ended December 31, 2022 and 2021

In Thousands of New Taiwan dollars

| Item | Share capital | Deficit to be offset | The exchange differences resulting from translating the financial statements of a foreign operation | Total equity |
|---|---|---|---|---|
| Balance on January 1, 2021 | $ 1,661,228 | $ (224,573) | $ (29,467) | $ 1,407,188 |
| Net loss for 2021 | — | (112,063) | — | (112,063) |
| Other comprehensive income (after tax) for 2021 | — | 253 | (1,109) | (856) |
| Total comprehensive income for 2021 | — | (111,810) | (1,109) | (112,919) |
| Balance on December 31, 2021 | 1,661,228 | (336,383) | (30,576) | 1,294,269 |
| Net loss for 2022 | — | (76,804) | — | (76,804) |
| Other comprehensive income (after tax) for 2022 | — | 375 | 4,310 | 4,685 |
| Total comprehensive income for 2022 | — | (76,429) | 4,310 | (72,119) |
| Balance on December 31, 2022 | $ 1,661,228 | $ (412,812) | $ (26,266) | $ 1,222,150 |

The accompanying notes are an integral part of the parent company only financial reports.

GIA TZOONG ENTERPRISE CO., LTD.
Parent Company Only Statements of Cash Flows
For the years ended December 31, 2022 and 2021
In Thousands of New Taiwan dollars

| Item | 2022 | 2021 |
|---|---|---|
| Cash flows from operating activities | | |
| Loss before tax for current year | $ (72,519) | $ (104,066) |
| Income and expenses having not effect on cash flows: | | |
| Depreciation expense | 35,277 | 36,061 |
| Amortization expense | 2,706 | 1,167 |
| Expected credit impairment loss (profit) | 1,083 | (1,682) |
| Net loss (gains) on financial assets measured at fair value through profit or loss | 4,418 | (3,618) |
| Interest expense | 1,354 | 1,674 |
| Interest income | (4,839) | (3,606) |
| Dividend income | (726) | (230) |
| Share of profit of subsidiaries using the equity method | (34,521) | (21,925) |
| Gain on disposal and scrapping of property, plant and equipment | (1,556) | (663) |
| Profit from lease modification | (33) | — |
| Net change in assets relating to operating activities | | |
| Financial assets mandatorily measured at fair value through profit or loss | 25,130 | 7,495 |
| Notes receivable | 512 | 127 |
| Accounts receivable | 56,353 | (25,865) |
| Accounts receivable - related parties | 930 | 18,901 |
| Other receivables | 6,003 | (3,449) |
| Inventories | 46,231 | (35,543) |
| Other current assets | 216 | 1,920 |
| Notes payable | (9) | (754) |
| Accounts payable | (26,540) | (3,940) |
| Accounts payable- related parties | 156 | (2,323) |
| Other payable | (19,821) | (2,123) |
| Other payable- related parties | (75) | 75 |
| Other current liabilities | (166) | (586) |
| Net defined benefit liabilities | 64 | 41 |
| Net cash (used in) provided by operating activities | 19,628 | (142,912) |
| Interest received | 3,638 | 3,909 |
| Dividend received | 726 | 230 |
| Interest paid | (1,278) | (1,493) |
| Income tax (paid) refunded | (232) | 668 |
| Net cash (used in) provided by operating activities | $ 22,482 | $ (139,598) |

(Continued to next page)

GIA TZOONG ENTERPRISE CO., LTD.

Parent Company Only Statements of Cash Flows

For the years ended December 31, 2022 and 2021

In Thousands of New Taiwan dollars

| Item | 2022 | 2021 |
|---|---|---|
| Cash flows from investing activities | | |
| Acquisition of financial assets measured at amortized cost | $ (256,718) | $ — |
| Proceeds from repayments of financial assets at amortized cost | — | 23,861 |
| Proceeds from capital reduction of investments accounted for using equity method | 76,000 | — |
| Acquisition of property, plant and equipment | (30,347) | (59,551) |
| Proceeds from disposal of property, plant and equipment | 1,645 | 663 |
| Acquisition of intangible assets | (1,351) | (5,578) |
| Decrease (increase)in refundable deposits | 220 | (128) |
| Other receivables - related parties | — | 180,073 |
| Net cash used in (provided from) investing activities | (210,551) | 139,340 |
| Cash flows from financing activities | | |
| Repayments of long-term debt | (23,670) | (23,502) |
| Increased (decreased) in deposits received | 800 | (67) |
| Repayments of principal of lease liabilities | (2,388) | (4,620) |
| Net cash used in financing activities | (25,258) | (28,189) |
| Net decreased in cash and cash equivalents | (213,327) | (28,447) |
| Cash and cash equivalents at the beginning | 474,925 | 503,372 |
| Cash and cash equivalents at the end | $ 261,598 | $ 474,925 |

The accompanying notes are an integral part of the parent company only financial reports.

GIA TZOONG ENTERPRISE CO., LTD.
Note to Parent Company Only Financial Statements
For the years ended December 31, 2022 and 2021
(The amounts below are expressed in thousands of NTD, unless otherwise stated)

1. Company History

GIA TZOONG ENTERPRISE CO., LTD. (hereinafter referred to as "the Company") was approved for establishment on September 19, 1988, in accordance with the Company Act of the Republic of China, and started business on April 3, 1989. The main business is the manufacturing, processing, and trading of printed circuit boards. The Company's stock began to be listed and traded on the Gre Tai Securities Market on June 23, 1998.

This parent company only financial report is presented in New Taiwan dollars, the Company's functional currency.

2. Authorization of the Parent Company Only Financial Statements

This parent company only financial report was approved and issued by the Board of Directors on March 22, 2023.

3. Application of New Standards, Amendments and Interpretations

(1) Initial application of the International Financial Reporting Standards (IFRS) approved and issued by the Financial Supervisory Commission (hereinafter referred to as the "FSC"), International Accounting Standards (IAS), IFRIC Interpretations (developed by the International Financial Reporting Interpretations Committee), and SIC Interpretations (developed by the Standard Interpretations Committee) (hereinafter referred to as the "IFRSs")

The application of the revised IFRSs approved and issued by the FSC will not result in major changes in the Company' accounting policies.

(2) The Regulations Governing the Preparation of Financial Reports by Securities Issuers applicable in 2023 and the IFRSs approved by the FSC

| Newly released/amended/revised standards and interpretations | Effective date as announced by the 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 Income Tax Related to Assets and Liabilities Arising from a Single Transaction" | January 1, 2023 (Note 3) |

Note 1: The deferred application of this amendment is available for the annual reporting period beginning after January 1, 2023.

Note 2: This amendment applies to changes in accounting estimates and changes in accounting policies that occur during annual reporting periods beginning after January 1, 2023.

Note 3: This amendment applies to transactions that occur after January 1, 2022, except for the deferred income tax recognized on January 1, 2022 for temporary differences in leases and decommissioning obligations.

As of the release date of this parent company only financial report, the Company continued to assess the effects of the amendments to above standards and interpretations on post-merge financial positions and financial performance; the effects will be disclosed when the assessment is completed.

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

| Newly released/amended/revised standards and interpretations | Effective date as announced by the IASB (Note 1) |
|---|---|
| Amendments to IFRS 10 and IAS 28 - "Sale or Contribution of Assets between an Investor and its Affiliate or Joint Venture" | Not set |
| Amendments to IFRS 16 - "Lease liability in a Sale and Leaseback" | January 1, 2024 (Note 2) |
| IFRS 17 - "Insurance Contracts" | January 1, 2023 |
| Amendments to IFRS 17 | January 1, 2023 |
| Amendments 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/Non-current" | January 1, 2024 |
| Amendments to IAS 1 - "Non-current Liabilities with Covenants" | January 1, 2024 |

Note 1: Unless otherwise specified, the aforementioned newly released/amended/revised standards or interpretations become effective for the annual period beginning after the respective dates.

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

As of the release date of this parent company only financial report, the Company continued to assess the effects of the amendments to other standards and interpretations on the parent company only financial position and financial performance; the effects will be disclosed when the assessment is completed.

## 4. Summary of Significant Accounting Policies

A description of the Company's material accounting policies is as follows:

(1) Compliance statement

This parent company only financial report was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (adoption of the version of International Financial Reporting Standards)(hereinafter referred to as the Accounting Standards for Parent Company Only Financial Reports)

(2) Basis of preparation

This parent company only financial report was prepared on a historical cost basis, with the exception of financial instruments that are measured at fair value. Historical cost is generally determined based on the fair value of the consideration paid to acquire the asset.

In preparing the parent company-only financial report, the Company adopted the equity method for its investment in subsidiaries. The profit and loss for the current period, other comprehensive income, and equity in the parent company-only financial report are the same as the profit and loss for the current year, other comprehensive income, and equity attributable to the Company's owners in the Company's consolidated financial report; there is no difference in the accounting treatment between the parent company only basis and the consolidated basis.

(3) Criteria for distinguishing between current and non-current assets and liabilities

Current assets include:

1. Assets held primarily for the purpose of trading;
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (but excluding those subjects to restrictions for the purpose of exchange or settlement of liability more than 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held primarily for the purpose of trading;
2. Liabilities that were due and expected to be settled within 12 months after the balance sheet date (also classified as current liabilities, even if an agreement to refinance or retable payments on a long-term basis has been completed after the balance sheet date but before the approval and issuance of the parent company only financial report); and
3. Liabilities for which settlement cannot be unconditionally deferred for at least 12 months after the balance sheet date. However, where the terms of the liability may, at the option of the counterparty to the transaction, result in the settlement thereof through the issuance of equity instruments, this does not affect the classification thereof.

Those not classed as either the aforementioned current assets or current liabilities are classified as non-current assets or non-current liabilities.

(4) Foreign currency

In preparing the parent company-only financial report, transactions in currencies other than the Company's functional currency (foreign currency) were recorded by translating the foreign currency into the functional currency at the exchange rate on the transaction day.

Foreign currency monetary items were translated at the closing exchange rate on each balance sheet date.

Foreign currency non-monetary items measured at fair value were translated at the exchange rate on the day when the fair value was determined, and the resulting exchange difference was recognized in the profit or loss for the period. However, where the change in fair value was recognized in other comprehensive income, the resulting exchange difference was recognized in other comprehensive income.

Foreign currency non-monetary items measured at historical cost were translated at the exchange rate on the transaction date and were not re-translated.

When preparing the parent company only financial report, the assets and liabilities of the Company' foreign operations (including subsidiaries operating in a country or using a currency different from that of the Consolidated Companies) were translated into New Taiwan dollars at the exchange rate on each balance sheet date. Income and expense items were translated at the average exchange rate for the period, and the resulting exchange differences were recognized in other comprehensive income.

(5) Inventories

Inventories include raw materials, supplies, work in progress, finished goods, and merchandise inventories. Inventories were measured at the lower of cost and net realizable value, and the comparison between cost and net realizable value was based on individual items, except with inventories of the same category. Net realizable value refers to the balance of the estimated selling price under normal circumstances, minus the estimated cost to complete the project and the estimated cost to complete the sale. The calculation of inventory costs adopts the weighted average method.

(6) Investments using the equity method

The Company adopts the equity method to deal with its investment in subsidiaries.

“Subsidiary” refers to an entity over which the Company has control.

Under the equity method, the investment in subsidiaries was initially recognized at cost, and subsequently the carrying amount increased or decreased along with the share in the subsidiary's profit and loss, other comprehensive income, and profit distribution enjoyed by the Company. In addition, the Company also recognizes changes in other equity in subsidiaries in accordance with its shareholding ratio.

When a change in the Company's ownership interest in the subsidiary does not result in the loss of control, it is treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company assesses impairment, it considers the cash-generating unit as a whole based on the financial report and compares its recoverable amount with the carrying amount. If the asset's recoverable amount subsequently increases, the reversal of the impairment loss is recognized as profit. However, the carrying amount of an asset after the reversal of the impairment loss shall not exceed the carrying amount of the asset, after deducting the required provision for amortization, if no impairment loss is recognized. Impairment losses attributable to goodwill shall not be reversed in subsequent periods.

When it loses control over a subsidiary, the Company measures its remaining investment in the former subsidiary based on the fair value on the day when control is lost, and the difference between the fair value of the remaining investment and any disposal price and the carrying amount of the investment on the day when control is lost is recognized in profit or loss for the year. In addition, for all amounts related to the subsidiary recognized in other comprehensive income, the accounting treatment follows the same basis as that required for the Company to dispose of assets or liabilities directly.

The fair value of the remaining investment in the former subsidiary on the date of loss of control is regarded as the cost on initial recognition of investments in affiliates.

Unrealized gains and losses of downstream transactions between the Company and its subsidiaries are eliminated from the parent company-only financial report. Profit or loss arising from the upstream and side-stream transactions between the Company and its subsidiaries are recognized in the parent company-only financial report only to the extent that they are not related to the Company's interests in the subsidiaries.

(7) Property, plant and equipment

Property, plant, and equipment are recognized at cost, and subsequently measured at cost minus accumulated depreciation and accumulated impairment losses.

Property, plant, and equipment were depreciated on a straight line basis, with separate depreciation for each significant part. The Company reviewed the estimated service life, salvage value, and depreciation methods at a minimum at the end of each year. The effect of changes in accounting estimates was dealt with in a deferred manner.

The amount of profit or loss arising from the derecognition of property, plant, and equipment was the difference between the net disposal proceeds and the carrying amount of the asset disposed of, and was recognized in profit or loss for the period.

(8) Intangible assets

1.Separately acquired

Intangible assets with a finite useful life, acquired separately, were initially measured at cost, and subsequently measured at costs minus accumulated amortization and accumulated impairment losses. The Company conducted amortization on a straight line basis and reviewed the estimated useful live, salvage value and the depreciation method at a minimum at the end of each year. The salvage value of an intangible asset with a finite useful life was estimated to be zero, except that the Company expects to dispose of the asset before the economic life of the intangible asset expires. The effect of changes in accounting estimates was dealt with in a deferred manner.

2. Derecognition

The amount of profit or loss arising from the derecognition of intangible assets was the difference between the net disposal proceeds and the carrying amount of the asset disposed of, and was recognized in the profit or loss for the period.

(9) Impairment of tangible and intangible assets (excluding goodwill)

The Company assessed on each balance sheet date whether there was any indication that tangible and intangible assets (other than goodwill) might have been impaired. If any indication of impairment existed, the asset's recoverable amount was estimated. If it was not possible to estimate the recoverable amount of an individual asset, the Company estimated the recoverable amount of the cash-generating unit to which the asset belonged.

For intangible assets with indefinite useful lives and not yet available for use, impairment tests were conducted at a minimum annually, or when there was an indication of impairment.

The recoverable amount is the higher of fair value less costs of disposal and value in use. If the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When the impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised recoverable amount. However, the increased carrying amount is limited to the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior periods. The reversal of the impairment loss is recognized in profit or loss.

(10) Financial instruments

Financial assets and financial liabilities were recognized in the balance sheet when the Company became the parties to the contractual terms of the instrument.

When initially recognizing financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, they are measured at fair value plus transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issuance of a financial asset or financial liability at fair value through profit or loss are recognized immediately in profit or loss.

(1) Financial assets

Regular way purchase or sale of financial assets are recognized and derecognized using trade date accounting.

A. Measurement bases

The types of financial assets held by the Company was financial assets measured at fair value through profit and loss, and financial assets measured at amortized cost.

a. Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit or loss include financial assets mandatory at fair value through profit or loss and designated at fair value through profit or loss. Financial assets mandatory at fair value through profit or loss include investments in equity instruments not designated by the Company to be measured at fair value through other comprehensive income, as well as investments in debt instruments that do not qualify for classification as measured at amortized cost or at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are measured at fair value, and any profit or loss arising from their remeasurement does not include any dividends or interest generated by the financial asset, which is recognized in profit or loss. For the detailed method of determining the fair value, refer to the description in Note 30, Financial Instruments.

b. Financial assets measured at amortized cost

Financial assets invested in by the Company shall be classified as financial assets measured at amortized cost if both of the following two conditions are met:

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

(b) The terms of the contract give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable and accounts receivable at amortized cost) are measured, after initial recognition, at their amortized cost to their gross carrying amounts determined using the effective interest method minus any impairment losses, with any foreign exchange gains or losses recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the gross carrying amount of financial assets, except in the following two circumstances:

(a) For purchased or originated credit impaired financial assets, interest income is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial asset.

(b) For financial assets that are not purchased or originated but subsequently become credit-impaired, interest income is calculated by multiplying the effective interest rate by the amortized cost of the financial asset.

Cash equivalents include highly liquid time deposits within 3 months after the date of acquisition, which can be readily converted into known amounts of cash at any time with insignificant risk of change in value, and are used to meet short-term cash commitments.

B. Impairment of financial assets

The Company assessed impairment losses on financial assets (including accounts receivable) measured at amortized cost based on expected credit losses at each balance sheet date.

All accounts receivable is recognized in loss allowance based on expected credit losses over the expected life thereof. For other financial assets, an assessment shall be made as to whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in credit risk, a loss allowance for 12-month expected credit losses is recognized; if there has been a significant increase in credit risk, a loss allowance for the expected credit losses over the expected life thereof is recognized.

Expected credit losses are weighted average credit losses with the probability of default as the weight. 12-month expected credit losses represent expected credit losses arising from possible default events on the financial instrument within 12 months after the reporting date, and lifetime expected credit losses represent expected credit losses arising from all possible default events on the financial instrument over the expected life thereof.

For impairment losses on all financial assets, their carrying amounts are reduced through the use of an allowance account. However, loss allowance for investments in debt instruments measured at fair value through other comprehensive income are recognized in other comprehensive income without reducing their carrying amounts.

(2) Equity instruments

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangement and the definition of financial liabilities and equity instruments.

The equity instruments issued by the Company are recognized at the amount of the proceeds acquired after deducting the direct issuance costs.

The recaptured equity instruments of the Company itself are recognized and deducted as equity items. The purchase, sale, issuance or cancellation of equity instruments of the Company itself are not recognized in profit or loss.

(3) Financial liabilities

A. Follow-up measurement

All financial liabilities are measured at amortized cost using the effective interest method, except in the following circumstances:

a. Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include the ones held-for-trading and designated at fair value through profit or loss.

Financial liabilities held for trading are measured at fair value; and the gain or loss arising from remeasurement thereof, not including any dividends or interest paid on the financial liabilities, are recognized in profit or loss.

B. Derecognition of financial liabilities

When derecognizing a financial liability, the difference between its carrying amount and the consideration paid is recognized in profit or loss.

(11) Revenue recognition

After the Company identified the performance obligations in the client contract, they allocated the transaction price to each performance obligation, and recognized revenue when each performance obligation is satisfied.

(12) Lease

The Company assessed whether each contract was classed as (or contained) a lease on the contract inception date.

For each contract classed as lease and non-lease components, the Company allocated the consideration in the contract on the basis of relative stand-alone prices and treated it separately.

1. The Company as the lessor

Leases were classed as finance leases when the terms of the lease transfer to the lessee substantially all the risks and rewards of ownership of the asset. All other leases were classified as operating leases.

Under operating leases, lease payments net of lease incentives are recognized in income on a straight-line basis over the term of the lease. The initial direct cost incurred in obtaining the operating lease is added to the carrying amount of the underlying asset, and is recognized as an expense on a straight-line basis over the lease term.

2. The Company as the lessee

Lease payments for low-value underlying asset leases and short-term leases to which the recognition exemption applies are recognized as expenses on a straight-line basis over the lease term; otherwise, right-of-use assets and lease liabilities are recognized on the lease commencement date for other leases.

Each right-of-use asset is initially measured at cost (including the initially measured amount of the lease liability, lease payments minus lease incentives received prior to the lease commencement date, initial direct costs, and the estimated cost of restoring the underlying asset), and is subsequently measured at the amount of the cost minus accumulated depreciation and accumulated impairment losses, with the remeasured amount being recognized as an adjustment to the lease liability. Right-of-use assets are presented separately in the parent company only balance sheet.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease, up to the expiry of the useful life or the expiry of the lease term (whichever is earlier).

Lease liabilities are initially measured at the present value of lease payments including fixed payments and in-substance fixed payments. If the interest rate implicit in the lease can be readily determined, the lease payment is discounted using the interest rate.

If this rate cannot be readily determined, the lessee's incremental borrowing rate is used.

Subsequently, the lease liability is measured on an amortized cost basis using the effective interest method, and the interest expense is amortized over the lease term. If there is a change in the future lease payment due to changes in the lease term, the expected payment amount under the residual value guarantee, the evaluation of the purchase option of the underlying asset, or the index or rate used to determine the lease payment, the Company re-measures the lease liability and adjust the right-of-use asset accordingly. However, if the carrying amount of the right-of-use asset has been reduced to zero, the remaining remeasured amount is recognized in profit or loss. Lease liabilities are presented separately in the parent company only balance sheet.

Variable lease payments in lease agreements that do not depend on an index or rate are recognized as an expense in the period in which they are incurred.

(13) Employee benefits

1. Short-term employee benefits

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

2. Post-employment benefits

If it is a defined contribution plan, during the period when the employee provides services, the amount of the pension fund that must be contributed is recognized as the employee welfare expense for the period.

The defined benefit cost (including service cost, net interest, and remeasurement amount) of the defined benefit pension plan is actuarially calculated using the projected unit credit method. Service costs (including service costs for the period) and net interest on net defined benefit liabilities (assets) are recognized as employee benefit expenses when incurred. The remeasurement amount (including actuarial profit or loss and return on plan assets after deducting interest) is recognized in other comprehensive income and included in retained earnings when it occurs, and will not be reclassified to profit or loss in subsequent periods.

The net defined benefit liability (asset) is the contribution deficit (surplus) of defined benefit pension plans. Net defined benefit assets cannot exceed the present value of contribution refunds from the plan or reduction in future plan contributions.

(14) Income tax

Income tax expense is the sum of current income tax and deferred income tax.

1. Current income tax

   Income tax is calculated at the additional tax rate on undistributed earnings in accordance with the Income Tax Act, and is recognized as the income tax expense for the shareholder meeting year.

   Adjustment to the income tax payable in the previous year is recognized in the current income tax.

2. Deferred income tax

   Deferred income tax is recognized based on the temporary difference between the carrying amount of assets and liabilities recorded in the parent company only financial statements and the tax base for calculating taxable income. Deferred income tax liabilities are generally recognized based on all taxable temporary differences, while deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences or losses can be set off.

   Taxable temporary differences affiliated with their investment in subsidiaries are recognized as deferred income tax liabilities, except if the Company can control the timing of the reversal of the temporary difference, and the temporary difference is very likely not to reverse in the foreseeable future. Deferred income tax assets arising from deductible temporary differences affiliated with such investment and equity are recognized only to the extent that it is probable that there will be sufficient taxable income to realize the profit of the temporary difference and reversal is expected in the foreseeable future.

   The carrying amount of deferred tax assets is reviewed on each balance sheet date, and is reduced for those assets for which it is no longer probable that sufficient taxable income will be available to recover all or part of the asset. Those that have not been recognized as deferred income tax assets are also reviewed on each balance sheet date; for those that are very likely to generate taxable income in the future to recover all or part of the assets, the carrying amount is increased.

   Deferred income tax assets and liabilities are measured at the tax rates for the liabilities or assets expected to be settled or realized in the current period. Such tax rates are based on the tax rates and tax laws that have been enacted or substantively enacted on the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax consequences arising from the manner in which the enterprise expects to recover or pay off the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and deferred income tax for the year

Current and deferred income taxes are recognized in profit or loss, except that current and deferred income taxes affiliated with items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

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

When the Company adopts the accounting policies described in Note 4, they make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available to obtain from other sources. The estimates and affiliated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. If the revision of the estimate affects only the current period, it is recognized in the period in which the accounting estimate is revised. If an accounting estimate revision affects both current and future periods, it is recognized in the current and future periods of the estimate revision.

The following sets out information on key assumptions made about the future and other key sources of estimation uncertainty at the end of financial reporting that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(1) Estimated impairment of financial assets (accounts receivable)

The estimated impairment of accounts receivable is based on the Company's assumptions about the default ratio and expected loss ratio. The Company considers historical experience, current market conditions, and forward-looking information to make assumptions and select inputs for impairment assessments. For the detailed material assumptions and input values adopted, refer to the description in Note 9, Notes Receivable and Accounts Receivable. If the actual future cash flow is less than expected, significant impairment losses may arise.

(2) Depreciation of inventories

Since inventories must be priced at the lower of cost and net realizable value, the Company must use judgment and estimation to determine the net realizable value of inventories at the end of the financial reporting period.

Due to rapid changes in the industry, the Company evaluates the amount of inventory due to normal wear and tear, obsolescence, or a lack of market value at the end of the financial reporting period, and writes down the inventory cost to the net realizable value. This inventory valuation is primarily based on the estimated demand for products in a specific period in the future, and thus there may be major changes.

For details on the carrying amount of the Company's inventory, refer to Note 10.

(3) Impairment assessment of tangible assets and intangible assets (except for goodwill)

In the process of asset impairment assessment, the Company needs to rely on subjective judgments, and on asset usage patterns and industry characteristics, to determine the independent cash flow and asset lifespan in specific asset groups as well as possible future income and expenses. Any changes due to economic conditions or changes in estimates brought about by corporate strategies may cause material impairment in the future.

The Company did not recognize any impairment loss for tangible or intangible assets in 2022 or 2021.

6. Cash and cash equivalents

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Cash on hand and revolving funds | $ 512 | $ 582 |
| Demand deposits and check deposit | 261,086 | 474,343 |
| Total | $ 261,598 | $ 474,925 |

7. Financial assets measured at fair value through profit or loss

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Financial assets - current | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Fund beneficiary certificate | $ 80,676 | $ 106,090 |
| TWSE (TPEx) listed shares | 97 | 3,761 |
| Total | $ 80,773 | $ 109,851 |
| Financial assets - non-current | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |

| | Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|
| Financial assets - current | | | | |
| Domestic company shares not TWSE (TPEx) listed | $ | 1,147 | $ | 1,617 |

The net (loss) profit of the Company due to changes in fair value in 2022 and 2021 was (NT$4,418,000) and NT$3,618,000, respectively.

8. Financial assets measured at amortized cost

| | Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|
| Time deposits with an initial maturity of more than three months | $ | 335,597 | $ | 78,888 |
| Other | | 6,829 | | 6,820 |
| Total | $ | 342,426 | $ | 85,708 |
| Current | $ | 342,426 | $ | 85,708 |

(1) As of December 31, 2022 and 2021, the interest rate collars for time deposits with an initial maturity of more than three months were 1.025％～4.5％, and 0.13％～0.3％, respectively.

(2) For details on the pledge of financial assets measured at amortized cost, refer to Note 32.

9. Notes and accounts receivable

| | Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|
| Notes receivable | | | | |
| Arising from operations | $ | 524 | $ | 1,036 |
| Less: Loss allowances | | — | | — |
| | $ | 524 | $ | 1,036 |
| Accounts receivable | | | | |
| Measured at amortized cost | | | | |
| Gross carrying amounts | $ | 109,676 | $ | 166,959 |
| Less: Loss allowances | | (4,262) | | (3,179) |
| | $ | 105,414 | $ | 163,780 |

(1) The average credit period of the Company for the sale of goods was 90 to 120 days, and accounts receivable were not interest-bearing. It is the policy of the Company that only other publicly available financial information and historical transaction records are used to rate key customers. The Company continued to monitor each counterparty's credit exposure and credit rating, distributed the total transaction amount to different clients with qualified credit ratings, and managed credit exposures through the credit limit granted to the counterparty reviewed and approved by the business department and the chairman

every year.

In order to mitigate credit risk and to ensure that appropriate actions are taken to recover overdue accounts receivable, the Company’s management assigned a dedicated team to be in charge of determining credit limit extensions, credit approvals, and other monitoring procedures. In addition, the Company reviewed the recoverable amounts of accounts receivable one by one on the balance sheet date to ensure that appropriate impairment losses on unrecoverable accounts receivable had been recognized. In view of this, the Company’s management believed that the Company’s credit risk had been significantly reduced.

(2) The Company adopted the simplified approach of IFRS 9 to recognize the loss allowance for accounts receivable based on the lifetime expected credit loss. The lifetime expected credit loss was calculated using a provision matrix, which took into consideration each client's past default record, current financial position, as well as industrial and economic situations. Since the historical credit loss experience of the Company indicated that there is no significant difference in the loss patterns of different client groups, the provision matrix did not further distinguish among client groups, and only determined the expected credit loss rate based on accounts receivable's number of days overdue.

If there is evidence indicating that a counterparty is facing severe financial difficulties and the Company cannot reasonably expect the recoverable amount, such as if the counterparty is in liquidation or the debt is overdue, the Company writes off the accounts receivable directly. However, the Company still continues recourse activities, and the amount recovered due to recourse is recognized in profit or loss.

(3) The Company measured the loss allowance for notes receivable and accounts receivable based on the provision matrix as follows:

| | Dec. 31, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Note yet overdue | Overdue 1～30 days | Overdue 31～60 days (note) | Overdue 61～90 days | Overdue more than 90 days | Total |
| Expected credit loss rate | 0% | 0.10% | 4.18% | 33.13% | 100% | |
| Gross carrying amounts | $ 105,105 | $ － | $ 816 | $ 49 | $ 4,230 | $ 110,200 |
| Loss allowances | － | － | (16) | (16) | (4,230) | (4,262) |
| Measured at amortized cost | $ 105,105 | $ － | $ 800 | $ 33 | $ － | $ 105,938 |

Note: In accordance with the Company's provision policy, provision for losses on accounts receivable 31 to 60 days past due shall be set aside at 4.18% thereof. Provision of insufficient account balances is primarily due to accounts receivable from subsidiaries.

Dec. 31, 2021

| | Note yet overdue | Overdue 1～30 days | Overdue 31～60 days | Overdue 61～90 days | Overdue more than 90 days (note) | Total |
|---|---|---|---|---|---|---|
| Expected credit loss rate | 0% | 0.25% | 10.55% | 44.44% | 100% | |
| Gross carrying amounts | $ 161,913 | $ － | $ 2,137 | $ 5 | $ 3,940 | $ 167,995 |
| Loss allowances | － | － | (225) | (2) | (2,952) | (3,179) |
| Measured at amortized cost | $ 161,913 | $ － | $ 1,912 | $ 3 | $ 988 | $ 164,816 |

Note: According to the Company's provisions policy, for accounts receivable that are due for more than 90 days, 100% of the outstanding amount shall be set aside as the provision for loss. The insufficient balance recoded in the provision account is mainly due to the account receivable from the subsidiary.

(4) The information of the changes in loss allowances of notes and account receivables is as follows:

| | 2022 | 2021 |
|---|---|---|
| Beginning balance | $ 3,179 | $ 4,861 |
| Recognized as (profit) impairment loss for the current period | 1,083 | (1,682) |
| Write-off for the current period | — | — |
| Ending balance | $ 4,262 | $ 3,179 |

10. Inventories

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Commodities | $ 602 | $ 189 |
| Finished goods | 28,830 | 38,829 |
| Work in progress | 33,892 | 53,238 |
| Raw materials | 13,361 | 27,292 |
| Supplies | 5,960 | 9,328 |
| Net | $ 82,645 | $ 128,876 |

(1) The allowance for inventory write-down on December 31, 2022 and 2021 was NT$19,110,000 and NT$19,729,000, respectively.

(2) Inventory-related expenses recognized in the current period:

| | 2022 | 2021 |
|---|---|---|
| Costs of inventories sold | $ 401,818 | $ 592,066 |
| Allowance for inventory valuation and obsolescence loss | 13,173 | 4,636 |
| Idle capacity cost | 145,781 | 103,638 |
| Other | (8,860) | (13,953) |
| Operating costs | $ 551,912 | $ 686,387 |

11. Investments accounted for using the equity method

(1) The subsidiaries of this Company are set out as follows:

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Not TWSE (TPEx) listed company | | |
| PSC ENTERPRISE CO., LTD. | $ 35,252 | $ 31,595 |
| ENRICH NATIONALS TRADE LIMITED | 9,643 | 9,097 |
| Puyu Investment Co., Ltd. | 49,186 | 91,345 |
| PSC (H.K.) ELECTRONICS LIMITED | 5,425 | 4,638 |
| Total | $ 99,506 | $ 136,675 |

(2) The Company's ownership interests and voting right percentages in its subsidiaries on the balance sheet date are as follows:

| Company Name | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| PSC ENTERPRISE CO., LTD. | 100% | 100% |
| ENRICH NATIONALS TRADE LIMITED | 100% | 100% |
| Puyu Investment Co., Ltd. | 80% | 80% |
| PSC (H.K.) ELECTRONICS LIMITED | 100% | 100% |

(3) The portions of subsidiaries' profit and loss and other comprehensive income adopting the equity method in 2022 and 2021 were recognized in accordance with the specific public certified accountant-audited subsidiary financial statements for the same period.

(4) The Company's subsidiary, Puyu Investment Co., Ltd., passed a resolution at an extraordinary shareholders meeting on October 17, 2022 to reduce the capital and return the share capital in the amount of NT$95,000,000; the procedures for capital reduction and amendment to registration for this have been completed.

## 12. Property, plant and equipment

| | 2022 | | | | |
|---|---|---|---|---|---|
| Item | Beginning balance | Increase | Disposal | Reclassification | Ending balance |
| Cost | | | | | |
| Land | $ 99,170 | $ — | $ — | $ — | $ 99,170 |
| Increase on land revaluation | 36,656 | — | — | — | 36,656 |
| Building | 250,553 | 1,236 | — | 11,905 | 263,694 |
| Machine equipment | 538,033 | 1,011 | 23,329 | 15,960 | 531,675 |
| Transportation | 4,448 | — | 590 | — | 3,858 |

| Item | 2022 | | | | |
|---|---|---|---|---|---|
| | Beginning balance | Increase | Disposal | Reclassification | Ending balance |
| equipment | | | | | |
| Office equipment | 5,931 | – | – | – | 5,931 |
| Lease Improvement | 165 | – | 165 | – | – |
| Other equipment | 135,295 | 1,546 | – | 570 | 137,411 |
| Sub-total | 1,070,251 | 3,793 | 24,084 | 28,435 | 1,078,395 |
| Accumulated depreciation | | | | | |
| Building | 120,966 | 8,110 | – | – | 129,076 |
| Machine equipment | 438,699 | 20,008 | 23,240 | – | 435,467 |
| Transportation equipment | 4,325 | 69 | 590 | – | 3,804 |
| Office equipment | 3,863 | 471 | – | – | 4,334 |
| Lease Improvement | 165 | – | 165 | – | – |
| Other equipment | 120,233 | 4,335 | – | – | 124,568 |
| Sub-total | 688,251 | 32,993 | 23,995 | – | 697,249 |
| Net | $ 382,000 | $ (29,200) | $ 89 | $ 28,435 | $ 381,146 |

| Item | 2021 | | | | |
|---|---|---|---|---|---|
| | Beginning balance | Increase | Disposal | Reclassification | Ending balance |
| Cost | | | | | |
| Land | $ 99,170 | $ – | $ – | $ – | $ 99,170 |
| Increase on land revaluation | 36,656 | – | – | – | 36,656 |
| Building | 248,211 | 2,580 | 238 | – | 250,553 |
| Machine equipment | 554,341 | 2,528 | 60,957 | 42,121 | 538,033 |
| Transportation equipment | 4,598 | – | 150 | – | 4,448 |
| Office equipment | 5,607 | 1,528 | 1,204 | – | 5,931 |
| Lease Improvement | 165 | – | – | – | 165 |
| Other equipment | 130,713 | 3,441 | 1,139 | 2,280 | 135,295 |
| Sub-total | 1,079,461 | 10,077 | 63,688 | 44,401 | 1,070,251 |
| Accumulated depreciation | | | | | |
| Building | 114,103 | 7,101 | 238 | – | 120,966 |
| Machine equipment | 482,448 | 17,208 | 60,957 | – | 438,699 |
| Transportation equipment | 3,762 | 713 | 150 | – | 4,325 |
| Office equipment | 4,523 | 544 | 1,204 | – | 3,863 |
| Lease Improvement | 165 | – | – | – | 165 |
| Other equipment | 115,323 | 6,049 | 1,139 | – | 120,233 |
| Sub-total | 720,324 | 31,615 | 63,688 | – | 688,251 |
| Net | $ 359,137 | $ (21,538) | $ – | $ 44,401 | $ 382,000 |

(1) Capitalized amount and interest rate range on borrowing costs for property, plant and equipment:

| | 2022 | 2021 |
|---|---|---|
| Capitalized amount | $ — | $ — |
| Capitalized interest | 1.93% | 1.63% |

(2) The major components of the Company's buildings included the main building, auxiliary equipment, etc., and were depreciated in accordance with their service lives of 45 to 50 years, and 3 to 10 years, respectively.

(3) For details on the equipment provided by the Company as a loan guarantee on December 31, 2022 and 2021, refer to Note 32.

## 13. Lease agreements

(1)Right-of-use assets

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Carrying amount of right-of-use assets | | |
| Building | $ — | $ 4,502 |
| Machine equipment | 265 | 517 |
| Transportation equipment | 942 | 1,190 |
| | $ 1,207 | $ 6,209 |

| | 2022 | 2021 |
|---|---|---|
| Increase of right-of-use assets | $ 1,388 | $ 1,329 |
| Lease modifications of right-of-use assets | $ (4,106) | $ — |
| Depreciation expense of right-of-use assets | | |
| Building | $ 396 | $ 2,349 |
| Machine equipment | 605 | 608 |
| Transportation equipment | 1,283 | 1,489 |
| | $ 2,284 | $ 4,446 |

(2)Lease liabilities

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Carrying amount of lease liabilities | | |
| Current | $ 930 | $ 3,788 |
| Non-current | $ 310 | $ 2,511 |

The discount rate ranges for lease liabilities are as follows:

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Building | 1.475% | 1.475% |
| Machine equipment | 1.6%～1.77% | 1.6%～1.63% |
| Transportation equipment | 4.972%～5.246% | 4.972%～5.245% |

(3)Information on other lease

| | 2022 | 2021 |
|---|---|---|
| Short-term lease expense | $ 87 | $ 137 |
| Leases expense on low-value assets | $ 205 | $ 194 |
| Total of cash (used in) on lease | $ 2,680 | $ 4,951 |

The Company chose to apply the recognition exemption to equipment leases that qualify for low-value assets and short-term leases of vehicles and house leases, etc., and did not recognize the right-of-use assets and lease liabilities for these leases.

14. Intangible assets

| Item | 2022 Beginning balance | 2022 Increase | 2022 Disposal | 2022 Ending balance |
|---|---|---|---|---|
| Cost | | | | |
| Computer software | $ 7,390 | $ 351 | $ — | $ 7,741 |
| Professional skill | 1,000 | 1,000 | — | 2,000 |
| Sub-total | 8,390 | 1,351 | — | 9,741 |
| Accumulated amortization | | | | |
| Computer software | 2,933 | 1,956 | — | 4,889 |
| Professional skill | 583 | 750 | — | 1,333 |
| Sub-total | 3,516 | 2,706 | — | 6,222 |
| Net | $ 4,874 | $ (1,355) | $ — | $ 3,519 |

| Item | 2021 Beginning balance | 2021 Increase | 2021 Disposal | 2021 Ending balance |
|---|---|---|---|---|
| Cost | | | | |
| Computer software | $ 2,812 | $ 4,578 | $ — | $ 7,390 |
| Professional skill | — | 1,000 | — | 1,000 |
| Sub-total | 2,812 | 5,578 | — | 8,390 |
| Accumulated | | | | |

| | | | | |
|---|---|---|---|---|
| amortization | | | | |
| Computer software | 2,349 | 584 | — | 2,933 |
| Professional skill | — | 583 | — | 583 |
| Sub-total | 2,349 | 1,167 | — | 3,516 |
| Net | $ 463 | $ 4,411 | $ — | $ 4,874 |

The amortization expenses recognized by the Company in 2022 and 2021 were incorporated into the statements of comprehensive income, at NT$2,706,000 and NT$1,167,000, respectively.

15. Short-term loans

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Unused limit | $ 120,098 | $ 186,993 |

For details on assets provided as guarantees for short-term loans, refer to Note 32.

16. Notes and accounts payable

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Notes payable | $ — | $ 9 |
| Accounts payable | 57,977 | 84,361 |
| Total | $ 57,977 | $ 84,370 |
| Current | $ 57,977 | $ 84,370 |

(1) The payment terms for trades between the Company and its suppliers were 90–120 days. The Company had formulated a financial risk management policy to ensure that all accounts payable would be paid off within the pre-agreed credit period.

(2) For details on disclosures related to accounts payable and other payables by the Company subject to exchange rate exposure, refer to Note 30.

17. Other payable

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Other payable-related parties | $ — | $ 75 |
| Other payable- not-related parties | | |
| Salary payable | 18,379 | 20,776 |
| Payment for equipment payable | 5,363 | 16,892 |
| Interest payable | 32 | 36 |

| | Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|
| Payment for non-leave payable | | 5,381 | | 5,570 |
| Other | | 36,865 | | 54,100 |
| Sub-total | $ | 66,020 | $ | 97,374 |
| Total | $ | 66,020 | $ | 97,449 |
| Current | $ | 66,020 | $ | 97,449 |

18. Long-term borrowings

| | Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|
| Loan against land and buildings - monthly repayments from March 2008 to February 2023 with floating interest rates. The interest rates on December 31, 2022 and 2021 were 2.0423% and 1.3499% respectively. | $ | 778 | $ | 5,444 |
| Loan against machinery - monthly repayments from January 2020 to December 2024, with floating interest rates. The interest rates on December 31, 2022 and 2021 were 1.976% and 1.6%, respectively. | | 10,540 | | 15,668 |
| Loan against land and buildings - monthly repayments from October 2020 to September 2025 with floating interest rates. The interest rates on December 31, 2022 and 2021 were 1.976% and 1.6%, respectively. | | 22,422 | | 30,298 |
| Loan against land and buildings - quarterly repayments from February 2021 to November 2025 with floating interest rates. The interest rates on December 31, 2022 and 2021 were 2.425% and 1.8%, respectively. | | 18,000 | | 24,000 |
| Total | $ | 51,740 | $ | 75,410 |
| Current | $ | 19,992 | $ | 23,686 |
| Non-current | $ | 31,748 | $ | 51,724 |
| Unused limit | $ | – | $ | – |

For details on assets provided as guarantees for long-term loans, refer to Note 32.

19. Post-employment benefit plan

(1) Defined contribution plan

The employee pension plan established by the Company in accordance with the Labor Pension Act was a defined contribution plan. The aforementioned company appropriated 6% of employees' monthly salary as pension funds to personal dedicated accounts with the Bureau of Labor Insurance. In accordance with the aforementioned regulations, the pension costs recognized as expenses in the Parent Company Only Statements of Comprehensive Income of the Company in 2022 and 2021 were NT$6,629,000 and NT$7,164,000, respectively.

(2) Defined benefit plan

The Company's employee pension plan established in accordance with the Labor Standards Act was a defined benefit plan. In accordance with the provisions of said plan, employee pensions were calculated based on years of service and the average salary of the six months prior to retirement. The Company appropriated NT$150,000 to the employee pension fund every month, which funds were then deposited in the dedicated account with the Bank of Taiwan by the Labor Retirement Reserve Supervisory Committee in the name of said committee. However, after the aforementioned employee pension plan had successively cleared the employee's service seniority accumulated prior to the application of the Labor Standards Act, the Company had no obligation to make such appropriation. The remaining funds in the dedicated account had been retrieved and the cancellation of the account was completed on January 18, 2021. As the remaining funds included pension assets contributed by the manager who used to be the employee in prior years, the Company transferred to and deposited such funds in the manager’s existing dedicated account, “GIA TZOONG ENTERPRISE CO., LTD. Employee Pension Fund Management Committee”.

In addition, the Company formulated the Employee Pension Guidelines applicable to appointed managers for their service seniority after the start-work date. The aforementioned guidelines were passed by the Board of Directors on April 11, 2007 and by the general shareholder meeting on June 28, 2007.

(1) The pension expense and other comprehensive income amount recognized in the comprehensive income statement under the defined benefit plan are set out as follows:

| | 2022 | 2021 |
|---|---|---|
| Service cost for current period | $ 645 | $ 648 |
| Net interest expense | 53 | 31 |
| Recognized in profit or loss | 698 | 679 |
| Remeasurement | | |

| | 2022 | 2021 |
|---|---|---|
| Return on plan assets | 146 | 64 |
| Actuarial gains - Experience adjustments | 189 | (709) |
| Actuarial assumptions — | | |
| Demographic statistics | — | 744 |
| Change from assumptions | (804) | (415) |
| Recognized as other comprehensive income | (469) | (316) |
| Total | $ 229 | $ 363 |

(2)Amount recognized in balance sheet is set out as follows:

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Present value of defined benefit obligation | $ (30,369) | $ (30,114) |
| Fair value of plan assets | 15,807 | 15,241 |
| Net defined benefit liabilities | $ (14,562) | $ (14,873) |

(3)The change of net defined benefit liabilities is as follows:

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities |
|---|---|---|---|
| 2022 | | | |
| Balance on Jan. 1 | $ (30,114) | $ 15,241 | $ (14,873) |
| Service cost for current period | (645) | — | (645) |
| Interest (expense) income | (225) | 172 | (53) |
| Recognized in profit or loss | (870) | 172 | (698) |
| Remeasurement: | | | |
| Return on plan assets | — | (146) | (146) |
| Effect from changes in financial assumptions | 804 | — | 804 |
| Experience adjustments | (189) | — | (189) |
| Recognized as other comprehensive income | 615 | (146) | 469 |
| Retirement fund contributions | — | 540 | 540 |
| Retirement pension paid | — | — | — |
| Balance on Dec. 31 | $ (30,369) | $ 15,807 | $ (14,562) |

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liabilities |
|---|---|---|---|
| 2021 | | | |
| Balance on Jan. 1 | $ (29,742) | $ 14,657 | $ (15,085) |
| Service cost for current period | (648) | — | (648) |
| Interest (expense) income | (104) | 73 | (31) |
| Recognized in profit or loss | (752) | 73 | (679) |
| Remeasurement: | | | |
| Return on plan assets | — | (64) | (64) |
| Effects from changes in demographic assumptions | (744) | — | (744) |
| Effect from changes in financial assumptions | 415 | — | 415 |
| Experience adjustments | 709 | — | 709 |
| Recognized as other comprehensive income | 380 | (64) | 316 |
| Retirement fund contributions | — | 575 | 575 |
| Retirement pension paid | — | — | — |
| Balance on Dec. 31 | $ (30,114) | $ 15,241 | $ (14,873) |

(4) The fund assets of the defined benefit pension plan of the Company were deposited in a dedicated account in the name of the Labor Retirement Reserve Supervisory Committee with the Trust Department of the Bank of Taiwan. The Labor Pension Fund Supervisory Committee of the Executive Yuan's Council of Labor Affairs continually monitors and inspects the asset investment portfolio, prudently constructs investment portfolios and diversifies types of outsourcing, strengthens risk controls, and adjusts investment strategies in a timely manner in accordance with market changes so as to increase the fund’s stable income. The revenues, expenditures, custody, and utilization of the plan assets are handled by the central competent authority in conjunction with the financial institution commissioned by the finance department. The minimum return shall not be lower than the return on the two-year time deposit interest rate of the local bank; if there is a loss, it shall be made up by the state treasury. The central competent authority has formulated the regulations for the revenues, expenditures, custody, and utilization of plan assets. For details on the fair value of the fund's total assets on December 31, 2022 and 2021, refer to the annual report on the use of labor pension funds announced by the government.

(5) The present value of the defined benefit obligations of the Company is calculated by a qualified actuary. The main assumptions of the actuarial valuation on the measurement date are listed as follows:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 1.40% | 0.75% |
| Future salary increase rate | 3.50% | 3.50% |

(6) An analysis of the present value of the definite benefit obligations affected by changes in the main actuarial assumptions adopted is as follows:

| | Discount rate | | Salary adjustment rate | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| Dec. 31, 2022 | | | | |
| Impact on the present value of defined benefit obligations | $ 319 | $ (325) | $ 309 | $ (313) |

The aforementioned sensitivity analysis is based on the analysis of the impact of a single assumption change, under the condition that other assumptions remain unchanged. In practice, changes in many assumptions may be linked. The sensitivity analysis is consistent with the methodology used to calculate the net pension liability on the balance sheet.

The methods and assumptions used in preparing the sensitivity analysis in this period are the same as those in the previous period.

(7) The Company expected to pay the amount of NT$15,456,000 for the pension plan contributions in 2022.

(8) As of December 31, 2022, the weighted average duration of said pension plan was 2 years.

## 20. Equity

(1) Share capital of ordinary shares

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Number of authorized capital (thousand shares) | 250,000 | 250,000 |
| Authorized capital | $ 2,500,000 | $ 2,500,000 |
| Number of shares (stock) issued and paid-in (thousand shares) | 166,123 | 166,123 |

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Shares issued | $ 1,661,228 | $ 1,661,228 |

(2) Capital reserve

In accordance with the law and regulations, the capital reserve shall not be used except to make up for the Company's losses. However, the excess from the issuance of stocks exceeding the par value (including issuance of ordinary shares in excess of par value, share premium of shares issued due to merger, conversion premium of corporate bonds, treasury stock transactions, etc.) and the capital reserve generated from the receipt of gifts may be set aside as equity capital every year up to a certain percentage of the paid-in capital, provided that unrealized employee stock options and the capital reserve generated from stock options shall not be used for any purpose.

(3) Retained earnings and dividends

1. In accordance with the Company Act and the surplus distribution policy stipulated in the Company's Articles of Incorporation, if the Company's annual final accounts have a surplus, the Company must first pay taxes and make up for past losses, and then set aside 10% thereof as the legal reserve, except when the legal reserve has reached the total paid-in capital of the Company, and the special surplus reserve has been set aside or reversed in accordance with the law or regulations of the competent authority. If there remains any surplus, the Board of Directors shall make a distribution proposal to be submitted to the shareholder meeting for a resolution before the distribution of the balance of the aforementioned surplus plus the accumulated undistributed earnings from the previous year.

2. The legal reserve shall be appropriated until its balance reaches the Company’s total paid-in share capital. The legal reserve may be used to make up for losses. If the Company has no losses, the portion of the legal reserve exceeding 25% of the paid-in share capital may be distributed to shareholders in proportion to the number of shares then held, via issuance of new shares or cash in accordance with the proportion of shareholders' original shares.

3. The Company is part of the electronic manufacturing industry. Although the Company can retain funds to engage in research and development as well as business expansion activities, when it distributes stock dividends to shareholders for a year in which it has made a profit,

doing so will also cause the inflation of share capital. In view of this fact, if the profit does not increase proportionally, it will cause a decrease in earnings per share, thereby causing damage to shareholder equity. Therefore, the Company currently upholds a policy of cash dividends. The method of implementing this is to evaluate the capital needs of the future year based on the Company's future capital budget planning, and to distribute cash dividends to the greatest extent possible. With regard to the implementation ratio of the aforementioned cash dividend policy, the dividends to be distributed are primarily cash dividends, and stock dividends (including stock dividends from retained earnings and stock dividend from capital reserve) account for 50% or less thereof.

4. The Company had a net profit after tax in 2020, and the general shareholder meeting resolved on August 6, 2021 to make up for losses in 2020. The Company had a net loss after tax in 2021, and the general shareholder meeting resolved on June 16, 2022 to make up for losses in 2021.

5. For information on the Company's surplus distribution, queries can be made on the Market Observation Post System.

(4) Other equity items

4. Exchange difference on translation of financial reports for foreign operations

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Beginning balance | $ | (30,576) | $ | (29,467) |
| Occurred in current period | | | | |
| Exchange difference on translation for foreign operations | | 4,310 | | (1,109) |
| Ending balance | $ | (26,266) | $ | (30,576) |

21. Loss per share

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Basic loss per share | $ | (0.46) | $ | (0.67) |
| Diluted loss per share | $ | (0.46) | $ | (0.67) |

(1)Basic loss per share

The calculation of basic loss per share and the weighted average number of ordinary shares is as follows:

| | 2022 | 2021 |
|---|---|---|
| Net loss of the Company (NT$ thousand) | $ (76,804) | $ (112,063) |
| Weighted average number of ordinary shares for calculating basic loss per share (Unit: 1,000 shares) | 166,123 | 166,123 |
| Basic loss per share (NT$) | $ (0.46) | $ (0.67) |

(2)Diluted loss per share

The Company does not have a complex capital structure, and thus only the basic loss per share is disclosed.

22. Operating revenue

The analysis of the revenue arising from the Company is as follows:

| | 2022 | 2021 |
|---|---|---|
| Revenue from contracts with customers | | |
| Revenue of selling goods | $ 480,275 | $ 644,948 |
| Revenue of other operation | 1 | — |
| Less: sales returns and discount | (3,163) | (3,509) |
| Net | $ 477,113 | $ 641,439 |

23. Interest income

| | 2022 | 2021 |
|---|---|---|
| Interest income | $ 4,839 | $ 3,606 |

24. Other income

| | 2022 | 2021 |
|---|---|---|
| Dividend income | $ 726 | $ 230 |
| Gains on write-off of accounts payable | 576 | 349 |
| Other income - Other | 1,288 | 322 |
| Total | $ 2,590 | $ 901 |

25. Other profit and loss

| | 2022 | 2021 |
|---|---|---|
| Gains on disposals of property, plant and equipment | $ 1,556 | $ 663 |

| | | |
|---|---|---|
| Net gains (loss) on foreign exchange | 37,640 | (12,488) |
| Gains on financial assets at fair value through profit or loss | (4,418) | 3,618 |
| Profit from lease modification | 33 | — |
| Compensation loss | (163) | (19) |
| Miscellaneous expenses | (200) | (424) |
| Total | $ 34,448 | $ (8,650) |

26. Financial cost

| | 2022 | 2021 |
|---|---|---|
| Interest expense | | |
| Bank loans | $ 1,274 | $ 1,482 |
| Interest from lease liabilities | 80 | 192 |
| Total | $ 1,354 | $ 1,674 |

27. Income tax

(1) The adjustment of income tax expense and accounting profit is as follows:

| | 2022 | 2021 |
|---|---|---|
| Loss before tax under income tax calculated based on the statutory tax rate | $ (14,504) | $ (20,813) |
| Effect on income tax that the item has been deducted according to the tax law | (5,565) | (1,212) |
| Unrecognized temporary differences | (136) | (800) |
| Unrecognized loss write-off | 25,673 | 25,472 |
| Adjustment for deduction of losses recognized in previous years | (1,183) | 5,350 |
| Income tax expenses recognized in profit or loss | $ 4,285 | $ 7,997 |

(2)Income tax recognized in profit or loss

Income tax expenses recognized in profit or loss for the current year are as follows:

| | 2022 | 2021 |
|---|---|---|
| Deferred income tax expense | | |

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Current year | $ | 5,468 | $ | 2,647 |
| Previous year | | (1,183) | | 5,350 |
| Income tax expenses recognized in profit or loss | $ | 4,285 | $ | 7,997 |

(3)Income tax recognized as other comprehensive income

| | 2022 | | 2021 | |
|---|---|---|---|---|
| Deferred income tax | | | | |
| Arising in the current year | | | | |
| — Actuarial losses and gains from defined benefit | $ | (94) | $ | (63) |
| Total | $ | (94) | $ | (63) |

(4)Income tax assets and liabilities for current period

| | Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|
| Income tax assets for current period | $ | 1,162 | $ | 836 |

(5)Deferred income tax

An analysis of deferred income tax assets and liabilities in the balance sheet is as follows:

| | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Beginning balance | | Recognized as profit or (loss) | | Recognized as other comprehensive income | | Ending balance | |
| Temporary differences | | | | | | | | |
| Doubtful debts | $ | 298 | $ | 334 | $ | — | $ | 632 |
| Sales discounts | | 188 | | (186) | | — | | 2 |
| Losses on reduction of inventory to market | | 3,946 | | (124) | | — | | 3,822 |
| Actuarial losses from defined benefit plan | | 684 | | — | | (94) | | 590 |
| Unrealized pension expense | | 2,454 | | 31 | | — | | 2,485 |
| Loss deduction | | 28,460 | | 1,183 | | — | | 29,643 |
| Other | | 3,671 | | (1,792) | | — | | 1,879 |
| Deferred income tax assets | $ | 39,701 | $ | (554) | $ | (94) | $ | 39,053 |

| | 2022 | | | |
|---|---|---|---|---|
| | Beginning balance | Recognized as profit or (loss) | Recognized as other comprehensive income | Ending balance |
| Land value increment tax | $ 10,367 | $ — | $ — | $ 10,367 |
| Unrealized exchange gains | — | 3,731 | — | 3,731 |
| Deferred income tax liabilities | $ 10,367 | $ 3,731 | $ — | $ 14,098 |

| | 2021 | | | |
|---|---|---|---|---|
| | Beginning balance | Recognized as profit or (loss) | Recognized as other comprehensive income | Ending balance |
| Temporary differences | | | | |
| Doubtful debts | $ 957 | $ (659) | $ — | $ 298 |
| Sales discounts | — | 188 | — | 188 |
| Losses on reduction of inventory to market | 6,283 | (2,337) | — | 3,946 |
| Actuarial losses from defined benefit plan | 747 | — | (63) | 684 |
| Unrealized pension expense | 2,433 | 21 | — | 2,454 |
| Loss deduction | 33,810 | (5,350) | — | 28,460 |
| Other | 3,531 | 140 | — | 3,671 |
| Deferred income tax assets | $ 47,761 | $ (7,997) | $ (63) | $ 39,701 |

| | 2021 | | | |
|---|---|---|---|---|
| | Beginning balance | Recognized as profit or (loss) | Recognized as other comprehensive income | Ending balance |
| Land value increment tax | $ 10,367 | $ — | $ — | $ 10,367 |
| Deferred income tax liabilities | $ 10,367 | $ — | $ — | $ 10,367 |

(6) Items not recognized as deferred income tax assets

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Investment loss | $ 92,779 | $ 92,915 |

| | | |
|---|---|---|
| Loss deduction | 78,946 | 54,823 |
| Total | $ 171,725 | $ 147,738 |

(7) Information related to unused loss deduction as of December 31, 2022 is as follows:

| Year of occurrence | Un-deducted balance | Year of last deduction |
|---|---|---|
| 2017(Assessment) | $ 48,683 | 2027 |
| 2018(Assessment) | 63,956 | 2028 |
| 2019(Assessment) | 54,242 | 2029 |
| 2020(Assessment) | 120,351 | 2030 |
| 2021(Filing) | 127,347 | 2031 |
| 2022(Estimation) | 128,366 | 2032 |
| Total | $ 542,945 | |

(8) Income tax assessment

The Company's income tax return cases up to the year 2020 have been assessed by the tax collection agency.

28. Additional information on the nature of fees

(1) The employee benefits, depreciation, depletion and amortization expenses incurred in the current period, summarized by function, are as follows:

| By function / By manner | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Belonging to operating costs | Belonging to operating expense | Total | Belonging to operating costs | Belonging to operating expense | Total |
| Employee welfare expenses | | | | | | |
| Salary expense | $131,262 | $ 31,853 | $163,115 | $157,255 | $ 35,464 | $192,719 |
| Labor and NHI insurance premium | 14,278 | 2,980 | 17,258 | 15,430 | 3,416 | 18,846 |
| Pension expense | 5,461 | 1,866 | 7,327 | 5,806 | 2,037 | 7,843 |
| Director's Remuneration | — | 4,045 | 4,045 | — | 4,060 | 4,060 |
| Other employee welfare expense | 10,154 | 1,163 | 11,317 | 11,194 | 1,320 | 12,514 |
| Depreciation expense | $ 30,914 | $ 4,363 | $ 35,277 | $ 31,129 | $ 4,932 | $ 36,061 |
| Amortization expense | $ 1,398 | $ 1,308 | $ 2,706 | $ 289 | $ 878 | $ 1,167 |

Note 1: As of December 31, 2022 and 2021, the number of employees of the Company was 349 and 374, respectively; the number of directors and consultants who were not concurrently employees were 6 and 4, respectively.

Note 2: (1) The Company's average employee benefit expenses in 2022 and 2021 were NT$580,000 and NT$627,000, respectively.

(2) The Company's average employee salary expenses in 2022 and 2021 were NT$476,000 and NT$521,000, respectively.

(3) The adjustments and changes in the Company's average employee salary in 2022 and 2021 were (8.7%) and (5.7%), respectively.

(4) Remuneration to the Company's supervisors in 2022 and 2021 was NT$230,000 and NT$520,000, respectively.

(5) The Company's compensation and remuneration policy (including directors, supervisors, managers and employees):

(a) Remuneration for directors and supervisors: Transport allowances were paid in accordance with the Company's remuneration guidelines; dividends were handled in accordance with the Company's Articles of Incorporation; and pensions were handled in accordance with the Company's employee pension guidelines.

(b) Managers and employees: Salaries were paid in accordance with the employee salary system, and salary was determined and distributed in accordance with the employee’s education background, work experience, performance, and work seniority; in the event of bonus distribution, both managers and employees are paid in accordance with the employee bonus distribution percentage; pensions are handled in accordance with the Labor Standards Act and Labor Pension Act; and dividends are handled in accordance with the Company's Articles of Incorporation.

(2) In accordance with the provisions of the Company Act and the Articles of Incorporation, the Company uses the profit before tax that is prior to deduction of distribution of employee compensation

as well as director and supervisor remuneration in the current year to retain the amount to make up for accumulated losses. After that, if there is still any balance, no less than 3% thereof shall be appropriated for employee compensation, nor more than 2% thereof for director and supervisor remuneration. The Company had losses before tax both in 2022 and 2021, and thus did not recognize estimated employee compensation, nor director and supervisor remuneration.

29. Capital risk management

Based on the characteristics of the industry in which the Company currently operates and the future development of such companies, as well as considering factors such as changes in the external environment, the Company plans out the working capital (including research and development expenses, debt repayment, etc.) that they will require in the future to ensure the Company's sustainable operations, to give back to shareholders while taking into account the interests of other stakeholders, and to maintain an optimal capital structure so as to enhance shareholder value. Generally speaking, the Company adopts a prudent risk management strategy.

30. Financial instruments

(1) Information on fair value

1. With carrying amounts of financial instruments measured at fair value is a reasonable approximation of the fair value, and investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, the fair value carrying amounts need not be disclosed; otherwise, the carrying amounts and fair value of the Company's financial assets and financial liabilities are set out as follows:

| | Dec. 31, 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value :<br>Financial assets measured at fair value through profit or loss | | | | |
| Fund beneficiary certificate | $ 80,676 | $ — | $ — | $ 80,676 |
| Domestic company stocks TWSE (TPEx) listed | 97 | — | — | 97 |
| Domestic company shares not TWSE (TPEx) listed | — | — | 1,147 | 1,147 |
| Total | $ 80,773 | $ — | $ 1,147 | $ 81,920 |

| | Dec. 31, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value : | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Fund beneficiary certificate | $ 106,090 | $ — | $ — | $ 106,090 |
| Domestic company stocks TWSE (TPEx) listed | 3,761 | — | — | 3,761 |
| Domestic company shares not TWSE (TPEx) listed | — | — | 1,617 | 1,617 |
| Total | $ 109,851 | $ — | $ 1,617 | $ 111,468 |

2.The methods and assumptions used by the Company to measure the fair value are as follows:

The Company adopted market quotations as the input value for fair value (that is, the first level), which are set out by nature of the instrument as follows:

| | Shares of TWSE (TPEx) listed companies | Fund |
|---|---|---|
| Market quotation | Closing price | Net value on the date of balance sheet |

3. There was no transfer between Level 1 and Level 2 fair value measurement this year.

4. Adjustment of financial instruments measured at Level 3 fair value

Financial assets measured at fair value through profit or loss

| | 2022 | 2021 |
|---|---|---|
| | Equity instrument | Equity instrument |
| Beginning balance | $ 1,617 | $ 1,114 |
| Recognized as profit or loss for current period | (470) | 503 |
| Ending balance | $ 1,147 | $ 1,617 |

(1) For the Company's assets measured at recurring fair value in Level 3 of the fair value hierarchy, the significant unobservable input value used for fair value measurement:

Dec. 31, 2022:

| | Valuation technique | Significant unobservable input value | Quantitative information | Relation between input value and fair value | Sensitivity analysis of relation between input value and fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Fair value measurement through profit or loss | | | | | |
| Domestic company shares not TWSE (TPEx) listed | Market approach | Price-to-book ratio of similar companies | 0.57–1.4 | The higher the multiplier, the higher the fair value; the higher the discount due to lack of market liquidity, the lower the fair value | When the price-to-book ratio of similar companies increases (decreases) by 10%, the comprehensive income of the Company increases/decreases by NT$114,000/(NT$114,000). When the percentage of illiquidity increases (decreases) by 10%, the comprehensive loss of the Company increases/decreases by NT$24,000/(NT$24,000). |

Dec. 31, 2021:

| | Valuation technique | Significant unobservable input value | Quantitative information | Relation between input value and fair value | Sensitivity analysis of relation between input value and fair value |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Fair value measurement through profit or loss | | | | | |
| Domestic company shares not TWSE (TPEx) listed | Market approach | Price-to-book ratio of similar companies | 0.9~2.33 | The higher the multiplier, the higher the fair value; the higher the discount due to lack of market liquidity, the lower the fair value | When the price-to-book ratio of similar companies increases (decreases) by 10%, the comprehensive income of the Company increases/decreases by NT$161,000/(NT$161,000). When the percentage of illiquidity increases (decreases) by 10%, the comprehensive loss of the Company increases/decreases by NT$34,000/(NT$34,000). |

Valuation process of Level 3 fair value measurement

The Company’s finance departments were in charge of the certification of fair value, using independent data sources to make valuation results adhere to market conditions and to confirm that data sources are independent, reliable, consistent with other resources, and representative of the executable price. They also conducted analysis of value changes in assets and liabilities that require re-measurement or re-valuation on each reporting date, in accordance with the Company’s accounting policies, so as to ensure that the valuation results were reasonable.

(2)Type of financial instruments

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through profit or loss | $ 81,920 | $ 111,468 |
| Financial assets measured at amortized cost (note 1) | 716,370 | 736,879 |
| Financial liabilities | | |
| Measured at amortized cost (note 2) | 178,750 | 264,501 |

Note 1: Balance includes cash and cash equivalents, financial assets measured at amortized cost, notes receivable, accounts receivable, other receivables, refundable deposits, and other financial assets measured at amortized cost.

Note 2: Balance includes notes and accounts payable, other payables, lease liabilities, long-term loans, refundable deposits, and other financial liabilities measured at amortized cost.

(3) Purpose of financial risk management

The objective of the Company's financial risk management is to manage exchange rate risk, interest rate risk, credit risk, and liquidity risk related to operating activities. In order to reduce related financial risks, the Company was committed to identifying, assessing and avoiding market uncertainties, so as to reduce potential adverse impacts from market changes on the Company's financial performance.

The Company's material financial activities are reviewed by the Board of Directors in accordance with regulations and internal control systems. During implementation of the financial plan, Company must strictly abide by the financial operating procedures regarding overall financial risk management and division of powers and responsibilities.

(4) Market risks

The Company's market risks refer to risks of change in financial instruments' market price, resulting in fluctuations in fair value or cash flow. Said market risks primarily consist of exchange rate risks, interest rate risks, and other price risks.

1. Foreign currency exchange rate risks

The Company's operating activities and foreign operations' net investment are primarily conducted in foreign currencies. As a result of this, foreign currency exchange rate risks arise. In order to avoid a decrease in the value of foreign currency assets and the fluctuation of future cash flow due to said exchange rate changes, the Company took out short-term loans to avoid exchange rate risks.

The purpose of the Company's taking out short-term loans was primarily to engage in natural hedging of USD accounts receivable. Since the Company's accounts receivable was were primarily in US dollars, the use of US dollar short-term loans naturally avoids risks from US dollar accounts receivable that would arise from changes in foreign currency exchange rates.

Since the net investment of foreign operations was a strategic investment, the Company did not engage in hedging thereof.

The foreign currency assets and liabilities of the Company affected by major exchange rate fluctuations were as follows:

Units: US$1000/RMB¥1000/NT$1000

| | Dec. 31, 2022 | | | | |
|---|---|---|---|---|---|
| | | | | Sensitivity analysis | |
| | Foreign currency | Exchange rate | Carrying amount (NT$) | Range of change | Impact on profit or loss |
| Financial assets | | | | | |
| Monetary items | | | | | |
| US$ | $ 15,514 | 30.71 | $ 476,448 | 10% | $ 47,645 |
| RMB | 1,890 | 4.4094 | 8,333 | 10% | 833 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| US$ | 280 | 30.71 | 8,590 | 10% | 859 |
| RMB | 40 | 4.4094 | 178 | 10% | 18 |

| | Dec. 31, 2021 | | | | |
|---|---|---|---|---|---|
| | | | | Sensitivity analysis | |
| | Foreign currency | Exchange rate | Carrying amount NT$) | Range of change | Impact on profit or loss |
| Financial assets | | | | | |
| Monetary items | | | | | |
| US$ | $ 9,814 | 27.68 | $ 271,644 | 10% | $ 27,164 |
| RMB | 2,347 | 4.341 | 10,187 | 10% | 1,019 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| US$ | 234 | 27.68 | 6,484 | 10% | 648 |
| RMB | 205 | 4.341 | 888 | 10% | 89 |

2. Interest rate risks

Interest rate risks are risks from changes in the fair value of financial instruments arising from changes in market interest rates. The Company’s interest rate risks primarily arose from fixed-income investments and floating-rate loans.

A sensitivity analysis on interest rate risk was calculated based on fair value changes in fixed-income investments and floating-rate loans at the end of the financial reporting period, with the assumption that the investment/loan would be held for one quarter. If the interest rate increases/decreased by 25 basis points (0.25%), the profit and loss of the Company on December 31, 2022 and 2021 would (decrease)/increase by (NT$346,000)/NT$346,000 and (NT$304,000)/NT$304,000 respectively.

3. Other price risks

The price risk of the Company primarily arose from financial assets classified as mandatory fair value measurement through profit or loss, in addition to equity instruments and investments measured at fair value through other comprehensive income. Except for investments made through venture capital funds, all other major investments in equity instruments were approved by the Company's boards of directors before the implementation thereof.

The sensitivity analysis of financial asset price risk measured by fair value through profit and loss was calculated based on changes in the fair value of TWSE (TPEx) listed shares and other investments held by the Company at the end of the financial reporting period. If the price of equity instruments had increased/decreased by 5%, the profit and loss of the Company on December 31, 2022 and 2021 would have increased/decreased NT$4,039,000 and NT$5,493,000, respectively.

For details on the sensitivity analysis of other equity instruments measured by Level 3 of the fair value hierarchy, refer to the description in Note 30. (1).

(5) Credit risk management

Credit risks are risks that a counterparty defaults in its contractual obligations, thereby causing financial losses to the Company. As of the balance sheet date, the Company's largest credit risk exposure that had the potential to cause financial losses due to the failure of the counterparty to perform its obligations and the financial guarantee provided by the Company primarily arose from the carrying amount of financial assets recognized in the parent company only balance sheet.

In order to mitigate credit risks, the Company's management assigned a dedicated team to be in charge of determining credit limit extensions, credit approvals, and other monitoring procedures, to ensure that appropriate actions have been taken to recover overdue accounts receivables. In addition, the Company reviewed the recoverable amounts of accounts receivable one by one as of the balance sheet date, to ensure that appropriate impairment losses on unrecoverable accounts receivable had been recognized. In view of this, the Company's management believed that the credit risk of the Company had been significantly reduced.

Furthermore, since the counterparties in liquid funds and derivatives were banks with high credit ratings given by an international credit rating agency, the credit risks were not high.

As of December 31, 2022 and 2021, the accounts receivable balance of the Company's top ten clients accounted for 66% and 62%, respectively, of the accounts receivable balances. As the top ten clients were all well-known enterprises without major payment collection abnormalities, there was no concern of credit risk.

(6) Liquidity risk management

The Company managed and maintained sufficient cash and cash equivalents to support the operations and mitigate the impact of cash flow fluctuations. The management of the Company supervised the usage of bank financing facilities, and ensured compliance with loan contract terms and conditions.

Bank loans were the Company's major source of liquidity. For details on the Consolidated Companies' unused loan limits as of December 31, 2022 and 2021, refer to Notes 15 and 18.

The remaining contractual maturity analysis of non-derivative financial liabilities was prepared based on the undiscounted cash flows of financial liabilities (including principal and estimated interest), on the earliest date on which the Company might have been required to make repayments. Therefore, the bank loans that the Company could have been required to make immediate repayment are listed in the earliest period in the table below, regardless of the probability of the bank's immediate exercise of the right; the maturity analysis for other non-derivative financial liabilities was prepared based on the agreed repayment date.

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 2 - 3 years | 4 - 5 years | More than 5 years | Total |
| Non-derivative financial liabilities | | | | | |
| Accounts payable | $ 57,977 | $ — | $ — | $ — | $ 57,977 |
| Other payable | 66,020 | — | — | — | 66,020 |
| Lease liabilities | 930 | 310 | — | — | 1,240 |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 2 - 3 years | 4 - 5 years | More than 5 years | Total |
| Non-derivative financial liabilities | | | | | |
| Long-term borrowings | 19,992 | 31,748 | — | — | 51,740 |
| Deposits received | 1,773 | — | — | — | 1,773 |
| Total | $ 146,692 | $ 32,058 | $ — | $ — | $ 178,750 |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 2 - 3 years | 4 - 5 years | More than 5 years | Total |
| Non-derivative financial liabilities | | | | | |
| Notes payable | $ 9 | $ — | $ — | $ — | $ 9 |
| Accounts payable | 84,361 | — | — | — | 84,361 |
| Other payable | 97,449 | — | — | — | 97,449 |
| Lease liabilities | 3,788 | 2,511 | — | — | 6,299 |
| Long-term borrowings | 23,686 | 39,462 | 12,262 | — | 75,410 |
| Deposits received | 973 | — | — | — | 973 |
| Total | $ 210,266 | $ 41,973 | $ 12,262 | $ — | $ 264,501 |

## 31. Related-party Transactions

(1) The names of the related parties and the relationship with the company

| Name of the related parties | The relationship with the company |
|---|---|
| PSC ENTERPRISE CO., LTD. (hereinafter referred to as PSC) | The Company's subsidiary |
| PSC (H.K.) ELECTRONICS LIMITED (hereinafter referred to as PSC (H.K.)) | The Company's subsidiary |
| Puyu Investment Co., Ltd. (hereinafter referred to as Puyu Investment) | The Company's subsidiary |
| ENRICH NATIONALS TRADE LIMITED | The Company's subsidiary |
| GIA TZOONG(ShenZhen) Ltd. | The Company's subsidiary |

(2) Significant transactions with related parties

1. Purchase

| Category of related parties | 2022 Amount | 2021 Amount |
| --- | --- | --- |
| Subsidiary | $ 4,932 | $ 12,108 |

The Company's purchase terms and conditions with its subsidiaries were determined through negotiation between both parties.

2. Sales

| Category of related parties | 2022 Amount | 2021 Amount |
| --- | --- | --- |
| PSC | $ 381 | $ 19,349 |
| Subsidiary | 4,315 | 3,310 |
| Total | $ 4,696 | $ 22,659 |

The Company's sales terms and conditions with its subsidiaries were determined through negotiation between both parties.

3. Receivable (payable) from related parties:

| Category of related parties | Dec. 31, 2022 Amount | Dec. 31, 2021 Amount |
| --- | --- | --- |
| Accounts receivable | | |
| PSC | $ — | $ 2,038 |
| Subsidiary | 1,251 | 143 |
| Total | $ 1,251 | $ 2,181 |
| Accounts payable | | |
| Subsidiary | $ 956 | $ 800 |

4. Other transaction item

| Category of related parties | 2022 Amount | 2021 Amount |
| --- | --- | --- |
| Consumables | | |
| Subsidiary | $ — | $ 76 |

| Category of related parties | Dec. 31, 2022 Amount | Dec. 31, 2021 Amount |
|---|---|---|
| Other accounts payable | | |
| Subsidiary | $ — | $ 75 |

5. Status of financing

Other receivables - related parties

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| Name of related party | Maximum balance | Ending balance | Interest rate | Interest income | Ending interest receivable | Status of pledge |
| Puyu Investment | $ 230,000 | $ — | — | $ 2,777 | $ — | None |

6. Remuneration to major supervisors

The remuneration information for directors and other key management personnel is as follows:

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | $ 18,350 | $ 17,907 |
| Post-employment benefits | 817 | 842 |
| Total | $ 19,167 | $ 18,749 |

The Company provided car(s) for the use of the key management personnel. As of December 31, 2022 and 2021, the carrying amount thereof was both NT$ 0,000.

Remuneration to directors and other key management personnel was determined by the Compensation and Remuneration Committee, in accordance with individual performance and market trends.

## 32. Pledged Assets

As of December 31, 2022 and 2021, the guarantee statements provided by the Company based on their assets are as follows:

| | | Carrying amounts | |
|---|---|---|---|
| Name | Purpose of guarantee | Dec. 31, 2022 | Dec. 31, 2021 |
| Land | Long-term borrowings | $ 135,826 | $ 135,826 |
| House and Building | Long-term borrowings | 134,618 | 129,587 |
| Machine equipment | Long-term | 24,532 | 28,326 |

| Name | Purpose of guarantee | Carrying amounts Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|---|
| | borrowings | | |
| Limited assets (Financial assets measured at amortized cost recognized in the statements) | Long/Short-term loans | 6,829 | 6,820 |
| Total | | $ 301,805 | $ 300,559 |

33. Significant Contingent Liabilities and Unrecognized Commitments

(1) As of December 31, 2022 and 2021, unused letters of credit already issued to the Company were NT$4,548,000 and NT$8,633,000, respectively.

(2) As of December 31, 2022 and 2021, Company's contracted but unpaid amounts for the purchase of property, plant, and equipment were approximately NT$6,847,000 and NT$28,391,000 respectively.

34. Significant Disaster Loss: None

35. Significant Subsequent Events: None

36. Additional Disclosures

(1) Information on Significant transactions and (2) Information on investees

| No | Item | Explanation |
|---|---|---|
| 1 | Lending funds to others. | None |
| 2 | Providing endorsements or guarantees for others. | None |
| 3 | Holding of securities at the end of the period. | Table 1 |
| 4 | Aggregate purchases or sales of the same securities reaching NT$300 million or 20 percent of paid-in capital or more. | None |
| 5 | Acquisition of real estate reaching NT$300 million or 20 percent of paid-in capital or more. | None |
| 6 | Disposal of real estate reaching NT$300 million or 20 percent of paid-in capital or more. | None |
| 7 | Purchases or sales of goods from or to related parties reaching NT$100 million or 20 percent of paid-in capital or more. | None |
| 8 | Accounts receivable from related parties reaching NT$100 million or 20 percent of paid-in capital or more. | None |

| | | |
|---|---|---|
| 9 | Trading in derivative instruments. | None |
| 10 | Information on investee company (If the issuer directly or indirectly exercises significant influence or control over, or has a joint venture interest in, an investee company not in the Mainland China) | Table 2 |

(2) Information on investments in the Mainland China:

1. The name of the investee in Mainland China, main business services, paid-in capital, investment method, inward and outward fund remittances, shareholding ratios, gain and loss on investment, end-of-period investment carrying amount, repatriated investment income, and investment limits for the investee company in Mainland China: Refer to Table 3.

2. The following significant transactions and their prices, payment terms, and unrealized gains and losses conducted directly or indirectly through a third region with the investee company in Mainland China: Refer to Table 4

(1)The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: Refer to Table 4.

(2) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: Refer to Table 4

(3) Amount of property transactions and the amount of profit or loss arising therefrom: None.

(4) Closing balance of endorsements and guarantees on notes or provision of collateral and the purpose thereof: None.

(5) Maximum balance of financing, ending balance, interest rate collar, and total interest of the current period: None.

(6) Other transactions that have a significant impact on the current profit or loss or financial status, such as the provision or receipt of labor services: None.

(3) Information on major shareholders:

Name and number of shares held of any shareholder holding 5% or more shares: Refer to Table 5

37. <u>Operating Segment Information</u>

With regard to the financial information of the Company's operating segment, the parent company only financial report prepared by the securities issuer is not required to incorporate the segment information under IFRS 8 as per Article 22 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

GIA TZOONG ENTERPRISE CO., LTD.
Holding of securities at the end of the period
Dec. 31, 2022

Table 1

In Thousands of New Taiwan dollars, unless stated otherwise.

| Name of this Company | Securities | | Relation with securities issuer (note 2) | Item listed in the statements | Ending | | | | Remark (note 4) |
|---|---|---|---|---|---|---|---|---|---|
| | Type | Name (note 1) | | | Number of shares (1000 shares) | Carrying amount (note 3) | shareholding ratio | Fair value | |
| GIA TZOONG ENTERPRISE CO., LTD. | Stocks | INNOVATIVE TURNKEY SOLUTION CORPORATION | — | Financial assets measured at fair value through profit or loss - non-current | 1,000 | $ 1,147 | 1.65% | $ 1,147 | |
| | Money Market Fund | TCB Taiwan Money Market Fund | — | Financial assets measured at fair value through profit or loss - current | 2,956 | 30,446 | — | 30,446 | |
| | Money Market Fund | Allianz Taiwan -Bank SinoPac | — | 〃 | 3,944 | 50,230 | — | 50,230 | |
| | Stock | TAIWAN CHI CHENG ENTERPRISE CO., LTD. | — | 〃 | 3 | 97 | — | 97 | |

Note 1: The securities mentioned in this table refer to stocks, bonds, beneficiary certificates, and securities derived from the aforementioned items, within the scope of IFRS 9, Financial Instruments.

Note 2: Where the securities issuer is not a related party, this column is to be omitted.

Note 3:Where it is measured by fair value, fill in the carrying amount column with the book balance after the valuation adjustment at fair value and deduction of accumulated losses; where it is not measured at fair value, fill in the carrying amount column with the book balance of the initial acquisition cost or amortized cost less accumulated impairment.

Note 4: Where the securities listed are subject to the provision of guarantees, pledged loans, or other restricted use due to agreements, the number of shares provided for guarantees or pledges, the amount of guarantees or pledges, and restricted usage status shall be indicated in the Remark column.

# GIA TZOONG ENTERPRISE CO., LTD.
## Information on investees, their location and other information
## (Excluding investees in mainland China)
## January 1 to December 31, 2022

Table 2

In Thousands of New Taiwan dollars, unless stated otherwise.

| Investing company | Name of Investee (Note 1, 2) | location | Main business items | Initial investment amount | | Holding at the end of the period | | | Investee's profit (loss) of current period (note 2(2)) | Investment profit (loss) recognized current period (note 2(3)) | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | End of period for current period | End for last year | Number of shares (1000 shares) | Ratio | Carrying amount | | | |
| GIA TZOONG ENTERPRISE CO., LTD. | PSC ENTERPRISE CO., LTD. | Samoa | PCB trading and investment | $ 329,006 | $ 329,006 | 9,725 | 100% | $ 35,252 | $ 192 | $ 192 | Subsidiary |
| GIA TZOONG ENTERPRISE CO., LTD. | ENRICH NATIONALS TRADE LIMITED | Hong Kong | PCB trading | 4,536 | 4,536 | 1,106 | 100% | 9,643 | 217 | 217 | Subsidiary |
| GIA TZOONG ENTERPRISE CO., LTD. | Puyu Investment Co., Ltd. | Taiwan | Property investment | 16,000 | 104,000 | 1,600 | 80% | 49,186 | 42,301 | 33,841 | Subsidiary |
| GIA TZOONG ENTERPRISE CO., LTD. | PSC (H.K.) ELECTRONICS LIMITED | Hong Kong | PCB trading | 7,142 | 7,142 | 10 | 100% | 5,425 | 271 | 271 | Subsidiary |

Note 1:Where a public company has a foreign holding company that uses consolidated statements as its main financial report in accordance with local laws and regulations, the disclosure of information on the foreign investee company may be carried out to the extent of the information related to the holding company only.

Note 2: Where the circumstances mentioned in Note 1 do not apply, the information shall be filled in in accordance with the rules below:

(1) The “name of the investee company”, “location”, “main business items”, “initial investment amount” and “shareholding status at the end of the period” columns shall be filled in based on the status of the (public) Company's reinvestment, as well as the status of the reinvestment transfer made by each investee company directly or indirectly controlled thereby, in order, indicating also the relationship between each investee company and the (public) Company (for example: subsidiary or a sub subsidiary) in the remark column.

(2) The “Profit or loss of the investee company for the period” column must be filled in with the amount of profit or loss for the current period of each specific investee company.

(3) The “Investment profit or loss recognized in the current period” column must be filled in with the profit or loss amounts of the specific subsidiary recognized by the (public) Company as a direct reinvestment as well as each investee company valuated using the equity method only; the remainder may be omitted. When filling in the “recognition of the profit or loss amount of each subsidiary directly reinvested for the period”, it must be confirmed that the profit or loss amount of each subsidiary has included the profit or loss in investments for its reinvestment transfer to be recognized in accordance with the regulations.

# GIA TZOONG ENTERPRISE CO., LTD.
## Information on investments in the Mainland China
## January 1 to December 31, 2022

Table 3

In Thousands of New Taiwan dollars, unless stated otherwise.

| Investee company in Mainland China | Main business services | Paid-in capital | Investment method (note 1) | Cumulative investment amounts remitted out from Taiwan at the beginning of the period | Investment amount from outward or inward for current period | | Cumulative investment amounts remitted out from Taiwan at the end of the period | Profit / loss for the current period of investee company | Holding ratio of the Company after direct or indirect investments | Investment profit/ loss recognized for current period (note 3) | End-of-period investment carrying amount | Repatriated investment income as for this period | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outward | Outward | | | | | | | |
| JIANGMEN PSC ELECTRONICS LTD | PCB production and sales business | $ 578,868<br>USD 17,666,019.84 | 2 | $ 578,868<br>USD17,666,019.84 | $ – | $ – | $ 578,868<br>USD17,666,019.84 | $ – | – | $ – | $ – | $ – | Note 4 |
| GIA TZOONG(ShenZhen) Ltd. | PCB trading | 4,339<br>USD 140,000 | 2 | 4,339<br>USD 140,000 | – | – | 4,339<br>USD 140,000 | 222 | 100% | 222 | 7,420 | – | |

| Cumulative investment amounts remitted out from Taiwan to China at the end of the period | Investment amount approved by Investment Commission, MOEA | Amount limited and approved by Investment Commission, MOEA for investment in China (note 2) |
|---|---|---|
| $ 578,868 (USD 17,666,019.84) | $ 595,014 (USD 17,380,576.81) | $ 733,290 |
| 4,339 (USD 140,000.00) | 9,744 (CNY 2,200,000.00) | |

Note 1: The investment methods are divided into the following four types. Indicate the type only:
(1) Investment in a Mainland China company via remittance through a third region.
(2) Investment in a Mainland China company via a company invested and established in a third region.
(3) Investment in a Mainland China company via an existing company established in a third region.
(4) Other methods, EX, entrusted investment.

Note 2: Based on and limited to 60% of the net worth at the time of approval being granted by the Ministry of Economic Affairs' Investment Commission, which after translation does not exceed the limit in accordance with the exchange rate at the time of filing.

Note 3: Financial statements that recognized the profit or loss in investments in the current period were audited by the certified public accountants of the parent company in Taiwan.

Note 4: The Company's Board of Directors passed a resolution on August 9, 2019 to authorize the subsidiary GIA TZOONG CIRCUIT ENTERPRISE CO., LTD. to dispose of 100% equity of its subsidiary JIANGMEN PSC ELECTRONICS LTD. The equity transfer procedure, change of responsible person, and re-election of directors and supervisors were completed on March 23, 2020, and the handover thereof was completed on June 3, 2020.

GIA TZOONG ENTERPRISE CO., LTD.

significant transactions and their prices, payment terms, and unrealized gains and losses conducted directly or indirectly through a third region with the investee company in Mainland China, and other related information

January 1 to December 31, 2022

Table 4

In Thousands of New Taiwan dollars, unless stated otherwise.

| Investee company in Mainland China | Type of trading | Purchases or sales of goods | | Price | Trading terms | | Notes and accounts receivable (payable) | | Unrealized gains and losses | Remark |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Amount | Percentage | | Collection terms | Comparison with general transactions | Amount | Percentage | | |
| GIA TZOONG(ShenZhen) Ltd. | Sales of goods | $9,286 | 2% | (note 1) | (note 1) | (note 1) | $ 1,179 | 1% | $ — | |
| | Purchases | 4,224 | 1% | 〃 | 〃 | 〃 | 1,251 | 2% | — | |

Note 1: With regard to the purchase and sales transactions between the Company and related parties, there is no significant difference in the transaction price, nor in collection payment terms and conditions, from those in transactions conducted with non-related parties.

GIA TZOONG ENTERPRISE CO., LTD.
Information on major shareholders
Dec. 31, 2022

Table 5

| Shares / Name of major shareholders | Number of shares | Shareholding ratio |
|---|---|---|
| LEE MAW CHANG | 16,388,066 | 9.86% |
| SHEN CHEN CHIEN | 10,133,000 | 6.09% |
| TSENG CHI LI | 9,561,794 | 5.75% |

Note 1: The information on major shareholders contained in this table is calculated by the central depositary company on the last business day of each quarter, based on information for shareholders holding a total of 5% or more of the ordinary shares and special shares of the Company that have been completed with non-physical delivery by means of registration (including treasury shares). As for the share capital recorded in the Company's financial report and the number of the Company's shares that have actually been completed with non-physical delivery by means of registration, there may be differences due to the different bases for preparation and calculation.

# GIA TZOONG ENTERPRISE CO., LTD

**Chairman: Cheng An Investment Co., Ltd. - TSENG CHI LI**