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PROMATE ELECTRONIC CO., LTD

2022 Annual Report

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Promate Electronic Co., Ltd.

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I. Letter to Shareholders

Dear Shareholders:

The consolidated operating revenue of Promate Electronic in 2022 was NT\$ 28.073 billion, down by 13.54% compared with operating revenue of NT\$ 32.469 billion in the same period last year. The operating profit of the Company reached NT\$ 936 million, decreased by approximately NT\$ 299 million compared with the operating profit of NT\$ 1.235 billion last year. It presented a significant decline of approximately 24.21% regarding operating profit; the after-tax net profit of the Company reached NT\$ 886 million, up by approximately 4.36% compared with NT\$ 849 million in 2021. The Company calculated the after-tax basic earnings per share as NT\$ 4.08 based on the outstanding capital stock of NT\$ 2.088 billion. As for the dividend policy, Promate Electronic would still maintain the previous high dividend distribution policy this year.

According to the report of “World Economic Outlook” published by the International Monetary Fund (IMF) in October 2022, the global economic growth rate was predicted to decline from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. As for inflation, it was predicted in this report that the global inflation rate would rise from 4.7% in 2021 to 8.8% in 2023, but this figure was expected to drop to 6.5% in 2023. In 2024, this figure might even drop to 4.1%. For Taiwan, the economic growth rate in 2022 and 2023 was expected to reach 3.3% and 2.8% respectively. Compared with that in April, the economic growth rate was slightly increased by 0.1% this year and slightly decreased by 0.1% next year. For major Asian countries, the economic growth rate of mainland China was significantly decreased from 8.1% last year to 3.2% in 2022 and 4.4% in 2023 respectively. The estimated value of the inflation of this year and next year was 2.2%; the economic growth rate of Japan was expected to be 1.7% and 1.6% in 2022 and 2023 respectively, with inflation rate of 2.0% and 1.4%. The Company’s operating revenue proportions based on regional classification were as follows: 70.59% from Europe, the United States, and Asia (not including mainland China and Hong Kong), and 29.41% from mainland China (including mainland China and Hong Kong).

In 2022, the overall electronic component industry of Taiwan faced the most serious adversity, including the withering of terminal demand, higher inventories, obstructed production, and influence from the US-China competition. A series of adverse factors struck a blow to the industry development. Therefore, it was estimated that the output value of overall electronic component industry would decline compared with that in 2021. Looking into 2023, there will be four major observation highlights pertaining to the development of Taiwan’s electronic component industry, including inventory reduction speed, influence of the technological competition between China and the United States, growth strength of 3C PLUS applications, and proportions of high-standard products. Electronic has already established a complete layout in global market, namely sets up its service bases in China, Japan, Europe (the Netherlands) and America, etc. Under the guidance of each rule of administration, the Company also sets up the audit committee and remuneration committee, to carry corporate management further; it also formulates “Code of Ethics”, “Codes of Integrity Management” and “Integrity Operating Procedures and Guidelines” to require its management team and all colleagues to follow, as well as safeguard shareholders’ equities; in terms of information disclosure, it has stipulated “Administrative Measures for Financial and Non-financial Information” and corresponding operation rules, and with the principle of equity and integrity, the Company provides full information on its website for shareholders and interested parties, etc. to acquire significant financial and business information in a real-time; in addition to this, the Company’s operating strategies are also resolved and unanimously passed by the Board of Directors through fully discussions, and implemented onto corresponding businesses, to achieve company’s management targets and pursuit a sustainable management.

The Company's management team and all colleagues sincerely thank the shareholders for their support and encouragement. The Company will be more pragmatic in the operation to protect the shareholders' rights and interests, and hope that the shareholders can continue to support and encourage.

1. 2022 Business Report

(1) Business plan implementation results

Item	2022	2021	Increase (Decrease)	Rate of change %
Operating Revenue	28,073,205	32,469,053	(4,395,848)	(13.54)
Operating Profit	936,360	1,234,817	(298,457)	(24.17)
Net profit after tax	885,907	848,904	37,003	4.36

(2) Budget implementation

The Group has not disclosed its financial forecast in 2022, so there is no budget to be achieved.

(3) Financial revenue and expenditure and profitability analysis

Item		2022	2021
Financial structure (%)	Debt to asset ratio	61.70	67.10
	Long-term funds to fixed assets ratio	1,699.32	1,767.20
Liquidity (%)	Current ratio	159.54	156.19
	Quick ratio	109.30	114.61
	Times Interest Earned	10.69	19.79
Profitability	Return on assets(%)	6.61	6.56
	Return on equity	16.83	18.32
	Income before tax to paid-in capital ratio	54.27	54.78
	Net profit margin (%)	3.16	2.61
	Earnings per share(NTD)	4.08	4.31

(4) Research and development status

Research and development expenditures over the last three years

Unit: NT\$1,000

	2020	2021	2022
R&D expenses	70,959	70,364	81,970
R&D expenses as a percentage of revenue	0.27%	0.22%	0.29%

The Company has successfully acted as the agent of domestic and foreign electronics major components products, with FAE and many R&D personnel, mainly to provide customers with technical support for the use of products, help customers save R&D expenses and shorten the product launching time, and provide customers with complete solutions, including the panel displays, wireless links, terminal servers, automotive electronic applications and application-specific chips, low-power-consumption and high-efficiency power management IC solutions, etc., focusing on the niche market segments to enhance the Company's added value.

2. 2023 Business Plan Summary

According to the report of "World Economic Outlook" published by the International Monetary Fund (IMF) in October 2022, the global economic growth rate was predicted to decline from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. As for inflation, it was predicted in this report that the global inflation rate would rise from 4.7% in 2021 to 8.8% in 2023, but this figure was expected to drop to 6.5% in 2023. In 2024, this figure might even drop to 4.1%. For Taiwan, the economic growth rate in 2022 and 2023 was expected to reach 3.3% and 2.8% respectively. Compared with that in April, the economic growth rate was slightly increased by 0.1% this year and slightly decreased by 0.1% next year. For major Asian countries, the economic growth rate of mainland China was significantly decreased from 8.1% last year to 3.2% in 2022 and 4.4% in 2023 respectively. The estimated value of the inflation of this year and next year was 2.2%; the economic

growth rate of Japan was expected to be 1.7% and 1.6% in 2022 and 2023 respectively, with inflation rate of 2.0% and 1.4%.

(1) Operating strategy & Important production and sale policies

- 1) Implement the enterprise sustainable management, strengthen the employees' humanistic quality, enhance the integration of work and life, and continue to enrich the professional skills and strengthen the partnership with upstream and downstream manufacturers, jointly create the added value, create a win-win cause, and pursue the sustainable operation.
- 2) Provide the customers a complete supply plan to coordinate with the downstream system manufacturer's production plan, help the customers to shorten the product development time, provide a complete solution to the customer, make the customers more focusing on the core technology research and development, enable the customers to shorten new product development time, grab the market opportunities, improve the overall efficiency, competitiveness, and increase the satisfaction of the final market and the Company's added value.
- 3) Clarifying the product market positioning, focusing on the familiar industries, and distributing the product lines, LCD panels, special application chips, power management ICs and wireless communication products, the Company is positioned in the high-technology and high-value-added design-in market, with the application fields covering the information, consumer electronics and communication industries. The technical competitiveness has become the biggest competitive advantage of Promate, which has formed an obvious market specialty division between Promate and other agents and domestic peers.

(2) Expected sales volume and its basis

The various electronic components for agent sales by the Company are used in various electronic consumer products and industrial fields, such as personal computers, information home appliances, broadband network, wireless communication systems, vehicle-related applications, etc., with a wide range of applications and deep into the general family life field. Looking forward to 2023, in the face of the influence of factors such as inventory reduction speed and the technological competition between China and the United States, and considering the upstream and downstream industries and related electronic consumer market supply and demand, as well as the agency of the original factory's expected target and internal business planning, the growth of related product sales in 2023 is challenging but still cautiously optimistic.

Promate Electronic Co., Ltd. will continue to develop potential agent products in all fields in 2023, and meanwhile aim at intensifying its core competitive ability to march into critical key components and products with high added values of high-growth industry in mid-and-long term prudent mode. Besides, it was expected that the interest rate in current year would be maintained at a relatively high level for a long term, and emphasis should be placed on inventory management, and maintenance of a stable financial structure and good cash flows, thus to reduce its future development risks, and add revenue and profit-making motion meanwhile. So please support, give advice and offer encouragement as always, to maximize the interests of shareholders via increased performance and ongoing growth.

Sincerely yours,

Chairman: Eric Chen



President: Eric Chen



Head of Accounting: Mandy Chiu



II. Company profile

1. Date of Establishment: May 26, 1986
2. Company history

1986	* Promate Electronic Limited was established with a capital of NT\$ 6 million.
1988	* Obtained the electronic product agency of UMC. * Acquired the product agency of Zilog Inc.
1989	* The Company was restructured into a limited company. * Obtained the product agency of LTC.
1991	* "Best Technical Support Award" from Zilog Inc.
1992	* Cash increase of NT\$12 million, paid-up capital of NT\$28 million. * Awarded "Excellent Agent in the Pacific Region" by LTC.
1993	* Acquire the product agency of S3 International Limited. * Awarded "Agent of the Year" by UMC.
1994	* Awarded "Agent of the Year" by LTC. * Awarded "Agent of the Year" by UMC for two consecutive years.
1995	* NT\$28 million of new shares were issued with additional capital and the paid-up capital was NT\$56 million. * Set up R&D Department, mainly responsible for writing the embedded MCU software. * Awarded "Agent of the Year" by LTC for four consecutive years. * Won the award of "Outstanding Business Person for Issuing Uniform Invoice in Taipei City" in 1984. * Merger of Huahuang Enterprise Limited with a combined issue of NT\$28 million of new shares and paid-up capital of NT\$56 million.
1996	* Acquired the product agency of Novatek. * Acquired the product agency of ITE. * Acquired the product agency of Davicom. * Acquired the first monitor manufacturer for Novatek MCU products - AOC (now the 3rd largest monitor manufacturer in the world).
1997	* Cash increase of NT\$24 million, paid-up capital of NT\$80 million. * Obtained the product agency of AMIC. * Successfully introduced S3 PCI Sound Products to the Taiwan market. The first two customers' products were designed with the support of Promate Electronic.
1998	* Surplus transfer for capital increase of NT\$16 million, cash increase of NT\$4 million, paid-up capital of NT\$100 million. * Acquired the fiber optic communication chipset product agency of AMCC. * Acquired the X86 CPU product agency of Rise Technology Company. * Successfully introduced S3 Mobile Products into the Taiwan market. The first two customers' products were designed and supported by Promate Electronic. * Won the "Global Outstanding Agent Award" from S3. * Won the "Best Supplier Award" from GIGABYTE.
1999	* Surplus transfer for capital increase of NT\$30 million, cash increase of NT\$20 million,

	<p>paid-up capital of NT\$150 million.</p> <ul style="list-style-type: none"> * Obtained the agency of TFT-LCD LCD panel of Unipac. * Strategy alliance with Unipac, to become a strategic partner in the manufacturing and sales of small size TFT-LCD LCD module products. * Established the liquid crystal module product division (including manufacturing department, R&D department, sales department). * Acquired the MPEG chip product agency of iCompression Inc. * Acquired the mobile phone chipset product agency of Dspc Israel Ltd. * Acquired the Global Positioning System (GPS) product agency of SirF.
2000	<ul style="list-style-type: none"> * Surplus transfer for capital increase of NT\$50.29 million, cash increase of NT\$34.71 million, and paid-up capital of NT\$235 million. * Approved public offering of shares of Promate Electronic. * Successfully developed 7" 16: 9 TFT-LCD module products. * Successfully developed GPS module products. * Acquired the LCD Monitor chip product agency of Averlogic. * Acquired the Blue-tooth product agency of Silicon Wave. * Acquired the ADSL broadband product agency of Integrated Telecom Express Inc. (ITEX).
2001	<ul style="list-style-type: none"> * Surplus transfer for capital increase of NT\$67 million, and paid-up capital of NT\$320 million. * Acquired the MOSFET(transistor) product sales right of AOS (ALPHA & OMEGA SEMICONDUCTOR, INC.). * Acquired the SOC and OTP product sales right of KIT ON LINE TECHNOLOGY CORP. * Acquired the product agency of ON Semiconductor. * Acquired the product agency of NetLogic MicroSystem, Inc. * Acquired the product agency of Mellanox Technologies, Inc. * Acquired the product agency of Protura Wireless. * Won the "Top 10 Outstanding Component Agents Award" from New Electronic Magazine in 2001. * Won the "Best Semiconductor Agent Award" from Electronics Industry Weekly in 2001. * Won the "Outstanding Supplier Award" from GIGABYTE. * Won the "Most Valuable Partner Award" from MITAC. * Won the "Excellent Agent Award" from supplier Silicon Wave. * Ranked 186 in the Top 500 Service Industries and 217 in the Top 1000 Companies of CommonWealth Magazine. * Ranked 305 in the Top 1000 Manufacturers of BusinessWeek.
2002	<ul style="list-style-type: none"> * Acquired the product agency of High Bandwith Access (Taiwan) Inc. * Acquired the product agency of Micronas GmbH of Weike Co., Ltd. * Surplus and capital reserve transfer for capital increase of NT\$110 million, paid-up capital of \$412 million. * On May 28, two independent directors and one independent supervisor were elected by the

	<p>shareholders at the regular meeting.</p> <p>* On September 16, the Company was listed at the OTC Trading Centre.</p>
2003	<p>* Cash increase of NT\$51.75 million and paid-up capital of NT\$463.75 million.</p> <p>* Surplus and capital reserve transfer for capital increase of NT\$136,876,775, and paid-up capital of NT\$600, 626,750.</p> <p>* Won the "Best Growth Award for Outstanding Parts Agents" from New Electronic Magazine in 2003.</p>
2004	<p>* Issued the first domestic unsecured convertible corporate bonds of NT\$500 million.</p> <p>* Acquired the semiconductor product agency of U.S. Genesis.</p> <p>* Ranked 89 in the Top 500 Service Industries of Commonwealth Magazine.</p> <p>* Ranked 88 in the Top 500 Services Industries of BusinessWeek.</p> <p>* On May 24, listed and traded on an exchange from over-the-counter trading center.</p> <p>* Surplus and capital reserve transfer for capital increase of NT\$171,321,750, and paid-up capital of NT\$771,948,500.</p> <p>* NT\$5.09 million of common shares were converted through employee stock option certificates, with a paid-up capital of NT\$777,038,500.</p> <p>* Acquired the chip product agency of Silego.</p> <p>* Acquired the related memory product agency of Saifun.</p> <p>* Acquired the related memory product agency AMIC.</p>
2005	<p>* NT\$1.79 million of common shares were converted through employee stock option certificates, with a paid-in capital of NT\$778,828,500.</p> <p>* Acquired the linear IC product agency of Pyramis.</p> <p>* Acquired the product agency of LeadTrend.</p> <p>* Acquired the semiconductor product agency of AATI.</p> <p>* Ranked 54 in the Top 500 Service Industries of Commonwealth Magazine.</p> <p>* Ranked 54 in the Top 1000 Services Industries of BusinessWeek.</p> <p>* Employee stock option certificates, convertible corporate bonds and surplus and capital reserves of NT\$210,462,180, and paid-up capital of NT\$989,290,680.</p> <p>* Acquired the product agency of Wischip.</p> <p>* Acquired the product agency of JAM.</p>
2006	<p>* Ranked 47 in the Top 500 Service Industries of Commonwealth Magazine.</p> <p>* Ranked 47 in the Top 1000 Services Industries of BusinessWeek.</p> <p>* Acquired the product agency of Lumileds.</p> <p>* Employee stock option certificates and convertible corporate bonds for common shares of NT\$ 23,520,030, and paid-up capital of NT\$ 169,139,855.</p> <p>* This year's employee stock option certificates, surplus and capital reserve transfer for capital increase was totally NT\$ 201,118,160, and the paid-up capital was NT\$ 1,190,408,840.</p> <p>* This year's employee stock option certificates, surplus and capital reserve transfer for capital increase was totally NT\$ 201,118,160, and the paid-up capital was NT\$</p>

	<p>1,190,408,840.</p> <p>* Invested in HAPPY ON INTERNATIONAL LTD. for NTD8,778,000, holding 70% of the shares.</p>
2007	<p>* Cash increase of NT\$ 60 million and the issuance of second domestic convertible bonds of NT\$ 350 million.</p> <p>* Obtained the product agency of Oxford and BridgeLux.</p> <p>* This year's employee stock option certificates, convertible corporate bonds and surplus and capital reserve transfer for capital increase was NT\$ 451,027,000, and the paid-up capital was NT\$ 1,701,435,350 by the end of 2007.</p> <p>* Invested in EAST PROFIT INTERNATIONAL LTD. for NTD35,684,000, holding 70% of the shares.</p> <p>* Invested in Picoway Co., Ltd. for NTD20,000,000, holding 70% of the shares.</p>
2008	<p>* The total amount of surplus and capital reserves converted into capital increase/convertible corporate bonds converted into common shares was NT\$132 million, and the paid-up capital was NT\$1,814,091,000.</p> <p>* Obtained the product agency of RDC.</p> <p>* Obtained the product agency of Diodes from the United States.</p> <p>* Obtain the product agency of Volterra from the United States.</p> <p>* Obtained the product agency of AMS from Australia.</p> <p>* Obtained the product agency of RMI from the United States</p>
2009	<p>* Invested in Promate Electronic (Shenzhen) Co., Ltd. through Hong Kong Promate International for USD200,000, holding 100% of the shares.</p> <p>* Invested Promate Electronic (Shanghai) Co., Ltd. through Hong Kong Promate International for USD1,000,000, holding 100% of the shares.</p> <p>* Convertible corporate bonds converted into common shares amounted to NT\$16.7 million, with the paid-up capital of NT\$1,823,171,000.</p>
2010	<p>* Won the Best Partner Award from Alpha & Omega.</p> <p>* Won the AVBU GD Best Partner Award from AU Optronics.</p> <p>* Won the Best Partner Award from Gigabyte Technology in 2010.</p> <p>* Won the Partner Award from uPI-Semi.</p> <p>* In 2009, Promate Electronic ranked 61 in the Top 500 Service Industry Survey of Commonwealth Magazine, and ranked 11 in Information, Communication and IC Access.</p>
2011	<p>* Won the Best Partner Award from Alpha & Omega.</p> <p>* Won the Best Partner Award from Gigabyte Technology in 2010.</p> <p>* Won the Partner Award from uPI-Semi.</p> <p>* Write-off and repurchase of 507,000 ordinary shares, with paid-up capital of NT\$1,823,171,000.</p> <p>* In 2010, Promate Electronic ranked 59 in the Top 500 Service Industry Survey of Commonwealth Magazine, and ranked 10 in Information, Communication and IC Access.</p>
2012	<p>* Write-off and repurchase of 2,765,000 ordinary shares, with paid-up capital of NT\$1,790,451,000.</p>
2013	<p>* Completed the division of specific application product business group to the subsidiary</p>

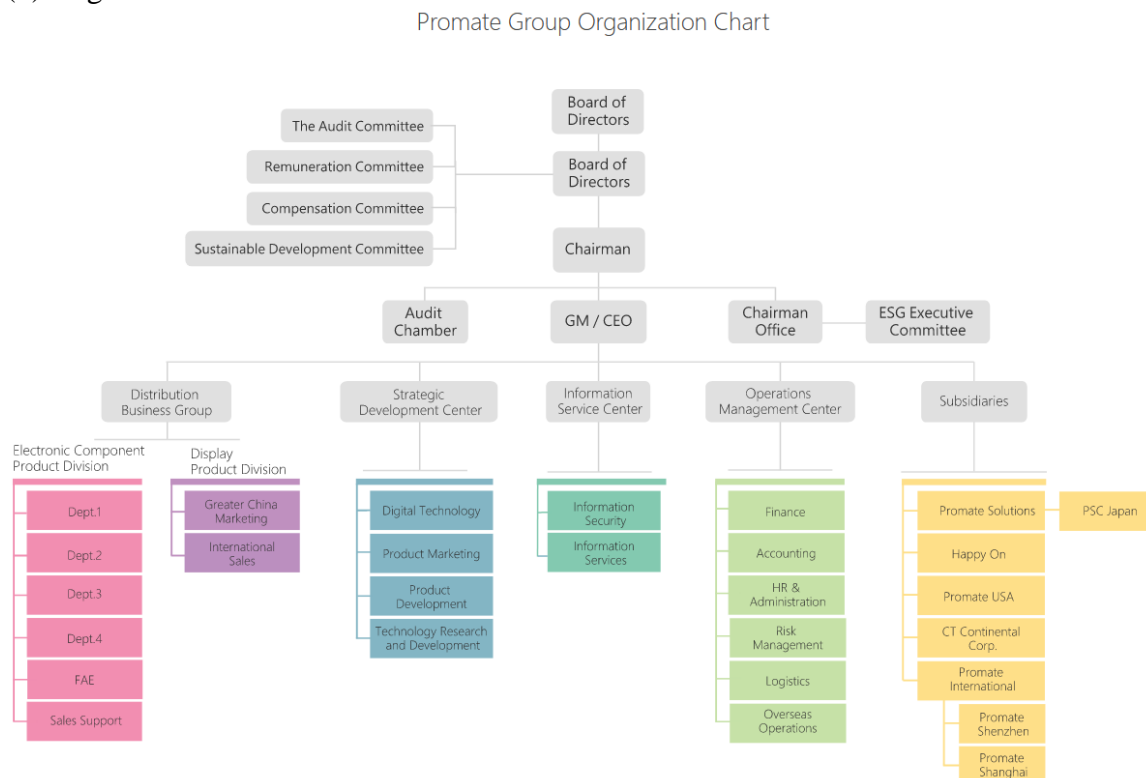
	Promate Solutions Corporation.
2014	<ul style="list-style-type: none"> * Obtained the product agency of GigaDevice. * Obtained the product agency of Conexant. * Awarded the Intel “Smart Impact Challenge” First Prize by ISRC in 2013. * Ranked 72 in the Top 500 Service Industries of CommonWealth Magazine in 2013, and ranked 11 in IC access.
2015	<ul style="list-style-type: none"> * Obtained the product agency of NDK. * Obtained the product agency of EMC. * Ranked 68 in the Top 500 Service Industries of CommonWealth Magazine in 2014, and ranked 10 in IC access.
2016	<ul style="list-style-type: none"> * Obtained the product agency of AMAZING. * Ranked 86 in the Top 2000 Service Industries of CommonWealth Magazine in 2015, and ranked 10 in IC access.
2017	<ul style="list-style-type: none"> * Ranked 85 in the Top 2000 Service Industries of CommonWealth Magazine in 2016, and ranked 11 in IC access.
2018	<ul style="list-style-type: none"> * Obtained the product agency of LCF/ CAPXON. * Ranked 84 in the Top 2000 Service Industries of CommonWealth Magazine in 2017, and ranked 10 in IC access.
2019	<ul style="list-style-type: none"> * Obtained the product agency of XMC/LPS. * Ranked 17 in information, communication, IC access of CommonWealth Magazine in 2018,.
2020	<ul style="list-style-type: none"> * Issued the third domestic unsecured converted corporate bonds of NT \$1 billion. * Convertible corporate bonds converted into common shares amounted to NT\$ 808,450, with the paid-up capital of NT\$ 1,790,451,940. *The 16th of 2019 CommonWealth Magazine Information, Communication and IC Pathway. * Ranked 18 in Top 5000 electronic components wholesale industry of large enterprises in Taiwan in 2020.
2021	<ul style="list-style-type: none"> *Convertible bonds converted to common share is NT\$111,116,890 in total, and paid-in capital is NT\$1,902,377,280. *The 16th of 2020 CommonWealth Magazine Information, Communication and IC Pathway. *The 15th of 2021Taiwan Large Enterprise TOP 5000IC Components Retail and Wholesale.
2022	<ul style="list-style-type: none"> *Convertible bonds converted to common share is NT\$168,138,550 in total, and paid-in capital is NT\$2,070,515,830. *The 15th of 2021 CommonWealth Magazine Information, Communication and IC Pathway.

In the most recent year and as of the date of publication of the annual report of the Company, except for the matters disclosed above, there has been no significant transfer or replacement of the shares of directors, supervisors or major shareholders holding more than 10% of the shares, changes in management rights or major changes in business contents or other important matters affecting the shareholders' rights and interests.

III. Corporate governance report

1. Corporate Organization

(1) Organization Chart



(2) Business operations of major departments

- 1) Board of Directors: Including Audit Committee and Compensation Committee, Sustainable Development Committee, and Nominating Committee

Audit Committee: The Audit Committee is held accountable for supervising the fair presentation of the financial reports, the hiring (and dismissal), independence, and performance of certificated public accountants, the effective implementation of the internal control system, compliance with relevant laws and regulations, and management of risks

Compensation Committee: Prescribe and periodically review the performance review and remuneration policy, system, standards, and structure for directors and managerial officers. Periodically evaluate and prescribe the remuneration of directors and managerial officers.

Sustainable Development Committee: Make overall planning and supervise the drafting of direction and objectives of sustainable development affairs, convene meetings periodically, and report the performance of the committee and achievement of goals to the Board of Directors every year.

Nominating Committee: Formulate standards for the diversified background required of members of the Board of Directors and managers including professional knowledge, technology, experience, and gender as well as independence, search, audit and nominate candidates of directors and managers on this basis, and establish and

periodically review directors' further education plans and succession plans of directors and managers.

- 2) ESG Execution Group:
Plan the strategies for sustainable development affairs, track the execution efficiency of ESG work, establish a continual improvement plan, and prepare annual ESG report to strengthen the sustainable operation competitiveness of the Group.
- 3) Auditing Office: Responsible for the audit of implementation of internal rules and regulations, and put forward the improvement suggestions.
- 4) Operation Management Center: Consisting of Finance Department, Accounting Department, HR & Admin Department, Risk Control Department, Logistics Department, International Operation Department and so on.

Finance: In charge of the Company's fund scheduling, cash receipts and payments, planning of financial institution relations, management of long-term and short-term securities, etc.

Accounting: Responsible for accounting, profit and loss calculation, tax planning, operating cost calculation and financial statement analysis.

HR & Admin Department: Human resource planning, personnel recruitment and selection, performance evaluation, in-service training, employee salary, employee welfare, office environment, health and safety management, file receipt and sending, procurement, supply and management of office supplies and operating consumables, switchboard, reception and other general affairs, and stock affair planning, shareholders' meeting, processing of directors' and supervisors' meeting related matters.

Risk Control Department: Customer credit risk assessment and control, accounts receivable management, legal affairs related management (litigation and non-litigation, contract, intellectual property), company insurance planning and cross-department cooperation, to assist the Group in the operation of the risk control and efficiency improvement and project management.

Logistics: Import and export customs declaration, shipping, insurance, warehousing and other matters of commodity materials and domestic commodity materials transportation and dispatch management.

International Operation: Assist to support the logistic and administrative operations of international business units.

- 5) Component agency division group:
Including Electronic Component Product Division and Display Product Division.
Electronic Component Product Division Including:
Dept. I Computer Consumer: Responsible for the market management, promotion, sales management planning and implementation of IC and other components.
Dept. II Discrete Power: Responsible for the marketing, promotion, sales management planning and implementation of consumer electronics, computer peripherals and other components.
Dept. III Active Power :Responsible for the marketing, promotion, sales management planning and implementation of analog/linear and other specific application components.
Dept. IV Communication: Responsible for the planning and implementation of marketing,

promotion, sales management of wired/wireless communication products and other specific application components.

Display Product Division: Responsible for the planning and implementation of market operation, promotion and sales management of LCD panels of all sizes at home and abroad.

- 6) Strategy Development Center: Responsible for product development and sales. Digital Science and Technology Department, Product Marketing Department, Product Development Department, and Technical R&D Department are set up under this Center.
- 7) Information & Technology Service Center: Information Security Department and Information Service Department are set up under this center.

Main responsibilities: Maintain the information security, the Company's network system, inventory system, server, email system, and other equipment, educate and train for the Company's internal information system, plan and promote the future information management.

2. Information on directors, supervisors, president, vice president, assistant vice president, and heads of departments and branch offices

(1) Information on Directors

April 15, 2023

Title	Nationality or place of registration	Name	Gender Age	Date appointed Date	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairperson	ROC	Eric Chen	Male 70	2022/6/15	3 years	1996.11.12	8,667,851	4.08%	8,667,851	4.08%	3,385,088	1.59%	609,000	0.29%	Bachelor of Science in Electrophysics, National Chiao Tung University, Taiwan .Engineer, Texas Instruments Inc.	Chairperson, Chuang Fong investment Co., Ltd. .Director, Promate Solutions Co., Ltd. (Legal Representative, Promate Electronic Co., Ltd.) .Chairperson, Promate Electronic Co., Ltd. .Director, Weikeng Industrial Co., Ltd. .Supervisor, Jin Fong investment Co., Ltd. .Chairperson, Promate International Co.,Ltd. Director, CT Continental Corp. (Legal Representative, Promate Electronic Co., Ltd.)	COO	Cheer Du	Man and Wife	Note 2
Director	ROC	Cheer Du	Female 67	2022/6/15	3 years	1996.11.12 (Supervisor) 1999.10.06 (Director)	3,385,088	1.59%	3,385,088	1.59%	8,667,851	4.08%	609,000	0.29%	.Department to Economics, National Taiwan University	.Chairperson, Guang Mai Industrial Ltd. .Director, Chuang Fong investment Co., Ltd. .Chairperson, Promate Solutions Co., Ltd. .COO, Promate Electronic Co., Ltd. .Chairperson, Jin Fong investment Co., Ltd. .Chairperson, Fong Shuo Yi investment Co., Ltd. .Chairperson, Fong Shuo venture capital Co., Ltd.	Chairperson	Eric Chen	Man and Wife	Note 2

Title	Nationality or place of registration	Name	Gender Age	Date appointed Date	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director	ROC	Ciou-Jiang Hu	Male 69	2022/6/15	3 years	2001.12.28 (Supervisor) 2007.06.13 (Director)	2,248,949	1.06%	2,248,949	1.06%	1,505,036	0.71%	-	-	.Ph.D. of Institute of Management of Technology, National Chiao Tung University, Taiwan .Master of Business Administration, Da-Yeh University, Taiwan .Executives Program, Graduate School of Business Administration, National Cheng-Chi University .Bachelor of Science in Communications National Chiao Tung University, Taiwan .R&D Engineer, SAMPO Co., Ltd. .Chairman&CEO, Weikeng Industrial Co., Ltd. and its affiliates .Chairman, Taipei County Computer Association(TCCA) .Executive Director, Taipei Electronic Components Suppliers' Association(TECS)	(Note 1)	-	-	-	
Director	ROC	Yi-Lin Sung	Male 67	2022/6/15	3 years	2007/6/13	2,607,000	1.41%	2,992,000	1.41%	1,499,000	0.71%	-	-	Department of Electronics, Chien Hsin University of Science and Technology	Person in charge of Promate Electronic (Shanghai) Co., Ltd. Person in charge of Promate Electronic (Shenzhen) Co., Ltd.	-	-	-	
Director	ROC	Chuang Fong investment Co., Ltd. Representative: Ming-Jhen Jhu	- Female 59	2022/6/15	3 Years	2007.06.13 2008.05.05	3,694,901 -	1.74% -	3,694,901 13,500	1.74% 0.01%	- 769,634	- 0.36%	- -	- -	New Jersey Institute of Technology, Environmental Engineering Major	.Researcher of Merck USA.	COO	Cheer Du	Sister-in-law	
Independent Director	ROC	Jiang-Long Guo	Male 69	2022/6/14	3 Years	2007.06.13	-	-	-	-	-	-	-	-	Bachelor in National Chiao Tung University dept of electrophysicss, General Manager of China District in Semiconductor Marketing Business of Texas Instruments	.Independent Director, M3 Technology Inc. .Independent Director, Weltrend Semiconductor, Inc. .Managing Adviser, WT MICROELECTRONICS CO., LTD.	-	-	-	

Title	Nationality or place of registration	Name	Gender Age	Date appointed Date	Term	Date first elected	Shares held when elected		Shares currently held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree			Notes	
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
Independent Director	ROC	Siou-Ming Huang	Male 68	2022/6/15	3 Years	2004.06.11	-	-	-	-	-	-	-	-	National Chiao Tung University dept of electrophysics Maxim Integrated Products Inc. Executive Director of Sales and Applications, Asia Pacific.	-	-	-	-		
Independent Director	ROC	Min-Chih Chien	Male 43	2022/6/15	3 years	2017/6/9	-	-	-	-	-	-	-	-	Master of Electrical Engineering, University of California	General Manager, FIC Global, Inc. Chairperson, Ubiqconn Technology, Inc. Vice Chairperson, 3CEMS Group	-	-	-	-	
Independent Director	ROC	Mei-Chi Chen	Female 66	2022/6/15	3 Years	2009/7/6	-	-	-	-	5,000	-	5,000	-	EMBA, National Taiwan University Department of Money and Banking, National Chengchi University	Chairperson, Chenbro Micom Co., Ltd. Director, Peng Wei Investment Chairperson, Lian-mei Investment Ltd. Director, Chen-Source Inc. Chairperson, Chen-Feng Precision Co., Ltd	-	-	-	-	

Note 1 : CSO of Weikeng Industrial Co., Ltd. (since September 1, 2022), Chairman of Wai Kee Investment Co., Ltd., Chairman of Weikang Industrial International Co., Ltd., Chairman of Weikeng Technology Pte Ltd., Chairman of Weikeng Inforcomm Co., Ltd., Independent Director/Remuneration Committee Member of VTAC Co., Ltd., Independent Director/Remuneration Committee Member/Audit Committee Member/Nomination Committee Member of Syntech Information Co., Ltd., Director of Promate Electronic Co., Ltd., Legal Representative/Director of Promate Solutions Corporation, Director of Amazing Microelectronic Corp., Director of Leadtek Research Inc, Supervisor of Avik Technologies Co., Ltd., and Nominating Committee Member/Sustainable Development Committee Member of Weikeng Industrial Co., Ltd.

Note 2 : If the Chairman and General Manager or the equivalent (top manager) are the same person, or they are spouses or first-class relatives, the Company should explain the reasons, reasonability, necessity, and corresponding measures (such as increasing the number of Independent Directors, and more than half of the Directors should not be the employees or managers, etc.).

a. The Company's chairman is also the general manager, mainly responsible for corporate operating strategy planning, operating efficiency and decision-making promotion.

b. The Company's chief operation officer and chairman is a couple, and the COO is mainly in charge of supervising business and financial operations, and report to the general manager.

To strengthen Board of Directors' independence, the Company has trained to select suitable persons internally; besides, chairman is always communicate with each director with respect to company's recent operating conditions, plans and guidelines to implement corporate management. In the future, the Company also plans to add independent directors to improve Board of Directors' functions and enforce supervision. The Company has already increased the seats of independent directors to enhance the functions of the Board of Directors and strengthen the supervision functions in accordance with the provisions of Article 4 of Compliance Matters for Setting and Exercise of Authorities of Board of Directors of TWSE/TPEx Listed Companies.

The Company has the following specific measures at present:

(1) Current four independent directors are separately specialized in financial accounting and electronic industry, and able to work efficiently in functions.

(2) Organize each director every year to participate in professional courses in external agency, to enhance Board of Directors' functions.

(3) Independent directors can, in each functional committee meeting, discuss and propose suggestions for Board of Directors' reference, to implement corporate management.

(4) More than of Board of Directors members have not been employee or manager.

Major shareholders of the institutional shareholders

March 31, 2023

Name of corporate shareholder	Major shareholders of the corporate shareholders	Shareholding ratio (%)
Chuang Fong investment Co., Ltd.	Eric Chen	37.50%
	Cheer Du	14.60%
	Man-Li Song	20.00%
	Jin-Chou Guo	20.00%
	Zhu-Zhen Lin	5.00%
	Yi-Lin Sung	2.90%

Note 1: If director is a corporate shareholder's representative, shall fill the name of such shareholder.

Note 2: Fill such shareholder's name (top 10 of the ratio of share holding) and ratio of share holding.

Note 3: In case of a corporate shareholder is not belong to company organizer, shall disclose such shareholder's name and ratio of share holding, namely the name and ratio of investor or subscriber (may refer to judicial court's notice), and if a subscriber has gone, please note "dead".

Directors and supervisors qualification and independent directors' information disclosure:

Name	Criteria	Professional qualification and experiences (Note 1)	Independence condition (Note 2)	Additional posts in other public companies
Eric Chen	<p>Bachelor in NCTU (Now renamed the NYCU) Department of Electronic Physics, Mr. Chen previously served as engineer in Texas Instruments Inc, and now is the chairman and general manager of Promate Electronic Co., Ltd., and director of Promate Solutions Corporation.</p> <p>As the founder of Promate Electronic, Mr. Eric Chen is specialized in the operation and strategic management of semiconductor component industry for more than 40 years, and in addition to act as a director in Promate Electronic Corporation's subordinate companies (including the Company and subsidiary), he is also a director in relevant electronics companies to exercise his special talents. Therefore, Mr. Chen possesses financial accounting, commercial, marketing and scientific and technological industry related operation planning, management abilities, and is able to provide corresponding operation management suggestions and guidelines for the Company's Board of Directors, and require the management team to implement.</p>	<ol style="list-style-type: none"> 1. The Company's general manager, acts as a director with manager status. 2. The Company's affiliated company director. 3. The Company's top 10 natural person shareholder. 4. The Company director's spouse. 5. Has never been appointed as a director (committee member), supervisor, manager or shareholder with more than 5% shares of any specific company or institution having financial or business relations with the company. 6. Has never been appointed as a service provider for the company or affiliated company's auditing, or obtained a remuneration accruing amount not exceeding NT\$ 500,000 from legal affairs, financial affairs, accounting, etc. of recent tow years, and acted as a owner, partner director (committee member), supervisor, manager or its spouse of sole proprietorship, partnership, company or institution. 7. Has never been involved in conditions that stipulated in Article 30 of <i>Company Acts</i>. 8. Has never been appointed on behalf of government, legal person or its representative as stipulated in Article 27 of <i>Company Acts</i>. 		

Name	Criteria	Professional qualification and experiences (Note 1)	Independence condition (Note 2)	Additional posts in other public companies
Cheer Du	<p>BA in Economics, National Taiwan University, and now is the chief operation officer of Promate Electronic Co., Ltd., and also the chairman and general manager of PROMATE SOLUTIONS CORPORATION .</p> <p>Ms. Cheer Du is specialized in semiconductor component industry for more than 30 years in terms of operation and strategy management, and in addition to act as a director in Promate Electronic Corporation's subordinate companies (including the Company and subsidiary), she is also a director and independent director in relevant electronic technology industrial chain and downstream company, to exercise her corporate management speciality. Therefore, Ms. TU possesses outstanding analysis and management abilities in corporate management, financial accounting, business affairs, marketing and sales as well as industrial technology fields.</p>	<ol style="list-style-type: none"> 1. The Company's operation officer. 2. The Company chairman's spouse. 3. The Company's top 10 natural person shareholder. 4. Has never been appointed as a director (committee member), supervisor, manager or shareholder with more than 5% shares of any specific company or institution having financial or business relations with the company. 5. Has never been appointed as a service provider for the company or affiliated company's auditing, or obtained a remuneration accruing amount not exceeding NT\$ 500,000 from legal affairs, financial affairs, accounting, etc. of recent tow years, and acted as a owner, partner director (committee member), supervisor, manager or its spouse of sole proprietorship, partnership, company or institution. 6. Has never been involved in conditions that stipulated in Article 30 of <i>Company Acts</i>. 7. Has never been appointed on behalf of government, legal person or its representative as stipulated in Article 27 of <i>Company Acts</i>. 		

Name	Criteria	Professional qualification and experiences (Note 1)	Independence condition (Note 2)	Additional posts in other public companies
Ciou-Jiang Hu	<p>Phd in NCTU (Now renamed the NYCU) Institute of Science and Technology Management, now is its part-time lecturer, with Professor Rank Technical Expert qualification, and also specialized in technology entrepreneurship, scientific and technological industry management and practice, IC components and information channel, new business operating and planning as well as venture capital investment, etc.</p> <p>Mr. CIOU-JIANG HU Possesses excellent practical experience, strategic management, leadership and academic skills, whom is specialized in semiconductor component industry management for more than 30 years, and in addition to act as a director in Weikeng Group (including the Company and 100% holding subsidiary), he is also director or independent director in relevant electronic technology industrial chain and downstream company, to exercise his special talents for corporation management, Therefore, Mr. possesses financial accounting, commercial, marketing and scientific and technological industry related operation planning, management abilities.</p>	<ol style="list-style-type: none"> 1. The Company's top 10 natural person shareholder. 2. Has never been the Company's or affiliated company's employee or manager. 3. Has never been the Company's other directors' spouse, second-relative or third-relative. 4. Has never been appointed as a director (committee member), supervisor, manager or shareholder with more than 5% shares of any specific company or institution having financial or business relations with the company. 5. Has never been appointed as a service provider for the company or affiliated company's auditing, or obtained a remuneration accruing amount not exceeding NT\$ 500,000 from legal affairs, financial affairs, accounting, etc. of recent tow years, and acted as a owner, partner director (committee member), supervisor, manager or its spouse of sole proprietorship, partnership, company or institution. 6. Has never been involved in conditions that stipulated in Article 30 of <i>Company Acts</i>. 7. Has never been appointed on behalf of government, legal person or its representative as stipulated in Article 27 of <i>Company Acts</i>. 	2	

Name	Criteria	Professional qualification and experiences (Note 1)	Independence condition (Note 2)	Additional posts in other public companies
Yi-Lin Sung	<p>Department of Electronic Engineering, Lunghwa Junior College of Technology and director of Wai Kee Investment Co., Ltd.</p> <p>Mr. Yi-Ling Sung has always been specialized in corporation operation and management, and engaged in the semiconductor industry for more than 30 years. Therefore, Mr. Sung is familiar with the industry with abundant experience. In recent years, he has committed to relevant issues including society and environment. Therefore, Mr. Yi-Ling Sung has the expertise of corporate operation and governance, and operation planning related to the science and technology industry, as well as practical experience in social responsibilities.</p>	<ol style="list-style-type: none"> 1. One of the top-10 individual shareholders of the Company. 2. Not an employee or manager of the Company or its affiliates. 3. With no relation with other directors of the Company, e.g., spouse, relative within the second or third degree of kinship, and any other lineal relative by blood. 4. Not a director (council member), supervisor, manager or shareholder holding more than 5% of shares in a company or institution that has financial or business contact with the Company. 5. Not a professional specialized in relevant services involving commerce, legal affairs, finance and accounting who has provided auditing service for the Company or its affiliates, or acquired an accumulated amount of remuneration below NT\$ 500,000 in the recent two years, or an owner, partner, director (council member), supervisor, or manager of a sole proprietorship, partner, company or institution, or spouse of any person mentioned above. 6. Not involved in each circumstance prescribed in Article 30 of the Company Act. 7. Not appointed on behalf of the government, legal person or its representative according to Article 27 of the Company Act. 		

Name	Criteria	Professional qualification and experiences (Note 1)	Independence condition (Note 2)	Additional posts in other public companies
Chuang Feng Investment Co., Ltd. representative: Ming-Jhen Jhu	<p>Bachelor of Environmental Engineering Dept. in New Jersey Institute of Technology, Ms. MING-JHEN JHU previously served as a researcher of Merck Performance Materials Ltd. (America), and now is the Director of Promate Electronic Co., Ltd.Co., Ltd.</p> <p>Ms. Ming-Jhen Jhu focuses on scientific and technological industry research and management, and is able to provide proper suggestions and guidelines for the Company's Board in view of company industrial structure change and operating management, with excellent industrial development and technological application insights.</p>	<ol style="list-style-type: none"> 1. The Company director's second-relative, etc. 2. Has never been The Company affiliated company's employee or manager. 3. Has never been appointed as a director (committee member), supervisor, manager or shareholder with more than 5% shares of any specific company or institution having financial or business relations with the company. 4. Has never been appointed as a service provider for the company or affiliated company's auditing, or obtained a remuneration accruing amount not exceeding NT\$ 500,000 from legal affairs, financial affairs, accounting, etc. of recent tow years, and acted as a owner, partner director (committee member), supervisor, manager or its spouse of sole proprietorship, partnership, company or institution. 5. Has never been involved in conditions that stipulated in Article 30 of <i>Company Acts</i>. 6. Has never been appointed on behalf of government, legal person or its representative as stipulated in Article 27 of <i>Company Acts</i>. 		

Name	Criteria	Professional qualification and experiences (Note 1)	Independence condition (Note 2)	Additional posts in other public companies
Jiang-Long Guo	<p>Bachelor in NCTU (Now renamed the NYCU) Department of Electronic Physics, Mr. GUO, JIANG-LONG previously served as the general manager of Texas Instruments semiconductor marketing Chinese Zone, and now is the independent director of Promate Electronic Co., Ltd..</p> <p>Mr. GUO, JIANG-LONG now is also the independent director of M3 Technology Inc., and although acting as the independent director for more than 9 years, he is not in violation of any circumstances in Article 30 of <i>Company Acts</i>, and familiars with the technological development development of semiconductor industrial chain, practical experience, strategic management and leadership ability. Mr. Guo as well concentrates on semiconductor component industry operation and management for over 30 years, and with the help of the specialties in scientific and technological industry, he is able to fully perform the independent director and audit committee's functional authority, thus to improve the Board of Directors' corporate management quality and audit committee's supervision function.</p>	<p>According to the Company's <i>Articles of Association</i> and "Code of Practice on Corporate Governance", director selection adopts the system for nominating candidates, and the Company has already obtained each director's written declaration, work experience, current certificate of employment as well as family relation sheet for verification upon Board member nomination and selection, to confirm himself or herself, spouse and his or her third-relative's independence to to the company; in addition, the left column listed independent director, within two years before selection and term of office, is verified to be qualified in accordance with the "Methods of Compliance for Public Company's Independent Director Arrangement" that published by Financial Supervisory Commission and qualifications of Article 14 (2) in <i>Securities Exchange Act</i>. Further, all independent directors are attached with sufficient decision-making and rights of audience as stipulated in Article 14 (3) of <i>Securities Exchange Act</i>, to independently perform relevant authorities.</p>	2	

Name	Criteria	Professional qualification and experiences (Note 1)	Independence condition (Note 2)	Additional posts in other public companies
Siou-Ming Huang	<p>Bachelor in NCTU (Now renamed the NYCU) Department of Electronic Physics, Mr. HUANG, XIU-MING previously served as the executive director of MAXIM Asian-Pacific region for sales and application, and now is the independent director of Promate Electronic Co., Ltd. .</p> <p>Although acting as the independent director for more than 9 years, Mr. Siou-Ming Huang is not in violation of any circumstances in Article 30 of <i>Company Acts</i>, and familiars with the technological development development of semiconductor industrial chain, practical experience, strategic management and leadership ability. Mr. Guo as well concentrates on semiconductor component industry operation and management for over 30 years, and with the help of the specialties in scientific and technological industry, he is able to fully perform the independent director and audit committee’s functional authority, thus to improve the Board of Directors’ corporate management quality and audit committee’s supervision function.</p>	<p>According to the Company’s <i>Articles of Association</i> and “Code of Practice on Corporate Governance”, director selection adopts the system for nominating candidates, and the Company has already obtained each director’s written declaration, work experience, current certificate of employment as well as family relation sheet for verification upon Board member nomination and selection, to confirm himself or herself, spouse and his or her third-relative’s independence to to the company; in addition, the left column listed independent director, within two years before selection and term of office, is verified to be qualified in accordance with the “Methods of Compliance for Public Company’s Independent Director Arrangement” that published by Financial Supervisory Commission and qualifications of Article 14 (2) in <i>Securities Exchange Act</i>. Further, all independent directors are attached with sufficient decision-making and rights of audience as stipulated in Article 14 (3) of <i>Securities Exchange Act</i>, to independently perform relevant authorities.</p>		

Name	Criteria	Professional qualification and experiences (Note 1)	Independence condition (Note 2)	Additional posts in other public companies
Min-Chih Chien	Graduated from the University of California with a Master Degree in Electrical Engineering, Mr. Chien currently serves as the general manager of FIC Global, Inc. With many years' work experience in commerce, finance, and corporate business and dedication in the fields related to computer and vehicle electronics for more than 10 years, Mr. Chien has established the ability for professional leadership, marketing, operation management, and strategic planning.	In accordance with the provisions of the Articles of Association of the Company, and "Corporate Governance Best Practice Principles", candidate nomination system is adopted for selection and appointment of directors. During the nomination and selection of members of the Board of Directors, the Company has already acquired each director's written statement, work experience, and current certificate of employment, as well as verified a form of kinship provided. The Company has already confirmed the independence of the directors, their spouse, and relatives within the second degree of kinship relative to the Company; additionally, it has been verified that the independent directors in the left column have complied with the qualifications established in "Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies" issued by the Financial Supervisory Commission, and Article 14-2 of the Securities and Exchange Act two years before being appointed and during their tenure. Furthermore, the independent directors have already independently executed relevant powers and functions in accordance with the power of full participation in decision-making and expression of their opinions as granted in Article 14-3 of the Securities and Exchange Act.		

Name	Criteria	Professional qualification and experiences (Note 1)	Independence condition (Note 2)	Additional posts in other public companies
Mei-Chi Chen	Graduated from National Taiwan University with EMBA, Ms. Chen currently serves as the founder and chairperson of Chenbro Micom Co., Ltd. With years' work experience in commerce, finance, and corporate business, and dedication in the fields related to computer and peripheral equipment for nearly 40 years, Ms. Chen has established the ability for professional leadership, marketing, operation management, and strategic planning. Also, with an international outlook, Ms. Chen leads the company to become a pioneering leader in the industry, and march towards sustainable management.	In accordance with the provisions of the Articles of Association of the Company, and "Corporate Governance Best Practice Principles", candidate nomination system is adopted for selection and appointment of directors. During the nomination and selection of members of the Board of Directors, the Company has already acquired each director's written statement, work experience, and current certificate of employment, as well as verified a form of kinship provided. The Company has already confirmed the independence of the directors, their spouse, and relatives within the second degree of kinship relative to the Company; additionally, it has been verified that the independent directors in the left column have complied with the qualifications established in "Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies" issued by the Financial Supervisory Commission, and Article 14-2 of the Securities and Exchange Act two years before being appointed and during their tenure. Furthermore, the independent directors have already independently executed relevant powers and functions in accordance with the power of full participation in decision-making and expression of their opinions as granted in Article 14-3 of the Securities and Exchange Act.		

Note 1: Professional qualification and experience: for individual director's education experience, please refer to Page 9-11 director data (I).

Note 2: Please describe independent director's condition, including but not limited to himself or herself, spouse, second-class relatives, whether serving as the Company or its affiliate enterprise's director, supervisor or employees; number of shares and ratio of himself or herself, spouse, second-class relatives (or using the names of others); whether serving as director, supervisor or employee of any company which has specific relations with the Company (please refer to sub-item 5~8 of Item in Article 3 of public company's independent director rules and compliance); the amount of reward he or she gets in recent 2 years from the Company or its affiliate enterprise in commercial, legal affairs, financial, accounting and other service places.

Board of Directors' diversity and independence

(1) Director diversity:

The Company has already stipulated Board of Directors' functions in the "Code of Practice on Corporate Governance", namely the diversity principles. Besides, the Company's Board members nomination and selection adopt the system for nominating candidates as stipulated in Articles of Association, and except for evaluating each candidate's education and experience qualifications, it also abides to the "Director Election Method", to ensure directors' diversity and independence. Moreover, board members must be diverse, and evaluated in view of their professional knowledge and abilities, including professional backgrounds (such as legal, accounting, industrial, financial, marketing or technological abilities), skills and industrial experience, etc. based on proper diverse principles in terms of company's operation, management status and development demands in addition to gender, age, nationality, culture and other basic conditions and values.

Board of Directors members shall generally have the knowledge, ability and quality as required. To achieve corporate ideal objective, Board of Directors shall possess the following abilities:

- Leadership ability
- Operation judgement
- Operating management
- Crisis management capability
- Industrial knowledge
- International market view
- Accounting and financial analysis ability
- Decision ability

The Company now has 9 directors, including 5 general directors, and 4 independent directors, of which female directors account 1 seat; besides, directors of ages between 40-49 years old are one; between 50-59 years old are one; between 60-69 years old are six and above 70 years old are one. Directors selection is performed according to relevant regulations and diversity policies.

Diversity policy for Board of Directors' specific management objective and implementation status:

1. Diversity policy management objective and achieving condition:

Diverse management objective	Achieving rate	Achieving condition
Directors whom also acts as company manager shall not exceed 1/3 of the total	22%	Achieved
Pay attention to board member gender equality, and female directors account 25% or above	33%	Achieved

2. Diversity condition of Board of Directors is as below:

Title	Name	Gender	Age	Operation judgement	Accounting and financial analysis	Operation management	Risk	Industrial knowledge	International market view	Leader	Decision
Director	Eric Chen	Male	70	✓		✓	✓	✓	✓	✓	✓
Director	Cheer Du	Female	67	✓	✓	✓	✓	✓	✓	✓	✓
Director	Ciou-Jiang Hu	Male	69	✓	✓	✓	✓	✓	✓	✓	✓
Director	Yi-Lin Sung	Male	67	✓		✓	✓	✓	✓	✓	✓
Director	Ming-Jhen Jhu	Female	59	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Jiang-Long Guo	Male	69	✓		✓	✓	✓	✓	✓	✓
Independent Director	Siou-Ming Huang	Male	68	✓		✓	✓	✓	✓	✓	✓
Independent Director	Min-Chih Chien	Male	43	✓	✓	✓	✓	✓	✓	✓	✓
Independent Director	Mei-Chi Chen	Female	66	✓	✓	✓	✓	✓	✓	✓	✓

(2) Board of Directors independence:

The Company's Board of Independent Directors of 4, which accounts 44% of the seats, and the followings are listed to state independence compliance condition:

- a. Among the Company's 9 directors, 67% directors' family members (refer to director's spouse and second-relative, etc.) are not the Company or subsidiary's senior manager.
- b. There exists no private service contract between directors and the company or company's senior management level.
- c. Within the past year, directors were not appointed by any external audit institution or as its partner.
- d. Directors have no interest conflict with Board of Directors' independence.

To sum up, the Company have not violated the circumstances that stipulated in Item 3-4 of Article 26 of Securities Exchange Act.

(2) Profile of President, Vice Presidents, Assistant Vice Presidents, and Department Directors

April 15, 2023

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and underage children		Shares held in the name of others		Education/work experience	Other positions	Other manager who is the spouse or a relative within second degree			Notes
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman and General Manager	ROC	Eric Chen	Male	July 1998	8,667,851	4.08%	3,385,088	1.59%	609,000	0.29%	Bachelor of Science in Electrophysics, National Chiao Tung University, Taiwan Engineer, Texas Instruments Inc.	Chairperson, Chuang Fong investment Co., Ltd. Director, Promate Solutions Co., Ltd. Chairperson, Promate Electronic Co., Ltd. Director, Weikeng Industrial Co., Ltd. Supervisor, Jin Fong investment Co., Ltd. Chairperson, Promate International Co., Ltd.	COO	Cheer Du	Man and Wife	Note(1)
COO	ROC	Cheer Du	Female	July 1998	3,385,088	1.59%	8,667,851	4.08%	609,000	0.29%	Department to Economics, National Taiwan University	Chairperson, Guang Mai Industrial Ltd. Director, Chuang Fong investment Co., Ltd. Chairperson, Promate Solutions Co., Ltd. COO, Promate Electronic Co., Ltd. Chairperson, Jin Fong investment Co., Ltd. Chairperson, Fong Shuo Yi investment Co., Ltd. Chairperson, Fong Shuo venture capital Co., Ltd.	Chairman	Eric Chen	Man and Wife	Note(1)
Senior Executive Vice President	ROC	Mark Chen	Male	August 2010	-	-	234,858	0.11%	-	-	Department of Electronics, Fu Jen Catholic University	-	-	-	-	
Senior Vice General Manager	ROC	Jin-Long Sie	Male	April, 2013	7,238	-	-	-	-	-	Bank & Insurance Section, National Taipei University of Business	-	-	-	-	
Vice General Manager	ROC	Fu-Long Deng	Male	Oct. 2016	1	-	2,071	-	-	-	Electronic Engineering, Kuang Wu Junior College	-	-	-	-	

Vice General Manager	ROC	Andy Chang	Male	Aug.2018	2,000	-	-	-	-	-	Electronic Engineering, Lunghwa Junior College	-	-	-	-
Vice General Manager	ROC	Chu-Ying Yang	Male	July, 2021	19,229	0.01%	18,000	0.01%	-	-	Feng Chia University Master of Business Administration YOSUN INDUSTRIAL CORP.-Senior deputy business manager EAST PROFIT INTERNATIONAL LTD. -Senior assistant	-	-	-	-
Finance Manager	ROC	Jasmine Wu	Female	March, 1994	131,633	0.06%	-	-	-	-	Accounting and Statistics Section, National Taipei University of Business Auditor, Kudos & Co., C.P.A.s	-	-	-	-
Accounting Manager and Corporate Governance officer	ROC	Mandy Chiu	Female	Aug. 2010	31,679	0.01%	-	-	-	-	Department of Accounting, National Chengchi University Auditor, KPMG	-	-	-	-
Assistant Manager of Information Service Center	ROC	Shun-Fang Chen	Female	Nov. 2022	-	-	-	-	-	-	Southern New Hampshire University (MBA) Harvard University (Computer Science) IT Assistant Manager, EDOM Technology Co., Ltd.	-	-	-	-

Note 1: If the Chairman and General Manager or the equivalent (top manager) are the same person, or they are spouses or first-class relatives, the Company should explain the reasons, reasonability, necessity, and corresponding measures (such as increasing the number of Independent Directors, and more than half of the Directors should not be the employees or managers, etc.).

a. The Company's chairman is also the general manager, mainly responsible for corporate operating strategy planning, operating efficiency and decision-making promotion.

b. The Company's chief operation officer and chairman is a couple, and the COO is mainly in charge of supervising business and financial operations, and report to the general manager.

To strengthen Board of Directors' independence, the Company has trained to select suitable persons internally; besides, chairman is always communicate with each director with respect to company's recent operating conditions, plans and guidelines to implement corporate management. In the future, the Company also plans to add independent directors to improve Board of Directors' functions and enforce supervision. The Company has already increased the seats of independent directors to enhance the functions of the Board of Directors and strengthen the supervision functions in accordance with the provisions of Article 4 of Compliance Matters for Setting and Exercise of Authorities of Board of Directors of TWSE/TPEx Listed Companies.

The Company has the following specific measures at present:

- (1) Current four independent directors are separately specialized in financial accounting and electronic industry, and able to work efficiently in functions.
- (2) Organize each director every year to participate in professional courses in external agency, to enhance Board of Directors' functions.
- (3) Independent directors can, in each functional committee meeting, discuss and propose suggestions for Board of Directors' reference, to implement corporate management.
- (4) More than of Board of Directors' members have not been employee or manager.

3. Remunerations to Directors, supervisors, president, and vice presidents in recent years

(1) Remuneration to directors and independent directors

Unit: NT\$1,000

Title	Name	Director's remuneration								Total amounts of A, B, C and D and percentage in profit after tax % (Note 10)		Pay received as an employee								Total amounts of A, B, C, D, E, F and G and percentage in profit after tax % (Note 10)		Remuneration received from invested companies other than subsidiaries or the parent company (Note 11)
		Remuneration (A) (Note 2)		Pension (B)		Remuneration to directors (C) (Note 3)		Business expense (D) (Note 4)		The Company	All Consolidated Entities (Note 7)	Salary, bonus and special allowance (E) (Note 5)		Pension (F)		Employee compensation (G) (Note 6)				The Company	All Consolidated Entities (Note 7)	
		The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)			The Company	All Consolidated Entities (Note 7)	The Company	All Consolidated Entities (Note 7)	Cash	Stock	Cash	Stock			
Chairperson	Eric Chen	0	0	0	0	1,889	1,889	0	0	0.23	0.23	9,356	9,356	-	-	7,300	-	7,300	0	2.26	2.26	-
Director	Cheer Du	0	0	0	0	1,889	1,889	0	0	0.23	0.23	8,700	11,716	-	-	8,800	-	8,800	0	2.36	2.73	-
Director	Ciou-Jiang Hu	0	0	0	0	1,889	1,889	0	0	0.23	0.23	0	0	0	0	0	0	0	0	0.23	0.23	-
Director	Yi-Lin Sung (note 1)	0	0	0	0	944	944	0	0	0.12	0.12	0	0	0	0	0	0	0	0	0.12	0.12	-
Director	Chuang Fong investment Co., Ltd. (Representative: Ming-Jhen Jhu)	0	0	0	0	3,779	3,779	0	0	0.46	0.46	0	0	0	0	0	0	0	0	0.46	0.46	-
Independent Director	Jiang-Long Guo	0	0	0	0	1,889	1,889	0	0	0.23	0.23	0	0	0	0	0	0	0	0	0.23	0.23	-
Independent Director	Siou-Ming Huang	0	0	0	0	1,889	1,889	0	0	0.23	0.23	0	0	0	0	0	0	0	0	0.23	0.23	-
Independent Director	Min-Chih Chien (note 1)	0	0	0	0	944	944	0	0	0.12	0.12	0	0	0	0	0	0	0	0	0.12	0.12	-
Independent Director	Mei-Chi Chen (note 1)	0	0	0	0	944	944	0	0	0.12	0.12	0	0	0	0	0	0	0	0	0.12	0.12	-
Independent Director	Han-Liang Hu (note 2)	0	0	0	0	944	944	0	0	0.12	0.12	0	0	0	0	0	0	0	0	0.12	0.12	-
<p>1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration: The Company has made regular assessments on director's remuneration according to "Performance Assessment Methods for Board of Directors". According to Article 20 of Chapter 6 in <i>Articles of Association</i>, and in case of having a profit of this year (namely income before tax by deducting staff and director remunerations), shall allocate not more than 3% as directors' remunerations by referring their degree of participation in company operation, contributed values, whether involved in any ethical risk event or others which may cause adverse effects on company image and reputation, such as improper inner management and personnel fraud, etc., as well as company's operating status comprehensively and reasonably.</p> <p>2. In addition to the above disclosures, directors' remuneration from service provision (e.g. assumed as non-employee consultant of patent company/all companies in financial statements/invested enterprises) of recent years: None.</p>																						
<p>Note 1: Newly appointed on June 15, 2022</p> <p>Note 2: Relieved from office on June 15, 2022.</p>																						

Remuneration Range

Range of remuneration paid to each director	Name of director			
	Total amount of (A+B+C+D)		Total amount of (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities (H)	The Company	All Consolidated Entities (I)
Less than NT\$1,000,000				
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)	Min-Chih Chien 、 Mei-Chi Chen 、 Han-Liang Hu 、 Yi-Lin Sung	Min-Chih Chien 、 Mei-Chi Chen 、 Han-Liang Hu 、 Yi-Lin Sung	Min-Chih Chien 、 Mei-Chi Chen 、 Han-Liang Hu 、 Yi-Lin Sung	Min-Chih Chien 、 Mei-Chi Chen 、 Han-Liang Hu 、 Yi-Lin Sung
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)	Eric Chen 、 Cheer Du 、 Ciou-Jiang Hu 、 Jiang-Long Guo 、 Siou-Ming Huang	Eric Chen 、 Cheer Du 、 Ciou-Jiang Hu 、 Jiang-Long Guo 、 Siou-Ming Huang	Ciou-Jiang Hu 、 Jiang-Long Guo 、 Siou-Ming Huang	Ciou-Jiang Hu 、 Jiang-Long Guo 、 Siou-Ming Huang
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)	Chuang Fong investment Co., Ltd.	Chuang Fong investment Co., Ltd.	Chuang Fong investment Co., Ltd.	Chuang Fong investment Co., Ltd.
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)				
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)				
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)			Eric Chen 、 Cheer Du	Eric Chen 、 Cheer Du
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)				
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)				
NT\$100,000,000 and above				
Total	10	10	10	10

Note 1: The names of the directors shall be separately listed (for legal person shareholders, the names of legal person shareholders and representatives shall be listed separately), directors and independent directors shall be separately listed, and the amount of each payment shall be disclosed on an aggregate basis. If the director is also the president or vice president, this table and the remuneration table for president and vice president shall be filled out.

Note 2: Refers to the remuneration to directors (including directors' salaries, duty allowances, severance pay, various bonuses and incentives, etc.) in the most recent year .

Note 3: Refers to the amount of remuneration to directors as approved by the Board of Directors for the most recent fiscal year.

Note 4: Refers to the relevant business expenses of directors (including travel expenses, special disbursements, allowances, accommodation, company car, and other physical items) for the most recent year. Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration.

Note 5: All pays to the director who is also an employee of the Company (including the position of president, vice president, other executive officer and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car for the most recent year. Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered

assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration. Furthermore, the salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock options at cash capital increase, shall be calculated as remuneration.

Note 6: Refers to the employees' compensation (including stocks and cash) received by a director who is also an employee (including the position held concurrently as president, vice President, other executive officers, or an employee) for the most recent year.

Note 7: The total pay to the directors from all companies in the consolidated statements (including the Company).

Note 8: Refers to the total remuneration paid to each director by the Company, and the director's name shall be disclosed in the corresponding remuneration bracket.

Note 9: Refers to the total remuneration all companies (including the Company) in the consolidated financial statements paid to each director of the Company, and the director's name shall be disclosed in the corresponding remuneration bracket.

Note 10: Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.

Note 11: a. This column is for the amount of relevant remuneration received by the Company's directors from invested companies other than subsidiaries or the parent company.

b. Where the Company's directors received relevant remuneration from invested companies other than subsidiaries or the parent company, the remuneration received by the Company's directors from invested companies other than subsidiaries or the parent company shall be included in the "I" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."

c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the director serving as a director, supervisor or manager of an invested company other than subsidiaries or the parent company.

* The information on the remuneration disclosed in this table is different from the concept of income of the Income Tax Act. Therefore, the purpose of this Table is for information disclosure only and not for tax purposes.

(3) Remunerations to the president and vice presidents

2022.12.31 ; Unit: NT\$1,000

Title	Name	Salary (A)		Pension (B)		Bonus and special allowance (C)		Employee compensation (D)				Total amounts of A, B, C and D and percentage in profit after tax %		Remuneration received from invested companies other than subsidiaries or the parent company	
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities		
								Cash Amount	Stock Amount	Cash Amount	Stock Amount				
Chairman	Eric Chen (Note 1)	2,000	2,000	-	-	7,356	7,356	7,300	-	7,300	-	2.03	1.88	-	
COO	Cheer Du	600	2,256	-	-	8,100	9,460	8,800	-	8,800	-	2.13	2.32	-	
Senior Executive Vice President	Mark Chen	9,860	9,860	338	338	30,162	30,162	7,850	-	7,850	-	5.88	5.44	-	
Senior Vice General Manager	Jin-Long Sie														
Vice General Manager	Andy Chang														
Vice General Manager	Fu-Long Deng														
Vice General Manager	Chu-Ying Yang(註 2)														

Note 1:2008/04/01 doubles as General Manager

Note 2: Appointed upon 2021/07/26

Remuneration Range

Range of remuneration paid to president and vice presidents	Names of president and vice presidents	
	The Company	All Consolidated Entities E
Less than NT\$1,000,000		
NT\$1,000,000 (inclusive) to NT\$2,000,000 (exclusive)		
NT\$2,000,000 (inclusive) to NT\$3,500,000 (exclusive)		
NT\$3,500,000 (inclusive) to NT\$5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) to NT\$10,000,000 (exclusive)		
NT\$10,000,000 (inclusive) to NT\$15,000,000 (exclusive)	Fu-Long Deng 、 Andy Chang 、 Chu-Ying Yang	Fu-Long Deng 、 Andy Chang 、 Chu-Ying Yang
NT\$15,000,000 (inclusive) to NT\$30,000,000 (exclusive)	Eric Chen 、 Cheer Du 、 Mark Chen 、 Jin-Long Sie	Eric Chen 、 Cheer Du 、 Mark Chen 、 Jin-Long Sie
NT\$30,000,000 (inclusive) to NT\$50,000,000 (exclusive)		
NT\$50,000,000 (inclusive) to NT\$100,000,000 (exclusive)		
NT\$100,000,000 and above		
Total	7	7

Note 1: The names of the president and vice presidents shall be separately listed, and the amount of each payment shall be disclosed on an aggregate basis. Fill out this table and the remuneration table for directors and independent directors if the director is also the president or vice president.

Note 2: Refers to the salaries, duty allowances, and severance pay paid to the president or vice president in the most recent year .

Note 3: Refers to the remuneration paid to the president or vice president, including various bonuses, incentives, travel expenses, special disbursements, allowances, accommodation, company car, other physical items, other compensations, etc., in the most recent year . Where housing, cars, other means of transportation, or expenditures exclusively for individuals are offered, the nature and costs of the offered assets, the actual rent or fair market rent, fuel expenses, and other benefits shall be disclosed. In addition, where a driver is provided, please provide an explanation in the notes on the compensation paid to the driver by the Company, but not including the remuneration. Furthermore, the salaries recognized in accordance with IFRS 2 "Share-based Payment," including the share subscription warrants issued to employees, new restricted stock award shares issued to employees, and employee stock options at cash capital increase, shall be calculated as remuneration.

Note 4: Refers to the amount of compensation distributed to the president and vice presidents approved by the Board of Directors in the most recent year.

Note 5: The total pay to the president or vice president from all companies in the consolidated statements (including the Company).

Note 6 : Refers to the total remunerations paid to each president and vice president by the Company, and the names of presidents and vice presidents shall be disclosed in the corresponding remuneration bracket.

Note 7: Refers to the total remuneration all companies (including the Company) in the consolidated financial statements paid to each president and vice president of the Company, and the names of presidents and vice presidents shall be disclosed in the corresponding remuneration bracket.

Note 8: Net income meant for the net profit after tax in the most recent year. For those companies with the international financial reporting standard adopted, net income meant for the net income after tax in the proprietary or individual financial report of the most recent year.

Note 9: a. This column is for the amount of relevant remuneration received by the Company's president and vice president from invested companies other than subsidiaries or the parent company.

b. Where the Company's president and vice president received relevant remuneration from invested companies other than subsidiaries or the parent company, the remuneration received by the Company's president and vice president from invested companies other than subsidiaries or the parent company shall be included in the "E" column of the remuneration bracket table with the column name changed to "the parent company and all invested companies."

c. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of an invested company other than subsidiaries or the parent company.

* The information on the remuneration disclosed in this table is different from the concept of income of the Income Tax Act. Therefore, the purpose of this Table is for information disclosure only and not for tax purposes.

(4) The name of the manager who distributes the employee compensation and the distribution situation

2022.12.31 ; Unit: NT\$1,000

	Title	Name	Amount of stock	Amount of cash	Total	Proportion of total amount to net profit after tax (%)
Manager	General Manager	Eric Chen (Note 2)	-	24,894	24,894	3.03
	CEO	Cheer Du				
	Senior Executive Vice President	Mark Chen				
	Senior Vice President	Lin, Wen-Chang				
	Senior Vice President	Jin-Long Sie				
	Vice President	Fu-Long Deng				
	Vice President	Andy Chang				
	Vice President	Chu-Ying Yang(Note 3)				
	Finance Manager	Jasmine Wu				
	Accounting Manager	Mandy Chiu				
	Assistant Manager of Information Service Center	Shun-Fang Chen (note 3)				

Note 1 : The scope of application of managers is based on the regulations of the Association's Order No. 0920001301 dated March 27, 1992.

Note 2 : Eric Chen act as Chairman and General Manager on 2018/03/24.

Note 3 : Appointed on November 8, 2022.

(5) Compare and describe separately the analysis of total remunerations paid to the Company's directors, general manager, and deputy general managers for the past two years by the Company and all companies in the consolidated report as a percentage of the net income after tax, and describe the correlation among the remuneration payment policy, standards and combination, remuneration establishing procedures, and management performance .

※The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, general manager, and deputy general managers of the Company, to the net income after tax.

Unit: NT\$1,000

Item	2022		2021		Rate of change	
	Amount	%	Amount	%	Amount	%
Director	102,382	12.48	65,256	8.22	37,126	56.89
President and Vice Presidents						
Consolidated Net Income	820,324	100	793,979	100	26,345	3.32

Remuneration policy, standard and package, procedure for determination, and linkage thereof to operating performance and future risk exposure:

- 1) The Company clearly prescribes in Article 20 of the Articles of Association that 7.5%-10% of profits obtained in current year if any (i.e., profits obtained by deducting employee reward and director reward from the before-tax net profits) should be appropriated as employee reward, and also no more than 3% of the profits should be appropriated as director reward respectively. The amount appropriated should be deliberated by the Remuneration Committee and then submitted to the Board of Directors for discussion and approval before it could be granted. Also, it should be reported to the regular Shareholders' Meeting. However, if the Company still has accumulated losses (including adjusted undistributed surplus amount), relevant amount should be reserved in advance to compensate for such losses.
- 2) The Company should adopt "Articles of Association of Remuneration Committee", "Measures for Performance Evaluation of the Board of Directors" and "Measures for Salaries and Rewards of Directors and Managers" as the assessment basis for the prescription of procedures regarding the remuneration of directors, general manager, and vice general managers.

Director remuneration should be evaluated by the Nomination Committee, deliberated by the Remuneration Committee, and passed in a resolution made by the Board of Directors according to the performance evaluation standards (mastery of company targets and tasks, cognition of director responsibilities, participation in company operation, internal relation management and communication, director specialty and continual further education, and risk and internal control), and the remuneration system should be reviewed at any time as appropriate based on the actual operation status of the Company and relevant laws and regulations, with the objective to implement corporate governance and in the hope that the directors' remuneration and rewards can be distributed in a transparent, reasonable, and systematic manner.

As for the remuneration payment policy addressing general manager, vice general managers, and managers, reasonable remuneration should be given according to the rights and responsibilities of the positions, personal goals, performance qualification rate, value contributed, or involvement in moral risk events or other risk events that cause a negative influence on corporate image and goodwill, improper internal management, personnel malpractice, future operating risks and development trends of the industry, etc. Relevant performance evaluation and remuneration reasonableness should be evaluated by the Nomination Committee, deliberated by the Remuneration Committee, and passed in a resolution made by the Board of Directors, and the remuneration system should be reviewed at any time as appropriate based on the actual operation status of the Company and relevant laws and regulations to pursue a balance between corporate sustainable management and risk control and management.

4. Implementation of corporate governance

(1) Board of Directors : In the most recent year, the Board of Directors had 6 meetings[A] , and the attendance of directors is as follows:

Title	Name	Attendance in person B	By proxy	Attendance in person (%) [B/A]	Notes
Chairman	Eric Chen	6	-	100%	Re-elected on June 15, 2022
Director	Cheer Du	6	-	100%	Re-elected on June 15, 2022
Director	Ciou-Jiang Hu	6	-	100%	Re-elected on June 15, 2022
Director	Chuang Fong investment Co., Ltd. (Representative: Ming-Jhen Jhu)	6	-	100%	Re-elected on June 15, 2022
Director	Yi-Lin Sung	4	-	100%	Newly appointed on June 15, 2022
Independent Director	Jiang-Long Guo	6	-	100%	Re-elected on June 15, 2022
Independent Director	Siou-Ming Huang	6	-	100%	Re-elected on June 15, 2022
Independent Director	Min-Chih Chien	4	-	100%	Newly appointed on June 15, 2022
Independent Director	Mei-Chi Chen	4	-	100%	Newly appointed on June 15, 2022
Independent Director	Han-Liang Hu	2	-	100%	Relieved from office on June 15, 2022

Attendance of independent directors in the 6 Board meetings in 2022:

2022	2022.03.16	2022.05.11	2022.06.15	2022.08.09	2022.11.08	2022.12.21
Jiang-Long Guo	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person
Siou-Ming Huang	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person	Attend in person
Min-Chih Chien	Not yet inaugurated		Attend in person	Attend in person	Attend in person	Attend in person
Mei-Chi Chen	Not yet inaugurated		Attend in person	Attend in person	Attend in person	Attend in person
Han-Liang Hu	Attend in person	Attend in person	Relieved from office			

Other matters that require reporting:

- 1) If any of the following circumstances occurs in the operation of the Board of Directors, the date, period, content of the motions, the opinions of all independent directors, and the Company's handling of independent directors' opinions shall be stated:
 - (a) ters referred to in Article 14 -3 of the Securities and Exchange Act.
 - (b) addition to the aforementioned matters, other Board meeting resolutions with independent directors' dissenting and unqualified opinions in records or written statements: No such incident occurred.
- 2) Directors recused from themselves from discussion or voting on an agenda item in which they have an interest:
 - (a) 2022/08/09 The Company's 2021 manager and staff bonus distribution and salary adjustment, directors had avoided: ERIC CHEN, CHEER DU.

- (b) 2022/12/21 The Company's 2022 manager year-end bonus distribution motion, directors had avoided: ERIC CHEN, CHEER DU
- 3) Objectives for strengthening the Board's functions in the current and recent years (e.g., setting up the Audit Committee, improving the information transparency, etc.) and performance evaluation
- (a) In order to improve the corporate governance and strengthen the relevant functions of the Board of Directors, the Company has established three independent directors in accordance with the Articles of Incorporation and Article 14-2 of the Securities and Exchange Act as well as Article 4 of Compliance Matters for Setting and Exercise of Authorities of Board of Directors of TWSE/TPEX Listed Companies, and has established the Remuneration Committee since December 16, 2011 to assist the Board of Directors in the execution of relevant remuneration management; since June 14, 2019, the Audit Committee has been established to perform relevant operations and act as a supervisor in accordance with Article 14-5 of the Securities and Exchange Act.
 - (b) Since the establishment of the Remuneration Committee on December 16, 2011, its operation has been smooth.
Since the establishment of the Audit Committee on June 14, 2019, the Audit Committee has performed related operations in accordance with Article 14-5 of the Securities and Exchange Act and acted as a supervisor.

4) Implementation of self-evaluations by the Company's Board of Directors and functional committees:

Evaluation cycle	Evaluation period	Scope of evaluation	Evaluation method	Evaluation items
Once a year	Performance evaluation for January 1, 2022 to December 31, 2022	Performance evaluation of the Board of Directors, individual directors, and functional committees	Self-evaluation by the Board of Directors, directors, and members of functional committees	<p>Self-assessment on board of directors' performance:</p> <ul style="list-style-type: none"> ■ Master of company targets and tasks ■ Upgrade board of directors' decision-making quality ■ Composition and structure of board of directors ■ Director appointment and educating ■ Internal control <p>Self-assessment on individual director members performance:</p> <ul style="list-style-type: none"> ■ Master of company targets and tasks ■ Cognition of director responsibilities ■ Participation in company operation ■ Internal relation management and communication ■ Director specialty and educating ■ Internal control <p>Self-assessment on audit committee performance</p> <ul style="list-style-type: none"> ■ Participation in company operation ■ Cognition of committee responsibilities ■ Upgrade committee decision-making quality ■ Composition and structure of committee ■ Internal control <p>Self-assessment on compensation committee:</p> <ul style="list-style-type: none"> ■ Participation in company operation ■ Cognition of committee responsibilities ■ Upgrade committee decision-making quality ■ Composition and appointment of committee ■ Internal control <p>Measurement items for performance evaluation of the Sustainable Development Committee includes the following four aspects:</p> <ul style="list-style-type: none"> ■ Degree of participation in corporate operation ■ Cognition of responsibilities of the committee ■ Improvement of decision-making quality of the committee ■ Composition of the committee, and selection and

				<p>appointment of its members</p> <p>Measurement items for performance evaluation of the Nominating Committee includes the following four aspects:</p> <ul style="list-style-type: none"> ■ Degree of participation in corporate operation ■ Cognition of responsibilities of the committee ■ Improvement of decision-making quality of the committee ■ Composition of the committee, and selection and appointment of its members
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The Company has finished the 2022 performance self-assessment on board of directors, with results submitted and reported to the Board of Directors on 2022/12/21; of which, the overall average self-assessment score of Board of Directors is 4.82 (full mark is 5), the overall average self-assessment score of individual director members is 4.82 (full mark is 5), the overall average self-assessment score of audit committee is 4.70 (full mark is 5), and the overall average self-assessment score of remuneration committee is 4.70 (full mark is 5). The overall average score of the performance self-evaluation of the Sustainable Development Committee is 4.75 (full mark is 5), while that of the Nominating Committee is 4.68 (full mark is 5). To sum up, the Board of Directors' functions well, and it will continue to strengthen according to this results, and promote company's management achievements.

Table 1

Period	Date	Content of motion and follow-up actions	Items listed in Article 14-3 of Securities and Exchange Act	Opinions of Independent Directors
18th meeting of the 12th-term Board of Directors	2022.03.16	In response to company's operation demands, the Company planed to apply for a line of credit from banking institution motion	√	None
		The Company's 2021 director and staff remuneration motion	√	None
		The Company's 2021 Year statement of operations, financial statement and consolidated financial statement motion	√	None
		The Company's 2021 Year "Internal Control Statement" report motion	√	None
		The Company's 2021 Year Distribution of Earnings motion	√	None
		The Company's 2021 Year fourth quarter issue of new shares motion	√	None
		Revised the Company's "Articles of Association" motion	√	None
		Revised the Company's "Rules of Procedure of Shareholders' Meeting" motion	√	None
		Motion for Revision of "Corporate Social Responsibility Best Practice Principles" of the Company	√	None
		Motion for Reestablishment of "Corporate Governance Best Practice Principles" of the Company	√	None
		Motion for Revision of "Regulations Governing the Acquisition and Disposal of Assets" of the Company	√	None
		Motion for Revision of "Regulations Governing the Election of Directors" of the Company	√	None
		Motion for Reelection of Directors of the Company	√	None
		Motion for Relief of Restriction on Noncompetition of New Directors	√	None
		Organized the Company's 2022 general shareholders' meeting motion	√	None
		Motion for Acceptance of Relevant Matters Including Shareholders' Proposals, Nomination, Review Standards, and Operating Procedures	√	None
		Motion for Nomination and Review of Candidates for Directors (Including Independent Directors) by the Board of Directors	√	None
		The Company's certified accountant independence assessment motion	√	None
		Motion for the Company's Proposal for Granting Newly Opened Letter of Guarantee of RMB 3 Million to Promate Electronic (Shenzhen) Co., Ltd. within the Guarantee Limit of Chang Hwa Bank to Acquire Material Purchasing Guarantee Limit	√	None
		Motion for the Company's Proposal for Application of Interim Guarantee and Loan Granting for Dayuan Plant in Taoyuan from Chang Hwa Bank Jilin Branch	√	None
Independent director: No objections or reservations				
The Company's treatment opinion on independent director: No				
Resolution results: approved and passed by all attended shareholders				
19th meeting of the 12th-term Board of Directors	2022.05.11	In response to company's operation demands, the Company planed to apply for a line of credit from banking institution motion	√	None
		The Company's 2022 first quarter consolidated financial statement	√	None

		Motion for Addition of “Tax Policy” of the Company	√	None
		Independent director: No objections or reservations		
		Company's treatment opinion on independent director: No		
		Resolution results: approved and passed by all attended shareholders		
1st meeting of the 13th-term Board of Directors	2022.06.15	In response to company's operation demands, the Company planned to apply for a line of credit from banking institution motion	√	None
		Establishment of Ex-dividend Base Date of the Company in 2022 and Relevant Matters	√	None
		Motion for Issuance of New Share of the Company in the 1 st Quarter of 2022	√	None
		Motion for Establishment of “Organizational Procedures of Sustainable Development Committee” of the Company	√	None
		Independent director: No objections or reservations		
		Company's treatment opinion on independent director: No		
		Resolution results: approved and passed by all attended shareholders		
2nd meeting of the 13th-term Board of Directors	2022.08.09	In response to company's operation demands, the Company planned to apply for a line of credit from banking institution motion	√	None
		Motion for the Consolidated Financial Statements of the Company in the 2 nd Quarter of 2022	√	None
		Payment of Dividends in 2021 Based on Performance of Managers of the Company and Payment Time	√	None
		Motion for Issuance of New Share of the Company in the 2 nd Quarter of 2022	√	None
		Independent director: No objections or reservations		
		The Company's treatment opinion on independent director: No		
		Resolution results: approved and passed by all attended shareholders		
3rd meeting of the 13th-term Board of Directors	2022.11.08	In response to company's operation demands, the Company planned to apply for a line of credit from banking institution motion	√	None
		The Company's 2022 third quarter consolidated financial statement	√	None
		Motion for Dedicated Information Security Officer of the Company	√	None
		The Company's 2022 Year third-quarter issue of new shares motion	√	None
		Motion for Replacement of CPAs of the Company and Evaluation of Competency and Independence of CPAs	√	None
		Motion for Revision of “Rules of Procedure of the Board of Directors” of the Company	√	None
		Motion for Addition of “Regulations Governing the Remuneration of Directors and Managers” of the Company	√	None
		Motion for Revision of “Procedures for Handling of Major Internal Information and Prevention of Insider Trading” of the Company	√	None
		Motion for Organizational Adjustment of the Company	√	None
		Independent director: No objections or reservations		
		Company's treatment opinion on independent director: No		
		Resolution results: approved and passed by all attended shareholders		

4th meeting of the 13th-term Board of Directors	2022.12.21	In response to the Company's operation demands, the Company planed to apply for a line of credit from banking institution motion	V	None
		The Company's 2023 Year audit plan motion	V	None
		The Company's 2023 Year operating plan (2023 Year Budget) motion	V	None
		The Company's 2022 Year manager year-end bonus distribution motion	V	None
		Independent director: No objections or reservations		
		The Company's treatment opinion on independent director: No		
		Resolution results: approved and passed by all attended shareholders		

(2) Operation of the Audit Committee:

All independent directors of the Company formed an Audit Committee on June 14, 2019.

Work highlights of the Audit Committee in 2022:

- 1) The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- 2) Assessment of the effectiveness of the internal control system.
- 3) The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
- 4) Matters in which a director is an interested party.
- 5) Asset transactions or derivatives trading of a material nature.
- 6) Loans of funds, endorsements, or provision of guarantees of a material nature.
- 7) The offering, issuance, or private placement of equity-type securities.
- 8) The hiring or dismissal of a certified public accountant, or their compensation.
- 9) The appointment or discharge of a financial, accounting, or internal audit officer.
- 10) Annual and semi-annual financial reports.
- 11) Company risk management
- 12) Audit committee performance assessment.
- 13) Other material matters as may be required by this Corporation or by the competent authority.

In the most recent year (2022), the Audit Committee convened 6 meetings [A], and the attendance of independent directors in the meetings is as follows:

Title	Name	Attendance in person [B]	Attendance in person (%) [B/A]	Notes
Independent Director	Han-Liang Hu	3	100%	Relieved from office on June 15, 2022
Independent Director	Jiang-Long Guo	6	100%	Re-elected on June 15, 2022
Independent Director	Siou-Ming Huang	6	100%	Re-elected on June 15, 2022
Independent Director	Min-Chih Chien	3	100%	Newly-elected on June 15, 2022
Independent Director	Mei-Chi Chen	3	100%	Newly-elected on June 15, 2022

Other matters that require reporting:

1. In case any of the following circumstances occurs, shall state the date and stage of audit committee meeting, motion contents, independent director's counterview, reservation or significant suggestions, audit committee's resolution results as well as the company's treatment suggestion on audit committee:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Audit Committee	Agenda items and resolutions
The 15 th Meeting of First Session 2022/03/16	Motion 1, The Company's 2021 Year staff and director remuneration motion. Motion 2, The Company's 2021 Year statement of operations and financial statement. Motion 3, The Company's 2021 Year "Internal Control Statement" motion. Motion 4, The Company's 2021 Year Distribution of Earnings motion. Motion 5, The Company certified accountant independence assessment motion. Motion 6, Revision of "Regulations Governing the Acquisition and Disposal of Assets" of the Company Opinion of audit committee: No objections or reservations. Company's treatment opinion on opinion of audit committee: Not Applicable. Resolution results: Approved Unanimously by All Independent Directors in Attendance.
The 16 th Meeting of First Session 2022/05/11	Motion 1, The Company's 2022 first quarter consolidated financial statement. Opinion of audit committee: No objections or reservations. Company's treatment opinion on opinion of audit committee: Not Applicable. Resolution results: Approved Unanimously by All Independent Directors in Attendance.
The 1 st Meeting of Second Session 2022/08/09	Motion 1, The Company's 2022 Year second quarter consolidated financial statement . Opinion of audit committee: No objections or reservations. Company's treatment opinion on opinion of audit committee: Not Applicable. Resolution results: Approved Unanimously by All Independent Directors in Attendance.
The 2 nd Meeting of Second Session 2022/11/08	Motion 1, The Company's 2022 Year third quarter consolidated financial statement. Motion 2, Replacement of CPAs of the Company and Evaluation of Competency and Independence of CPAs Motion 3, Organizational Adjustment of the Company Opinion of audit committee: No objections or reservations. Company's treatment opinion on opinion of audit committee: Not Applicable. Resolution results: Approved Unanimously by All Independent Directors in Attendance.
The 3 rd Meeting of Second Session 2022/12/21	Motion 1, The Company's 2022 Year audit plan motion. Motion 2, The Company's 2022 Year operating plan (2022 Year Budget) motion. Opinion of audit committee: No objections or reservations. Company's treatment opinion on opinion of audit committee: Not Applicable. Resolution results: Approved Unanimously by All Independent Directors in Attendance.

(2) Besides the matters above, other resolutions adopted with the approval of two-thirds or more of all directors, without having been passed by the Audit Committee: None.

2. If independent directors recused from themselves from an agenda item in which they have a conflict of interest, specify

the name of the independent director, agenda item, reason for -39- recusal, and participation in voting: None.

3. Communication between independent directors and the chief internal auditor and CPAs (must include material matters of communication, methods, results relating to the Company's financial reports and business conditions):

- (1) The independent director communicates directly with the internal audit supervisor and accountant through E-mail, telephone or meeting if necessary, and the communication is satisfactory.
- (2) The Company's audit unit shall, in addition to regularly submitting various internal audit reports to the independent directors, attend the audit committee meeting at least once a quarter after the establishment of the audit committee to explain the findings and improvements of the last quarter to the independent directors, and report the results of the meeting to the Board of Directors. In case of internal audit, the "Internal Control System" and "Rules for Implementation of Internal Audit" shall be amended, and the relevant contents shall be discussed and approved by the audit committee before being submitted to the Board of Directors for approval.
- (3) The accountant shall check and audit the Company's financial situation, adjust the entries and revision of IFRSs bulletin, publish the influence of comprehensive strategy to the Company against with the company act, tax law and labor law and other fiscal and taxation issues, explain to independent directors in the audit committee at least once a year; in case of serious matters, the meeting could be convened at any time. The accountant and independent director shall communicate on the important and key audit matters of the Company every year and reach a consensus.
- (4) The communication between the independent directors of the Company and the internal audit supervisor as well as the accountant (the way, matters and results of the communication regarding the Company's financial report and financial business situation, etc.) has been disclosed in the Corporate Governance section of the Company's website.
- (5) Please see the table below for an abstract of communications between the Independent Directors and the Internal Audit Manager and CPAs:

Participant	Meeting date	Nature and subject of communication	Independent Directors' Opinions
Audit supervisor	2022/03/16	.Audit Report of the 1 st Quarter of 2022 .Assessment of Effectiveness of Internal Control System of the Company in 2021 and Issuance of "Internal Control Statement" Report	Without deficiency, and independent director has no comment and suggestion
Audit supervisor	2022/06/14	.2022 second quarter audit condition report	Without deficiency, and independent director has no comment and suggestion
Audit supervisor	2022/08/09	.2022 third quarter audit condition report	Without deficiency, and independent director has no comment and suggestion
Audit supervisor	2022/11/08	2022 Fourth quarter audit condition report	Without deficiency, and independent director has no comment and suggestion
Audit supervisor	2022/12/21	.The Company's 2023 audit plan motion	Without deficiency, and independent director has no comment and suggestion
Accountant	2022/03/16	.The CPAs reported the contents of audited consolidated financial statements of 2021, major audit findings (including major adjusted and unadjusted entries, internal control, etc.) and CPAs' audit report.	Independent director has no comment and suggestion
Accountant	2022/08/09	.The CPAs verified, read, and communicated the consolidated financial report of the Company in the 2 nd quarter of 2022.	Independent director has no comment and suggestion
Accountant	2022/11/08	.The CPAs verified, read, and communicated the consolidated financial report of the Company in the 3 rd quarter of 2022.	Independent director has no comment and suggestion
Accountant	2022/12/21	Accountant's explanation and communication on 2022 Year Individual and Consolidated Financial Statements in terms of pre-audit planing, key audit events and operating performance analysis	Independent director has no comment and suggestion

Note 1: If any independent director resigns before the end of the year, the resignation date shall be indicated in the remarks column, and the actual attendance rate (%) shall be calculated based on the number of audit committee meetings and actual attendance during his/her term of office.

Note 2: Before the end of the year, if any independent director is re-elected, the new and former independent directors shall be listed, and the former, new or re-elected independent director and the date of re-election shall be indicated in the remarks column. Actual attendance rate (%) is calculated on the basis of the number of meetings of the Audi Committee during his/her tenure and his/her actual attendance.

(3) Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons:

Evaluation Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
1. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has adopted the "Code of Practice on Corporate Governance for Listed Companies" by resolution of the Board of Directors on May 12, 2020, which is disclosed on the Company's website and public information observatory.	No difference
2. Shareholding structure & shareholders' rights				
(1) Does the company establish internal operating procedures for handling shareholder suggestions, questions, complaints or litigation and handled related matters accordingly?	✓		(1) The Company has set up a spokesman, an acting spokesman and a stock affair unit to deal with the issues such as shareholders' motions or disputes.	No difference
(2) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	✓		(2) The Company keeps track of the shareholding situation of directors, managers and major shareholders holding more than 10% shares, and reports the shareholding changes of major shareholders on time.	No difference
(3) Does the company establish and implement risk management and firewall systems within its conglomerate structure?	✓		(3) The finance and business of the Company with each affiliated enterprise are operated independently, and the "Related financial business regulations between affiliated enterprises" have been established.	No difference
(4) Does the company establish internal rules against insiders trading with undisclosed information?	✓		(4) The Company has established the "Management measures for insider trading prevention", and shows the cases related to insider trading.	No difference
3. Composition and duties of the board of directors				
(1) Whether the Board of Directors having stipulated diversity policy, specific management target and implementation status?	✓		(1) Please refer to Page 22-23 "Board of Directors Diversity and Independence" for the Company Boards' diversity policies, specific management objectives and implementation status.	No difference
(2) Does the company voluntarily establish other functional committees in addition to the	✓		(2) In addition to the Remuneration Committee and the Audit Committee legally established, the Company already	No difference

Evaluation Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
Remuneration Committee and Audit Committee?			established the Nominating Committee and Sustainable Development Committee on June 15, 2022.	
(3) Does the company establish standards and method for evaluating Board performance, conduct annual performance evaluations, submit performance evaluation results to the Board, and use the results as a basis for determining the remuneration and nomination of individual directors?	✓		<p>(3) On May 12, 2020, the Board of Directors of the Company adopted the "Operational procedure for performance evaluation of the Board of Directors", covering the performance evaluation of the Board of Directors as a whole, individual directors and functional committees. Evaluation methods including internal self-evaluation of the Board, self-evaluation of directors, peer evaluation, and performance evaluation of external professional institutions, experts, or other appropriate ways, should be completed before the end of the first quarter in the next year for the director performance evaluation, and collected by the execution unit of the Board activities related information to complete the evaluation report and submit to the Chairman for summary, and then send to the Board of Directors to review the report, and make improvements. The measurement items for performance evaluation of the Board of Directors of the Company include the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company 2. Improvement in the decision-making quality of the Board of Directors 3. Composition and structure of the Board of Directors 4. Director selection and continuing education 5. Internal controls <p>The measurement items of the Company's functional committee performance evaluation include the following five aspects:</p> <ol style="list-style-type: none"> 1. Participation in the operation of the Company 2. Cognition of the responsibilities of functional committees 	No difference

Evaluation Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			3. Improvement in the decision-making quality of functional committees 4. Composition and selection of members of the functional committees 5. Internal controls The measurement items for performance evaluation of directors include the following items: 1. Mastering the Company's objectives and tasks 2. Cognition of directors' responsibilities 3. Participation in the operation of the Company 4. Internal relationship management and communication 5. Professional and continuing education of Directors 6. Internal controls The evaluation results were reported to the Board of Directors on December 21, 2022, and the result will be used as a basis for future selection or nomination of directors and compensation for individual directors, with a view to implementing the corporate governance and enhancing the participation and communication channels of directors in the operation of the Company.	
(4) Does the company regularly evaluate the independence of CPAs?	✓		(4) The Company establishes evaluation items in accordance with the contents of the standardized independence specified in Article 47 of the Certified Public Accountant Act, and Code of Ethics for Professional Accountants No. 10 Notice: "Integrity, Impartiality, Objectivity and Independence". Also, the Company evaluates the independence and adequacy of CPAs periodically, i.e., once every year according to the 13 AQIs required of CPAs. 1. Report to the Audit Committee on March 15, 2023, acquire the declaration of independence of the	No difference

Evaluation Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>accountants, and submit the result to the Board of Directors on March 15, 2023.</p> <p>2. The evaluation objects include the accountants, their spouses and dependant relatives, and the assessment items and scope are: whether there is direct or indirect financial interest relationship with the Company, financing or guarantee behavior with the Company or the directors, close business relationship and employment relationship with the Company, serving as director, manager, or in the post with significant influence on audit work of the Company in current year or recent two years, providing the non-audit services directly affecting the audit work, intermediating the stock or other securities issued by the Company, acting as a defender of the Company or coordinating the conflicts between the Company and other third parties on behalf of the Company, or with kinship to any director, manager or person who has significant influence on the audit of the Company.</p> <p>3. Evaluation results: The CPAs complied with the independence evaluation standards of the Company, and were above the average level in the same trade regarding auditing experience and training hours. Additionally, digital auditing tools have been continually introduced in recent years to improve the audit quality. Therefore, these accountants were qualified to serve as the Company's CPAs.</p>	
4. Does the TWSE/TPEX listed company have in place an adequate number of qualified corporate governance officers and appoint a corporate governance supervisor to be responsible for	✓		Through the resolution of the Board of Directors on May 12, 2020, the Company shall designate the accounting department manager Qiu, Hui-Ling as the corporate governance director, to whom the stock affair unit report, so as to protect the shareholders' rights and	No difference

Evaluation Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
corporate governance practices (including but not limited to providing information necessary for directors and supervisors to perform their duties, aiding directors and supervisors in complying with the laws, organizing board meetings and annual general meetings as required by law, and compiling minutes of board meetings and annual general meetings)?			<p>interests and strengthen the function of the Board of Directors, with the work experience of more than three years in finance, stock affairs or deliberations and other management in the public offering company. The main duties of the corporate governance officer are to handle matters related to the meetings of the Board of Directors and the Board of Shareholders, prepare the proceedings of the Board of Directors and the Board of Shareholders, assist the directors in their appointment and continuing education, and provide the information necessary for the directors to carry out their business and other matters stipulated in the Articles of Incorporation or the deeds of the Company.</p> <p>Operational performance in 2022 was as follows:</p> <ul style="list-style-type: none"> • Regularly informing the Board of Directors of the latest changes and developments of laws and regulations related to the Company's business field and corporate governance. • Handling the operation of the Board of Directors and the functional committees according to laws. • Planning and implementing the director education courses. • Insurance and maintenance of directors liability insurance. • 2022 performance evaluation of the Board of Directors shall be carried out in accordance with the "Performance Evaluation Method of the Board of Directors" established by the Company. • Responsible for all matters related to the shareholders' meeting. • Reviewing the achievement of corporate governance evaluation indicators and proposing the improvement plans and countermeasures for the indicators that are not achieved. • Planned 2022 Year Sustainability Report Compilation. • 12 hours of study have been completed in 2022 according to 	

Evaluation Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Summary	
			laws. Please refer to Note 1 for details	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), and properly respond to corporate social responsibility issues of concern to the stakeholders?	✓		(1) The Company has a spokesperson and an acting spokesperson, and relevant contact information is announced on the Open Information Observatory in accordance with the regulations. Meanwhile, the financial and stock affair information is regularly announced on the Open Information Observatory and the Company's website, so as to establish a good communication mode with investors. (2) At present, all information is placed in corresponding area of the Company's website, and a special area for interested parties is also set up on the Company's website.	No difference
6. Does the company designate a professional shareholder service agency to deal with shareholder affairs?	✓		The Company appoints the professional stock affair agency: the stock affairs agency department of Yuanta Securities Co., Ltd., and has formulated the "Management method of stock affairs".	No difference
7. Information disclosure				
(1) Does the company establish a corporate website to disclose information regarding the company's financial, business and corporate governance status?	✓		(1) The Company shall declare its financial business and corporate governance on the Public Information Observatory in accordance with the law, and disclose them simultaneously on the Company's website (https://www.promate.com.tw/).	No difference
(2) Does the company have other information disclosure channels (e.g., maintaining an English language website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	✓		(2) The Company has a special person responsible for the disclosure of all information of the Company, and has set up a spokesman system according to the provisions. If there is a legal person to explain the information of meeting, it will also be placed on the Company's website.	No difference
(3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as	✓		(3) The Company is still announcing and reporting the financial reports and monthly operations in accordance with the time limit stipulated in Article 36 of the Securities and Exchange Act.	No difference

Evaluation Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
well as monthly operation results, before the prescribed time limit?				
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, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>(1) Employee right and care: The Company attaches great importance to the rights and interests of colleagues; in addition to the statutory protection, there are many welfare measures and multiple appeal channels. Salary: annual salary adjustment, performance bonus, year-end bonus, employee dividend Training: annual educational training, professional training Off-days: 2 off-days per week, annual leave, paternity leave Welfare: enjoying the labor insurance, health insurance and group insurance, staff travel allowance, staff fellowship hall - vegetable restaurant, staff birthday gift certificate, funeral and illness allowance, Christmas Party, year-end activities, staff library, and club activities, etc.</p> <p>(2) Investor relationship: Full disclosure of information through the public information observatory and the Company's website, to enable the investors to understand the Company's operating conditions, and through the shareholder meeting and spokesperson channels to communicate with investors.</p> <p>(3) Supplier relationship: The Company is the electronic component agency, stipulates the code of conduct for supplier, and has signed relevant contracts with all suppliers; the orders and purchases are handled according to the contract, to ensure the full source of goods.</p> <p>(4) Rights of interested parties: 1. As for shareholders' responsibilities: the Company strives to fully safeguard the shareholders' rights and interests.</p>	No difference

Evaluation Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			<p>2. As for customer responsibilities: in addition to providing the professional design services with added value, the Company also provides sufficient stock according to the customer's order to meet the customer's needs.</p> <p>(5) Training of Directors and Supervisors: The Company complies with the "Key points for directors and supervisors of listed companies" and regularly provides relevant refresher courses for directors and supervisors. Directors and supervisors may enroll in relevant refresher courses upon their personal needs. Please refer to the Open Information Observatory for further study of directors and supervisors.</p> <p>(6) Implementation of risk management policies and risk measurement standards: The Company has the risk management policy, and each department must analyze the identified risk events according to the actual situation, use the information to determine the occurrence possibility of risk events, and analyze the impact of the results on the Company; the audit office shall audit and regularly issue reports to the Board of Directors and Audit Committee.</p> <p>(7) Implementation of customer policies: The Company constantly enriches professional skills and strengthen the partnership with manufacturers with professional technical team and clear product market positioning, to jointly create the added value.</p> <p>(8) Liability insurance purchased by the Company for directors and supervisors: The Company purchases the liability insurance for directors and supervisors every year with an underwriting amount of</p>	

Evaluation Item	Implementation status			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons
	Yes	No	Summary	
			NT\$150 million. The renewal of insurance will be completed before the expiration of May 31 of this year and reported to the Board of Directors in the near future.	
<p>9. Specify the improvement of corporate governance with reference to the evaluation of corporate governance by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and the measures prioritized for issues that require improvement.</p> <p>(1) The indicators of the ninth corporate governance evaluation of the Company are gradually improved, and most of the self-evaluation operations participated in and completed in accordance with the corporate governance methods have been in line with the spirit of corporate governance, and there is no significant difference.</p> <p>(2) It is expected that the Company will complete ISO 50001 Energy Management System Certification in 2024, and ISO 14064 Greenhouse Gas Emission Certification in 2025 respectively.</p>				

Note 1 : 2022 further education of corporate governance manager is as below:

Corporate governance manager: Mandy Chiu			
Date	Organizer	Course	Hours
2022.08.24	China Accounting Research and Development Foundation	Conceptual Analysis of ISSB S1 “General Sustainability-related Disclosures”	3
2022.08.25	China Accounting Research and Development Foundation	Conceptual Analysis of ISSB S2 “Climate-related Disclosures”	3
2022.08.26	China Accounting Research and Development Foundation	ISSB S2 Industry Analysis (I): Consumer goods, Refining and Mineral Processing, Finance, Science and Technology Communication, and Resource Transformation	3
2022.08.26	China Accounting Research and Development Foundation	ISSB S2 Industry Analysis (II): Food and Medical Care, Service Industry, Infrastructure, Renewable Resources, Alternative Energy, and Transportation	3

(4) If the company has a Remuneration Committee and Nominating Committee, disclose its composition, responsibilities and operations:

1. Member information and operations of the Remuneration Committee

(1) Member information of the Remuneration Committee

December 31, 2022

Identity	Name	Condition	Professional qualification and experience	Independence condition	Additional posts in other public Company remuneration committee
Independent Director-Convener	Siou-Ming Huang		Note 1	Note 1	-
Independent Director	Jiang-Long Guo		Note 1	Note 1	-
Independent Director	Mei-Chi Chen		Note 1	Note 1	-

Note 1: Please state each remuneration committee member's period of service, professional qualification and experience as well as independence condition in the table, and may refer to Page 13-21 for directors' professional qualification and independent director's independence information disclosure.

(2) Responsibilities of the Remuneration Committee: the Company has established the "Organizational Rules for Remuneration Committee", whose main powers and responsibilities are as follows:

- 1) To review the rules and regulations of the organization on a regular basis and propose the amendments.
- 2) To formulate and regularly review the policies, systems, standards and structures for annual and long-term performance evaluation and remuneration of directors and managers.
- 3) To regularly evaluate the achievement of performance objectives of directors and managers, and determine the contents and amounts of their individual salaries and rewards.

2. Information on the operations of the Remuneration Committee

- (1) There are three members in the Company's Remuneration Committee.
- (2) The committee shall convene at least two meetings a year.
- (3) Current term of office: From June 15, 2022 to June 14, 2025. In the most recent year the Remuneration Committee met five times [A], and the members' qualifications and attendance are as follows:

Title	Name	Attendance in person [B]	By proxy	Attendance rate (%) [B/A] (Note)	Notes
Convener	Siou-Ming Huang	5	-	100	Re-elected on June 15, 2022
Committee Member	Jiang-Long Guo	5	-	100	Re-elected on June 15, 2022
Committee Member	Mei-Chi Chen	3	-	100	Newly-elected on June 15, 2022
Committee Member	Han-Liang Hu	2	-	100	Relieved from office on June 15, 2022

Other matters that require reporting:

If the board of directors did not adopt or revised the recommendations of the compensation committee, describe the date of board meeting, term of the board, agenda item, resolutions adopted by the board, and actions taken by the company in response to the opinion of the compensation committee (if the remunerations approved by the board of directors are better than those recommended by the compensation committee, describe the difference and reasons): None.

If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members: None.

Proposals and resolutions of the Remuneration Committee meetings and the Company's handling of the members' opinions in the most recent year:

Remuneration Committee	Agenda items and resolutions
The 10th Session of 4th Meeting 2022.03.16	1. Formulated 2022 remuneration committee calendar 2. Reviewed the Company's current reward system and evaluated and analyzed performance measurement system 3. The Company's 2021 Year director remuneration and staff bonus payment
	Remuneration committee resolution results: approved and passed by all remuneration committee members. Company's treatment opinion on remuneration committee: approved and passed by all attended shareholders.
The 11th Session of 4th Meeting 2022.05.11	1. Motion for the Company's Proposal for Paying of Operation Performance Bonus of 2021
	Remuneration committee resolution results: approved and passed by all remuneration committee members. Company's treatment opinion on remuneration committee: approved and passed by all attended shareholders
The 1st Session of 5th Meeting 2022.08.09	1. Distribution of 2021 bonus and payment time according to the Company's manager performance
	Remuneration committee resolution results: approved and passed by all remuneration committee members. Company's treatment opinion on remuneration committee: approved and passed by all attended shareholders
The 2nd Session of 5th Meeting 2022.11.08	1. Motion for Appointment of Dedicated Information Security Officer of the Company 2. Motion for Addition of "Regulations Governing the Remuneration of Directors and Managers"
	Remuneration committee resolution results: approved and passed by all remuneration committee members. Company's treatment opinion on remuneration committee: approved and passed by all attended shareholders
The 3rd Session of 5th Meeting 2022.12.21	1. Distribution of 2022 year-end bonus proportion and year-end bonus payment time according to the Company's manager performance
	Remuneration committee resolution results: approved and passed by all remuneration committee members. Company's treatment opinion on remuneration committee: approved and passed by all attended shareholders.

Note:

- (1) If a member of the Remuneration Committee leaves before the end of the year, the resignation date shall be indicated in the remarks column, and the attendance rate (%) shall be calculated based on the number of meetings of the Remuneration Committee and the attendance in person times during his/her term in office.
- (2) Before the end of the year, if any member of the Remuneration Committee is re-elected, the new member and the former

member shall be filled in. The former member, new member, or re-elected member and the re-election date shall be indicated in the remark column. The attendance rate (%) is calculated based on the number of meetings of the Remuneration Committee during his/her term of office and his/her attendance in person.

3. Information on the member information and operations of the Nominating Committee

- (1) The Nominating Committee was established on June 15, 2022.
- (2) The Nominating Committee of the Company consists of four members.
- (3) Tenure of members of this (the first) Nominating Committee: From June 15, 2022 to June 14, 2025.
In the most recent year, the Nominating Committee convened 2 meetings (A), and the members' professional qualifications and experience, attendance, and discussed matters are shown as follows:

Title	Name	Professional Qualification and Experience	Attendance in person [B]	By proxy	Attendance rate (%) [B/A] (Note)	Notes
Convener	Jiang-Long Guo	Please refer to contents related to the disclosure directors' professional qualifications and independent information of independent directors on pages 13-21.	2	-	100	Newly-elected on June 15, 2022
Committee Member	Siou-Ming Huang		2	-	100	Newly-elected on June 15, 2022
Committee Member	Mei-Chi Chen		2	-	100	Newly-elected on June 15, 2022
Committee Member	Min-Chih Chien		2	-	100	Newly-elected on June 15, 2022

Other matters that require reporting:

Explain the dates and sessions of meetings to discuss the main proposes of the Nominating Committee, contents of such proposals, contents of suggestions or objections of the members of the committee, resolution results of the Nominating Committee, and the handling of the opinions of the Nominating Committee.

Remuneration Committee	Agenda items and resolutions
The 1st Session of 1st Meeting 2022.11.08	1. Motion for Further Education Plan of Directions in 2022 2. Motion for Appointment of Dedicated Information Security Officer of the Company 3. Motion for Addition of "Regulations Governing the Remuneration of Directors and Managers" of the Company 4. Motion for Organizational Adjustment of the Company Resolution results of the Nominating Committee: All the members of the Nominating Committee approved to pass the resolutions on the aforesaid motions. The Company's handling of opinions of the Nominating Committee: Submit the resolutions to the Board of Directors for all attending directors to approve and pass.
The 2nd Session of 1st Meeting 2022.12.21	1. Proportional Amount of Yearend Bonus Paid by the Company for Manager's Performance in 2022 and Payment Time of Yearend Bonus Resolution results of the Nominating Committee: All the members of the Nominating Committee approved to pass the resolutions on the aforesaid motions. The Company's handling of opinions of the Nominating Committee: Submit the resolutions to the Board of Directors for all attending directors to approve and pass.

Note:

- (1) If a member of the Nominating Committee leaves office before the ending date of the year, the date of exit shall be specified in the remark column. The actual attendance rate (%) of this member will be calculated according to the number of meetings convened by the Nominating Committee during his/her tenure and the actual number of times of his/her attendance.
- (2) If reelection is conducted in the Nominating Committee before the ending date of the year, both the new and former members of the Nominating Committee shall be filled out, and it shall be specified in the remark column as whether this member is a former member, a new member, or the date of reappointment and reelection. The actual attendance rate (%) of this member will be calculated according to the number of meetings convened by the Nominating Committee during his/her tenure and the actual number of times of his/her attendance.

(5) Promotion of sustainable development implementation and differences/reasons between market-listed and public limited company’s Code of Practice on Sustainable Development:

Promotion items	Implementation status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Yes	No	Summary	
1. Whether the Company has established and promoted sustainable development management structure, as well as set up relevant special (part-time) unit to follow up through Board of Directors authorization to high-order management level for handling, as well as under Board of Directors supervision?	✓		<p>To catch up the international ESG trends, the Company established “Sustainable Development Committee” in June 2022 with the chairperson of the Company as the committee chair, and with sustainable development as objective, for the purposes of making overall arrangements for practicing corporate social responsibilities, or coming up with relevant management guidelines and specific promotion plans. ESG execution group is responsible for operating them, and reporting to the Board of Directors periodically (at least once every year). In 2022, the Sustainable Development Committee convened 1 meeting with contents including:</p> <p>(1) Greenhouse gas inventory and investigation schedule; (2) Authentication of sustainability issues and drafting of promotion plan. (3) Implementation effect of the specific promotion of ESG.</p> <p>On March 15, 2023, the operation status and annual plan of the board of directors will be reported. The supervision measures of the board of directors are as follows:</p> <p>(1) Arrange this year's education courses to include workplace sexual harassment prevention advocacy, basic human rights, and anti-corruption. (2) Implement the company's carbon data collection operations. (3) Sustainability report preparation content.</p> <p>Relevant operation status is detailed in the webpage of the Company.</p>	No difference

Promotion items	Implementation status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Yes	No	Summary	
2. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	✓		<p>1. This disclosure data covers sustainable development performance and risk assessment boundary of the Company's major bases from 2022/01 to 2022/12 mainly in Taiwan.</p> <p>2. The Company has regularly identified and evaluated the major issues and formulated relevant risk management policies and strategies according to sustainable development principles, as below:</p> <p>(1) Environment and society:</p> <ul style="list-style-type: none"> ■ Product responsibility: The Company requires its suppliers to identify and manage the chemicals and other substances that may cause harm to the environment, so as to ensure that these substances are safely handled, transported, stored, used, recovered or reused and disposed to minimize the harm to the environment, by the rigorous quality management, to provide customers with good product quality and service quality, so as to improve the customer satisfaction, which is the cornerstone of sustainable development of the Company. ■ Occupational safety: The Company has the occupational safety staff to conduct the hazard assessment and continuous risk improvement for all work contents and work areas of the Company. Through various related occupational safety training, it can reduce the occupational safety accidents and fulfill the responsibility of protecting the employees. <p>(2) Corporate governance: The Company has stipulated the "Codes of Integrity Management", "Code of Ethics" and "Measures for Preventing Insider Trading", to standardize its internal operation and management, as well as relevant internal control system, and fulfill its social abilities.</p>	No difference
3. Environmental issues				

Promotion items	Implementation status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Yes	No	Summary	
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(1) In addition to the demand for quality regarding the IC components that the Company represents, the products of our upstream original manufacturers are also considered based on their life cycle. From raw material production, transportation, production, product transportation, product use to product disposal after discarding, etc., their impact on the environment during the entire process is taken into consideration. Therefore, the Company also effectively executes criteria regarding the management of hazardous substances, pollution prevention, energy-saving, water-saving, and waste reduction, etc., in its own operating office areas and storage centers. Hoping to gradually form a green supply chain from our upstream (original supplier), midstream (the Company) to downstream (customers).	No difference
(2) Does the company endeavor to improve the efficiency of resource utilization and use recycled materials which have a low impact on the environment?	✓		(2) The Company is committed to the recycling and utilization of various recyclable materials and uses recycled materials with a low impact on the environment.	No difference
(3) Does the company evaluate potential risks and opportunities brought by climate change, and take response measures to climate-related issues?	✓		(3) The Company is not in the manufacturing industry and faces potential risks of climate change mainly at environmental and operational levels. For example, as extreme climate change causing resource shortages and personnel having difficulties adapting physically, resulting in increased raw material costs, suppliers struggling to complete production, and increased transportation costs, etc. These could all potentially lead to climate change directly or indirectly impacting our operating results. The Company recognizes that climate change is a major issue, hence adopting countermeasures including improving the efficiency of resource utilization, reducing water consumption, and practicing solar power generation.	No difference

Promotion items	Implementation status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies																		
	Yes	No	Summary																			
(4) Does the company compile statistics of greenhouse gas emissions, water use, and total weight of waste in the past two years, and does it establish policies for energy conservation & carbon reduction, greenhouse gas emission reduction, water use reduction, and other waste management?	✓		<p>(4) To response the influence from climate change on operating activities, the Company, except for actively introducing new products, continues to promote its energy conservation and carbon deduction policies. The implementation status of 2022 are as follows: (covering Taipei Head Office and Taoyuan Factory in Taiwan District)</p> <p>1) Greenhouse gases:</p> <p>(a) Scope 1: Office electricity consumption of recent two years</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Electricity consumption</td> <td>924,950</td> <td>747,991</td> </tr> <tr> <td>Carbon emissions KG CO₂e</td> <td>470,800</td> <td>375,491</td> </tr> </tbody> </table> <p>(b) Scope 2: Solar-powered electricity production and carbon emissions deduction of two years</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Electricity consumption</td> <td>433,513</td> <td>507,481</td> </tr> <tr> <td>Carbon emissions KG CO₂e</td> <td>220,658</td> <td>254,755</td> </tr> </tbody> </table> <p>Note: The calculation basis for 2021 and 2020 is abided by MOE Energy Bureau's published 2020 Year electricity carbon emission coefficient: 0.502 KG CO₂e/kWh. In 2022, the electricity carbon emission coefficient of 2021, i.e., 0.509KG Co₂e/kWh, was adopted.</p>	Year	2022	2021	Electricity consumption	924,950	747,991	Carbon emissions KG CO ₂ e	470,800	375,491	Year	2022	2021	Electricity consumption	433,513	507,481	Carbon emissions KG CO ₂ e	220,658	254,755	No difference
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4. Social issues																																						
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Group supports and voluntarily abide to the “UN Global Covenant”, “United Nations Universal Declaration of Human Rights” and “ILO Declaration on Fundamental Principles and Rights of Work” and principles that disclosed on international covenants of human rights, stipulates staff working rules and management measures in accordance with labor laws, to maintain and safeguard staff’s legal rights, and through its Staff Welfare Committee.	No difference																																		

Promotion items	Implementation status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Yes	No	Summary	
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	✓		(2) In addition to labor laws, the Company pays according to staffs' education and experience backgrounds, professional knowledge and abilities, individual performances and other additional conditions, and equal to male and female. In addition to basic salaries, it also provides bonuses by referring staffs' performances. As stipulated in the <i>Articles of Association</i> , the Company shall allocate 7.5~10% as staff remunerations, and offer holiday allowances in domestic and overseas. To promote occupational diversity and equity, Female employees in the company of 2022 account for 50%.	No difference

Promotion items	Implementation status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies								
	Yes	No	Summary									
(3) Does the company provide a safe and healthy working environment and provide employees with regular safety and health training?	✓		<p>(3) The Company has formulated the Code of Practice for Safety and Sanitation, and assigns labor safety personnel for performing regular safety inspection pursuant to laws and regulations, inspection and declaration on building public safety, as well as monitoring on drink water, illumination, concentrations of carbon dioxide, etc. every year, with retrofitted air regenerating device to improve operating environment quality and safety. In addition, to implement occupational safety policy, the Company also organizes 4-hour occupational safety training, to assist site medicare workers in work environment hazards identification (including maternal health protection, unlawful infringement prevention in workplace, etc.), and conducts overload and human factor assessments every year specific to high-risk case for assessment and management. It as well attaches importance to staffs' health through organizing health lectures, and offer health examination once every two years which is superior to the laws and regulations. The Company also set up first-aid personnel and emergency response team, to guarantee staff work environment safety and promote employee health. Furthermore, it also carries sterile working environment, and provides its staffs with non-toxic and free-from-care places for eat, with regular or irregular outdoor activities to adjust their mental and physical states, as well as encourages them to set up clubs within the company.</p> <p>The Company has also set up occupational safety verification team, led by the general manager, to verify occupational safety every year, and report to Ministry of Labour pursuant to occupational safety laws and regulations. Any suggested improvements will be submitted by the team for a specific implementation.</p> <p>Statistics of the Company's 2022 year staff occupational accident events are as follows:</p> <table border="1"> <tr> <td>Event number</td> <td>-</td> </tr> <tr> <td>Persons</td> <td>-</td> </tr> <tr> <td>Total staffs</td> <td>220</td> </tr> <tr> <td>Ratio in total staffs (%)</td> <td>-</td> </tr> </table>	Event number	-	Persons	-	Total staffs	220	Ratio in total staffs (%)	-	No difference
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Promotion items	Implementation status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Yes	No	Summary	
(4) Does the company set up effective career development and training programs for its employees?	✓		<p>(4) In addition to creating a good working environment, the Company also encourages employees to take on-the-job training to enrich their relevant professional skills.</p> <p>1) Internal training Unit supervisor and colleagues may act as the lecturers in their professional fields and share their experience and professional knowledge through job training, to enhance colleagues' professional skills and improve competences in solving problems.</p> <p>2) Newly-employed staff training Upon registration, Human Resources Department will introduce the company profile, organizational profile, office environment, administrative regulations, company welfare, etc. (2h for every person), and organize regular trainings (6h) on new employees to present company operating conditions and corporate culture and promote their sense of belonging and identity.</p> <p>3) External training Arrange colleagues to participate in external courses to improve their work abilities, competences and management abilities.</p> <p>4) Further education and subsidy Provide full subsidy to encourage colleagues to participate in further education and thereby improve their work knowledge and abilities.</p> <p>Please mark relevant talent training hours of 2022 in Note 1.</p>	No difference

Promotion items	Implementation status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Yes	No	Summary	
(5) Whether the Company obeys relevant rules and international codes in terms of product and service, client health and safety, client privacy, marketing and labeling, etc., and formulates corresponding consumer protection or equity policy as well as complaint procedures?	✓		(5) The Company plays the role of connecting technology and creating value through providing services. To practice relevant sales and technical services, we must sign agency sales contracts that meet laws and international regulations with our domestic and foreign upstream manufacturers, before proceeding with relevant sales and services. Because the intellectual property rights of the products sold belong to our upstream original manufacturers, the product labels must also comply with the original manufacturers' specifications. Additionally, the company's website has a designated area for stakeholders to protect policies of consumer rights and keep appeal procedures smooth.	No difference
(6) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	✓		(6) The Company has set up a "Supplier Control Procedure" and disclosed the "Supplier Control Policy" on the company website, which requires suppliers to comply with relevant regulations on issues such as environmental protection, occupational safety and health, and labor rights. The Company evaluates suppliers annually based on quality, delivery, and service then determines the frequency of dealing with each supplier according to the evaluation results.	No difference
5. Whether the Company has referred international standards or guidelines for the preparation of reports, sustainable development report and other disclosure reports for company's non-financial information? Whether the aforesaid report is with any certainty or guarantee from a third verification unit?		✓	The Company has prepared a sustainability reports with reference to the standards of Global Reporting Initiative (GRI).	It has been planned and third-party verification will be obtained in the future.
6. In case of the company has stipulated its sustainable development codes according to the Market Listed Corporate Code of Practice on Sustainable Development, please state its functions and differences: the Company has already stipulated Sustainable Development Codes in its website, and strictly abides by during daily operation.				

Promotion items	Implementation status			Situation and Reasons for Differences from Code of Practice on Corporate Social Responsibility for Listed Companies
	Yes	No	Summary	
<p>7. Other Important information which are helpful for promoting sustainable development implementation:</p> <ul style="list-style-type: none"> ■ The Company highly regards the importance of social responsibility and actively participates in community activities. We interact amicably with suppliers and stakeholders, ensuring the protection of our consumers' rights. ■ The Company supporting local agricultural products with substantial actions. Selecting local small farmers to supply seasonal and local ingredients; encouraging employees to primarily purchase these agricultural products and extending the concept to the ingredients of the employee cafeteria in hopes of helping disadvantaged farmers in rural or specific areas with these actions; also reducing food miles at the same time, achieving energy conservation and carbon reduction; as of 2022, the purchased items have summed up about 600 items and the revenue on average of ~\$232 million/year. ■ Promate Group actively implements corporate social reciprocity and supports baked goods made by mentally challenged children with substantial actions, hoping to distribute income to disadvantaged groups and achieve long-term care. Therefore, the Group always orders gifts from the Children Are Us bakery on Mid-Autumn Festival or other major festivals; as of 2022, the purchases have summed up to exceed NTD 278,000. The Group also encourages employees and the general public to join and help disadvantaged groups operate more smoothly, spreading love to the corners in need. ■ Adhering to the concept of giving back to society, Promate Group became a small collection point of old shoes in response to “More Than Shoes” activity, and called upon employees to donate their extra shoes for the shoeless people in the East Africa, in the hope that the scarcity of resources can be mitigated, and the second-hand materials can be given a new life. Just within several days, nearly 300 second-hand shoes were collected, and then transported to the warehouse in Bethlehem after classification, quality check, and quantity counting. ■ The epidemic situation in Taiwan was severe. When facing the large demand for rapid screening to cope with the epidemic, Promate Group spared no effort to donate 5,000 sets of rapid screening reagents to Shuang Ho Hospital in New Taipei City, in order to give a helping hand to this severely epidemic-stricken city, and assist the government to improve the epidemic prevention. We hoped to make our contributions to the epidemic prevention of Taiwan and expected all people here could pull through. ■ Protecting the earth by energy conservation and carbon emission has become a global common sense. In response to the “2022 Earth Hour 60+” initiated by the World Wildlife Fund (WWF), Promate Group and O’right International Corporation faced up to the issues of climate change and global warming and voiced for the earth together. On the light-off day of March 26, 2022, Promate Group turned off all the light for 1 hour from 20:30PM-21:30PM in the hope that its corporate influence could be brought into play and the general public could be inspired to cherish energy with practical actions, in order to make contributions to the mitigation of global warming. ■ Sticking to the concept of sustainable development, Promate Group donated NT\$ 100,000 to Taiwan Environmental Information Association based on two aspects, i.e., “Social Welfare” and “Environmental Protection” with the expectation of joining hands with members of this association to realize “Time Deposit in the Nature” and profoundly cultivate and pass on the concept to later generations. 				

Note 1 :

Items	Participants	Hours	Average score
Internal training	220	550	2.5
New employee training	35	280	8.0
External training	32	128.5	4.0

(6) Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons:

Evaluation Item	Implementation status			Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
1. Establishment of ethical corporate management policy and approaches				
(1) Did the company establish an ethical corporate management policy that was approved by the Board of Directors, and declare its ethical corporate management policy and methods in its regulations and external documents, as well as the commitment of its Board and management to implementing the management policies?	✓		(1) The Company has a "Code of Ethical Operation" established by the Board of Directors, which applies to the companies and organizations in our group. It is strictly implemented in our internal management and external business activities.	No difference
(2) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes (II) Does the company establish mechanisms for assessing the risk of unethical conduct, periodically analyze and assess operating activities within the scope of business with relatively high risk of unethical conduct, and formulate an unethical conduct prevention plan on this basis, which at least includes?	✓		(2) The companies and organizations in our group conduct the mentioned matters following the relevant provisions and operating procedures stipulated in the corporation's "Code of Ethical Operation."	No difference
(3) Did the company specify operating procedures, guidelines for conduct, punishments for violation, rules of appeal in the unethical conduct prevention plan, and does it implement and periodically review and revise the plan?	✓		(3) To enhance the management of ethical operations, the Company has set up a dedicated unit under the Board of Directors, allocating sufficient resources and qualified personnel to it. It is responsible for the formulation and supervision of ethical management policies and precautionary measures. It primarily administers the following affairs and regularly reports to the Board of Directors (at least once a year).	No difference
2. Implementation of ethical corporate management				
(1) Does the company evaluate the ethical records of parties it does business with and stipulate ethical conduct clauses in business contracts?	✓		(1) Contracts signed between the Company and suppliers or manufacturers are performed in good faith. Generally, there are provisions in place that prohibit the receiving of kickbacks.	No difference

Evaluation Item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
(2) Did the company establish a dedicated unit under the board of directors to promote ethical corporate management, and periodically (at least once a year) report to the Board of Directors and supervise the implementation of the ethical corporate management policy and unethical conduct prevention plan?	✓		(2) The Company has set up a dedicated (part-time) unit under the Board of Directors to implement ethical corporate management. It regularly reports to the Board of Directors regarding its operation. The primary focus when it comes to the promotion of company managers and the appointment of employees is their integrity records, and these are one of the focal points in the consideration for promotions. On December 21, 2022, the Board of Directors completed the 2022 annual reporting on the implementation of ethical management.	No difference
(3) Does the company establish policies to prevent conflict of interests, provide appropriate channels for filing related complaints and implement the policies accordingly?	✓		(3) The Company has a "Code of Ethical Operation" and "Code of Moral Conduct" to prevent conflicts of interest and avoid personal gain. If the directors or their legal representatives have a stake in the motions set forth by the Board of Directors, they shall disclose the nature of their interest and not be included in the related discussion or vote on the said motion, or represent other directors in exercising their voting rights.	No difference
(4) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, does the internal auditing unit formulate audit plans based on unethical conduct risk assessment results, and does it audit compliance with the unethical conduct prevention plan or commission a CPA to perform the audit?	✓		(4) The accounting system of the Company is based on the Securities and Exchange Act, the Company Act, the Business Entity Accounting Act, the Regulations Governing the Filing of Financial Reports by Public Companies, and other relevant legislation, then devised according to the actual situation of the company's business; the internal control system is based on the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" and other relevant regulations, which are all thoroughly implemented. The audit department also regularly examines the status of the accounting system and internal control system and reports to the Board of Directors.	No difference
(5) Does the company regularly hold internal and external educational trainings on ethical corporate management?	✓		(5) The Company periodically organizes promotions and training on ethical management at appropriate times.	No difference
3. Operation of whistleblowing system				
(1) Does the company establish concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?	✓		(1) The Company has "Employee Work Rules" and "Reporting System Management Measures," which clearly stipulates the relevant content, and will assign designated personnel to handle each of the reported cases.	No difference

Evaluation Item	Implementation status			Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Summary	
(2) Does the company establish standard operating procedures for investigating reported cases, and does it take subsequent measures and implement a confidentiality mechanism after completing investigation?	✓		(2) The Company has relevant employee reporting procedures in place, along with confidentiality mechanisms.	No difference
(3) Does the company provide proper whistleblower protection?	✓		(3) Designated personnel will be appointed to handle each of the reported cases. During the appeal process, the informant will be protected from improper punishment due to the reporting.	No difference
4. Enhancing information disclosure				
(1) Does the company disclose information regarding the company's ethical corporate management principles and implementation status on its website and the Market Observation Post System?	✓		The Company has established the "Code of Ethical Operation" to enhance the management of ethical operations and placed it on our company website. With the chairman's office as a designated unit, we allocate sufficient resources and qualified personnel to it. It is responsible for the formulation and supervision of ethical management policies and precautionary measures and regularly reports to the Board of Directors (at least once a year). At the same time, we set up a designated area for stakeholders on our website, establishing a communication platform. In 2022, no illegal, unethical, or untrustworthy conduct has been reported.	No difference
5. If the company has established Ethical Corporate Management Principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", describe difference with the principles and implementation status:				
6. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: In addition to the "Code of Ethical Operation," the Company also establishes relevant regulations of ethical management in the contracts with manufacturers. Employees are also required to adhere to the code of ethical conduct when they take up their posts. In 2022, the Company held internal and external education training with a collective attendance of 14 people for a total of 134 hours (the scope covers compliance with ethical management, the accounting system, and the internal control system).				

- (7) If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information:
Please refer to the Company's website.
- (8) Other Significant Information that will Provide a Better Understanding of the State of the Company's Implementation of Corporate Governance may also be Disclosed: Please refer to the Company's website.

(9) Implementation of internal control system should disclose the following matters:

1) Internal control statement

Promate Electronic Co., Ltd.
Statement of internal control system

Date: March 15, 2023

Based on the results of self-inspection, we hereby declare as below for the internal control system in 2022:

- I. The Company acknowledges that the establishment, implementation and maintenance of internal control system is the responsibility of the Board of Directors and managers of the Company, and the Company has established such system. The objective is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and asset safety, etc.), reliability, timeliness, transparency of reporting, and compliance with relevant regulations.
- II. The internal control system has its innate limitations; no matter how perfect the design is, the effective internal control system can only provide reasonable guarantee for the achievement of the above three objectives; moreover, due to the change of environment, the effectiveness of internal control system may change too. However, the Company's internal control system has the self-monitoring mechanism, and the Company will take corrective action if any deficiency is identified.
- III. The Company judges whether the design and implementation of internal control system is effective or not according to the judgment items on the effectiveness of internal control system stipulated in the "Guidelines for Handling the Establishment of Internal Control System of Public Offering Companies" (hereinafter referred to as "Guidelines"). The internal control system used in the "Guidelines" is the process of management control. The internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Supervision. Each component includes a number of items. For the foregoing items, please refer to the "Guidelines".
- IV. The Company has adopted the above internal control system's judgement items and check the effectiveness of design and implementation of internal control system.
- V. Based on the results of the foregoing inspection, the Company considers that the internal control system of the Company (including the supervision and management of its subsidiaries) as of December 31, 2022, includes to understand the effectiveness of operations and the extent of efficiency objectives achieved, and the report is reliable, timely, transparent and in accordance with relevant regulations and relevant laws; the design and implementation of internal control system is effective, which can reasonably ensure to the achieve the above objectives.
- VI. This Statement will be the main content of the Company's annual report and disclosure statement and will be made public. Any false or concealment of the above information will be subject to the legal liability of Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- VII. This Statement has been approved by the Board of Directors of the Company on March 15, 2023. None of the nine directors present have any objection to this Statement and hereby declare that they agree to the contents of this Statement.

Promate Electronic Co., Ltd.

Chairman: Eric Chen Signed or Sealed

General Manager: Eric Chen Signed or Sealed

2) If the company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

(10) The Company and its internal staff being punished lawfully, the punishment given by the Company to the violators of internal control system, major nonconformity, and the improvement in the most recent year and as of the publication of the annual report: None.

(11) Important resolutions adopted in shareholders meeting and board of directors' meeting in the past year and as of the date of report:

1) Major resolutions of the shareholders' meeting and implementation

Date	Important Resolutions
2022.06.15	<ol style="list-style-type: none"> 1. Acknowledged 2021 Year statement of operations and financial statement motion 2. Acknowledged 2021 Year surplus distribution motion Implementation status: except the equity (interest) base date was 2022/07/25, the surplus distribution had been allocated in 2022/08/19 3. Passed the amendment to Articles of Association. Implementation status: has been finished the change of registration in 2022/08/10 4. Passed to revise the Company's "Rules of Procedure of Shareholders' Meeting" motion Implementation status: has been uploaded and updated in company's website (Company Important Measures) 5. Passing the Motion for Revision of "Regulations Governing the Acquisition and Disposal of Assets" of the Company Implementation status: has been uploaded and updated in company's website (Company Important Measures) 6. Passing the Motion for Revision of "Regulations Governing the Election of Directors" of the Company Implementation status: has been uploaded and updated in company's website (Company Important Measures) 7. Motion for Reelection of Directors of the Company Implementation status: The Company has already announced the results of reelection in MOPS and completed change registration on August 10, 2022. 8. Motion for Relief of Restriction on Noncompetition of New Directors

2) Major resolutions of the Board of Directors

Date	Major resolutions
2022.03.16	<ol style="list-style-type: none"> 1. Passed the Company's application for a line of credit from banking institution motion 2. Passed the Company's 2021 Year director/supervisor and staff remuneration 3. Passed the Company's 2021 Year statement of operations, financial statement and consolidated financial statement 4. Passed the Company's 2021 Year "Internal Control Statement" report 5. Passed the Company's 2021 Year Distribution of Earnings 6. Passed the Company's 2021 Year fourth quarter issue of new shares 7. Passed to revise the Company's "Articles of Association" 8. Passed to revise the Company's "Rules of Procedure of Shareholders' Meeting" 9. Passing the Motion for Revision of "Corporate Social Responsibility Best Practice Principles" of the Company 10. Passing the Motion for Reestablishment of "Corporate Governance Best Practice Principles" of the Company 11. Passing the Motion for Revision of "Regulations Governing the Acquisition and Disposal of Assets" of the Company 12. Passing the Motion for Revision of "Regulations Governing the Election of Directors" of the Company 13. Passing the Motion for Reelection of Directors of the Company 14. Passing the Motion for Relief of Restriction on Noncompetition of New Directors 15. Passed to organize the Company's 2022 general shareholders' meeting

Date	Major resolutions
	<ul style="list-style-type: none"> 16. Passing the Motion for Acceptance of Relevant Matters Including Shareholders' Proposals, Nomination, Review Standards, and Operating Procedures 17. Passing the Motion for Nomination and Review of Candidates for Directors (Including Independent Directors) by the Board of Directors 18. Passed the Company's certified accountant independence assessment 19. Passing the Motion for the Company's Proposal for Granting Newly Opened Letter of Guarantee of RMB 3 Million to Promate Electronic (Shenzhen) Co., Ltd. within the Guarantee Limit of Chang Hwa Bank to Acquire Material Purchasing Guarantee Limit 20. Passing the Motion for the Company's Proposal for Application of Interim Guarantee and Loan Granting for Dayuan Plant in Taoyuan from Chang Hwa Bank Jilin Branch
2022.05.11	<ul style="list-style-type: none"> 1. Passed the Company's application for a line of credit from banking institution motion 2. Passed The Company's 2022 first quarter consolidated financial statement 3. Passing the Motion for Addition of "Tax Policy" of the Company
2022.06.15	<ul style="list-style-type: none"> 1. Passing the Motion for Election of the New Chairperson of the Company 2. Passed the Company's application for a line of credit from banking institution motion 3. Passing the Motion for Establishment of Ex-dividend Base Date of the Company in 2022 and Relevant Matters 4. Passing the Motion for Issuance of New Share of the Company in the 1st Quarter of 2022 5. Passing the Motion for Establishment of "Organizational Procedures of Sustainable Development Committee" of the Company 6. Passing the Motion for Appointment of Members of "Audit Committee" of the Company 7. Passing the Motion for Appointment of Members of "Remuneration Committee" of the Company 8. Passing the Motion for Appointment of Members of "Sustainable Development Committee" of the Company 9. Passing the Motion for Appointment of Members of "Nominating Committee" of the Company
2022.08.09	<ul style="list-style-type: none"> 1. Passed the Company's application for a line of credit from banking institution motion 2. Passing the Motion for the Consolidated Financial Statements of the Company in the 2nd Quarter of 2022 3. Passing the Payment of Dividends in 2021 Based on Performance of Managers of the Company and Payment Time 4. Passing the Motion for Issuance of New Share of the Company in the 2nd Quarter of 2022
2022.11.08	<ul style="list-style-type: none"> 1. Passed the Company's application for a line of credit from banking institution motion 2. Passed the Company 2022 third quarter consolidated financial statement 3. Passing the Motion for Appointment of Dedicated Information Security Officer of the Company 4. Passed the Company 2022 Year third quarter issue of new shares 5. Passing the Motion for Replacement of CPAs of the Company and Evaluation of Competency and Independence of CPAs 6. Passing the Motion for Revision of "Rules of Procedure of the Board of Directors" of the Company 7. Passing the Motion for Addition of "Regulations Governing the Remuneration of Directors and Managers" 8. Passing the Motion for Revision of "Procedures for Handling of Major Internal

Date	Major resolutions
	Information and Prevention of Insider Trading” of the Company 9. Passing the Motion for Organizational Adjustment of the Company
2022.12.21	1. Passed the Company’s application for a line of credit from banking institution motion 2. Passed the Company’s 2023 Year audit plan 3. Passed the Company 2023 Year operating plan (2023 Year Budget) 4. Passed the Company’s 2022 Year manager year-end bonus distribution 5. Passing the Motion for Revision of “Corporate Governance Best Practice Principles” of the Company

- (12) Dissenting or qualified opinion of directors or supervisors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and as of the date of report: None.
- (13) As of the annual report publication date, resignation condition of the Company’s financial and business related staffs (including chairman, general manager, accounting supervisor, financial supervisor, internal auditing supervisor, corporate management supervisor and R&D supervisor, etc.): None.

5. Information on fees to CPA

(1) Certified accountant fees information

Unit:NT\$1,000

Name of accounting firm	Name of CPA	Accountant's verification period	Auditing fees	Non-auditing fees	Total	Notes
Deloitte & Touche	Wong, Bo-Ren	2022.01.01~2022.12.31	3,400	3,185	6,585	
	CHEN, HUI-MING	2022.01.01~2022.06.30				
	Kuo, Nai-Hua	2022.07.01~2022.12.31				

Note: Service content of non-auditing fees: NT\$ 3,000,000 for the provision of tax refund withholding.

- 1) If the accounting firm is changed and the audit fees paid in the year of the replacement is less than that of the previous year, the amounts of the audit fees before and after the replacement and the causes shall be disclosed: None.
- 2) If the audit fees were reduced more than 10% from that of the prior year, the reduction amount, percentage and reasons for the reduction of audit fees shall be disclosed: None.

6. Information on the replacement of CPA

(1) About former accountant

Date of re-appointment	2022.10.03		
Reasons and descriptions for re-appointment	Job rotation within accountant firm		
State whether it is terminated by appointer or accountant or no longer accept appointment	Person concerned		Accountant
	Condition		Appointer
	Actively terminate	Not Applicable	Not Applicable
	No longer accept appointment	Not Applicable	Not Applicable
Verification report opinions and reasons in addition to clean opinion that issued of recent two years	No		
Opinions different from issuer	Yes		Accounting principle or practice
			Financial reports disclosure
			Verification scope or step
			Others
	No	✓	
	Description		
Other disclosed information (To be disclosed in this Code's Article 10 Item 6 (1)-(4) and (1-7))	None		

(2) About succeeded accountant

Name of accountant office	Deloitte & Touche
Accountant name	Wong, Bo-Ren, Kuo, Nai-Hua
Date of appointment	2022.10.03
Advisories and results on specific transaction accounting treatment method or accounting principles as well as opinions on financial report before appointment	None
Succeeded accountant's different written opinions on former accountant	None

7. The Company's Chairman, President, and Finance or Accounting Officer have held a position in the independent auditing firm or its affiliates over the past year: None

8. Share transfer by directors, supervisors, managers and shareholders holding more than 10% interests and changes to share pledging by them in the past year and as of the date of report:

(1) Changes in the equity of directors, supervisors, managers, and major shareholders

Title	Name	2022		As of April 15, 2023	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Director	Eric Chen	(50,000)	-	-	-
Director	Cheer Du	-	-	-	-
Director	Ciou-Jiang Hu	-	-	-	-
Director	Chuang Fong investment Co., Ltd.(Representative: Ming-Jhen Jhu)	-	-	-	-
Director	Yi-Ling Sung (Note 1)	345,000			
Independent Director	Han-Liang Hu (Note 2)	-	-	-	-
Independent Director	Jiang-Long Guo	-	-	-	-
Independent Director	Siou-Ming Huang	-	-	-	-
Independent Director	Mei-Chi Chen (Note 1)				
Independent Director	Min-Chih Chien (Note 1)				
Senior Executive Vice President	Mark Chen	-	-	-	-
Senior Executive Vice President	Jin-Long Sie	-	-	-	-
Vice President	Fu-Long Deng	-	-	-	-
Vice President	Andy Chang	-	-	-	-
Vice President	Chu-Ying Yang	-	-	-	-

Title	Name	2022		As of April 15, 2023	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Finance Manager	Jasmine Wu	-	-	-	-
Accounting Manager	Mandy Chiu	-	-	-	-

Note 1 : Newly appointed on June 15,2022.

Note 2 : Relieved from office on June 15,2022.

(2) Shares Trading with Related Parties: None.

(3) Shares Pledge with Related Parties: None.

9. Top 10 Shareholders Who are Related Parties, Spouses, or within Second Degree of Kinship to Each Other

April 15, 2023

Name	Shareholding		Shares held by spouse and underage children		Total shareholding by nominee arrangement		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree)		Notes
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name	Relationship	
Eric Chen	8,667,851	4.08%	3,385,088	1.59%	609,000	0.29%	Chuang Fong investment Co., Ltd. Cheer Du	Owner Man and Wife	
Chuang Fong investment Co., Ltd. (Representative: Eric Chen)	3,694,901	1.74%	-	-	-	-	Eric Chen	Owner	
	8,667,851	4.08%	3,385,088	1.59%	609,000	0.29%	Chuang Fong investment Co., Ltd. Cheer Du	Owner Man and Wife	
Cheer Du	3,385,088	1.59%	8,667,851	4.08%	609,000	0.29%	Eric Chen	Man and Wife	
Yi-Lin Sung	2,992,000	1.41%	-	-	-	-	Nai-Ke Song	son	
Nai-Ke Song	2,823,688	1.33%	-	-	-	-	Yi-Lin Sung	father	
Ciou-Jiang HU	2,248,949	1.06%	1,505,036	0.71%	-	-	-	-	
Bei-Ling Chen	1,996,000	0.94%	-	-	-	-	-	-	
Heng-Huang Wu	1,731,110	0.81%	-	-	-	-	-	-	
Standard Chartered International Commercial Bank Business Department is commissioned to custody of SPDR (R) index share fund belonging SPDR portfolio emerging market ETF special investment account	1,698,175	0.80%	-	-	-	-	-	-	
EAST PROFIT INTERNATIONAL LIMITED	1,640,000	0.77%	-	-	-	-	-	-	

10. The shares of the invested company held by the Company, the Company's directors, supervisors, managers, and companies controlled directly or indirectly, and the aggregated overall shareholding ratio: None.

April 14, 2023 Unit: thousand shares; %

Reinvestment Entities	Investments by the Company		Directors, supervisors, managers and direct or indirect control of investment in the business		Consolidated investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
PROMATE INTERNATIONAL CO., LIMITED(Note)	12,360,000	100.00	-	-	12,360,000	100.00
Promate Solutions Corporation (Note)	25,327,500	66.21	984,981	2.58	26,312,481	68.79
HAPPY ON SUPPLY CHAIN MANGEMENT LTD.(Note)	3,000,000	100.00	-	-	3,000,000	100.00
PROMATE ELECTRONICS COMPANY USA(Note)	20,000	100.00	-	-	20,000	100.00
Promate Electronic(Shenzhen)Co., Ltd.	-	100.00	-	-	-	100.00
Promate Electronic(Shanghai)Co., Ltd.	-	100.00	-	-	-	100.00
CT Continental Corporation (Note)	5,400,000	90.00	-	-	5,400,000	90.00
PROMATE JAPAN	66,210	66.21	-	-	66,210	66.21

Note: Long-term equity investments made by the Company using equity method.

IV. Capital overview

1. Capital and shareholding

(1) Sources of capital

1) Types of Shares

April 15, 2023 ; Unit: Share

Types of Shares	Authorized capital			Notes
	Outstanding Shares	Unissued Shares	Total	
Common Shares (Listed on the market) (Note)	212,155,162	37,844,838	250,000,000	

Note: It includes 3,358,764 shares of convertible corporate bonds, and the registration of change has not been completed.

2) Capital stock formation process

Unit: Shares/NT\$ thousand

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Capital Source	Subscriptions paid with property other than cash	Other
1986.05	10,000	600	6,000,000	600	6,000,000	Establishment capital	None	—
1988.11	10,000	1,600	16,000,000	1,600	16,000,000	Seasoned equity offering	None	—
1992.09	10,000	2,800	28,000,000	2,800	28,000,000	Seasoned equity offering	None	—
1995.10	10	5,600,000	56,000,000	5,600,000	56,000,000	Capital increase by merger	None	—
1997.12	10	8,000,000	80,000,000	8,000,000	80,000,000	Seasoned equity offering	None	—
1998.06	10	10,000,000	100,000,000	10,000,000	100,000,000	Seasoned equity offering Capital increase by retained earning	None	—
1999.09	10	30,000,000	300,000,000	15,000,000	150,000,000	Seasoned equity offering Capital increase by retained earning	None	—

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Capital Source	Subscriptions paid with property other than cash	Other
2000.06	18 10	30,000,000	300,000,000	23,500,000	235,000,000	Seasoned equity offering Capital increase by retained earning	None	—
2001.07	10	30,800,000	308,000,000	30,200,000	302,000,000	Capital increase by retained earning	None	—
2002.07	10	110,000,000	1,100,000,000	41,200,000	412,000,000	Capital increase by retained earning	None	—
2003.02	40	110,000,000	1,100,000,000	46,375,000	463,750,000	Seasoned equity offering	None	—
2003.06	10	110,000,000	1,100,000,000	60,062,675	600,626,750	Capital increase by retained earning Capital Surplus Transferred to common stock	None	—
2004.07	10	110,000,000	1,100,000,000	77,194,850	771,948,500	Capital increase by retained earning	None	—
2004.11	11.5	110,000,000	1,100,000,000	77,703,850	777,038,500	Exercising employee stock warrant	None	—
2005.01	11.5	110,000,000	1,100,000,000	77,882,850	778,828,500	Exercising employee stock warrant	None	—
2005.05	11.5/40.1	110,000,000	1,100,000,000	78,142,538	781,425,380	Exercising employee stock warrant Shares converted from corporate bonds	None	—
2005.08	11.5/40.1/10	110,000,000	1,100,000,000	95,621,932	956,219,320	Exercising employee stock warrant Shares converted from corporate bonds Capital increase by retained earning Capital Surplus Transferred to common stock	None	—
2005.11	10/32.8	110,000,000	1,100,000,000	98,929,068	989,290,680	Exercising employee stock warrant Shares converted from corporate bonds	None	—
2006.03	10/32.8	200,000,000	2,000,000,000	99,073,896	990,738,960	Exercising employee stock warrant Shares converted from corporate bonds	None	—
2006.12	10/27.6	200,000,000	2,000,000,000	119,040,884	1,190,408,840	Exercising employee stock warrant Shares converted from corporate bonds	None	—

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Capital Source	Subscriptions paid with property other than cash	Other
2007.03	10/27.5/25	200,000,000	2,000,000,000	125,852,429	1,258,524,291	Exercising employee stock warrant Shares converted from corporate bonds Seasoned equity offering	None	—
2007.10	10/27.5/31.26	200,000,000	2,000,000,000	164,041,139	1,640,411,390	Capital increase by retained earning Capital Surplus Transferred to common stock Exercising employee stock warrant Shares converted from corporate bonds	None	—
2007.12	10/22.81/25.14	200,000,000	2,000,000,000	168,281,248	1,682,812,480	Exercising employee stock warrant Shares converted from corporate bonds	None	—
2008.08	10/22.81/25.14	200,000,000	2,000,000,000	181,409,101	1,814,091,010	Capital increase by retained earning Capital Surplus Transferred to common stock Shares converted from corporate bonds	None	—
2010.01	18.39	250,000,000	2,500,000,000	182,317,194	1,823,171,940	Shares converted from corporate bonds	None	—
2011.07	10	250,000,000	2,500,000,000	181,810,194	1,818,101,940	Cancellation of treasure stocks	None	—
2012.07	10	250,000,000	2,500,000,000	179,045,194	1,790,451,940	Cancellation of treasure stocks	None	—
2021.04	10/32.16	250,000,000	2,500,000,000	179,126,039	1,791,260,390	Shares converted from corporate bonds	None	—
2021.08	10/32.16	250,000,000	2,500,000,000	182,944,438	1,829,444,380	Shares converted from corporate bonds	None	—
2021.11	10/32.16/30.16	250,000,000	2,500,000,000	190,237,728	1,902,377,280	Shares converted from corporate bonds	None	—
2022.04	30.16	250,000,000	2,500,000,000	193,414,098	1,934,140,980	Shares converted from corporate bonds	None	—
2022.08	30.16	250,000,000	2,500,000,000	197,966,446	1,979,664,460	Shares converted from corporate bonds	None	—
2022.08	30.16	250,000,000	2,500,000,000	200,406,743	2,004,067,430	Shares converted from corporate bonds	None	—
2022.11	27.51	250,000,000	2,500,000,000	207,051,583	2,070,515,830	Shares converted from corporate bonds	None	—

Year/Month	Issue price	Authorized capital		Paid-in capital		Notes		
		Number of shares	Amount	Number of shares	Amount	Capital Source	Subscriptions paid with property other than cash	Other
2023.03	27.51	250,000,000	2,500,000,000	208,796,398	2,087,963,980	Shares converted from corporate bonds	None	—

Note: The Company held an interim shareholders' meeting on March 1, 2006, to amend the Articles of Incorporation and increase the rated capital to NT\$ 2 billion.

Note 1: Approved by SFRC (2000) Taiwan Financial Certificate (1) No. 50726 of the Securities and Futures Regulatory Commission of the Ministry of Finance dated June 20, 2000.

Note 2: Approved by SFRC (2001) Taiwan Financial Certificate (1) No. 142196 of the Securities and Futures Regulatory Commission of the Ministry of Finance dated July 2, 2001.

Note 3: Approved by SFRC (2002) Taiwan Financial Certificate (1) No. 0910132187 of the Securities and Futures Regulatory Commission of the Ministry of Finance dated June 13, 2002.

Note 4: Approved by SFRC (2002) Taiwan Financial Certificate (1) No. 0910154527 of the Securities and Futures Regulatory Commission of the Ministry of Finance dated Nov. 26, 2002.

Note 5: Approved by SFRC (2003) Taiwan Financial Certificate (1) No. 0920125694 of the Securities and Futures Regulatory Commission of the Ministry of Finance dated June 11, 2003.

Note 6: Approved by Financial Management Certificate (1) No. 0930131408 of the Financial Supervisory Commission of the Executive Yuan dated July 14, 2004.

Note 7: Jing-Shou-Shang-Zi No. 09301208080 dated Nov. 9, 2004

Note 8:Jing-Shou-Shang-Zi No. 09401015760 dated Jan. 26, 2005

Note 9:Jing-Shou-Shang-Zi No. 09401073410 dated May 3, 2005

Note 10: Jing-Shou-Shang-Zi No.09401168320 dated Aug. 26, 2005

Note 11: Jing-Shou-Shang-Zi No. 09401219600 dated Nov. 2, 2005

Note 12: Jing-Shou-Shang-Zi No. 09501052320 dated Mar. 27, 2006

Note 13: Jing-Shou-Shang-Zi No.09601081980 dated Apr. 23, 2007

Note 14: Jing-Shou-Shang-Zi No. 09601231670 dated Oct. 1, 2007

Note 15: Jing-Shou-Shang-Zi No. 09601296060 dated Dec. 3, 2007

Note 16: Jing-Shou-Shang-Zi No. 09701028720 dated Feb. 1, 2008

Note 17: Jing-Shou-Shang-Zi No. 09701113220 dated May 15, 2008

Note 18: Jing-Shou-Shang-Zi No. 09701202430 dated Aug. 13, 2008

Note 19: Jing-Shou-Shang-Zi No. 09901014070 dated Jan. 22, 2010

Note 20: Approved by Tai-Zheng-Shang-Zi No. 10000237711 of the stock exchange dated July 18, 2011.

Note 21: Jing-Shou-Shang-Zi No. 10101137610 date Jul. 11, 2012

Note 22: Jing-Shou-Shang-Zi No. 11001061810 date Apr.9, 2021

Note 23: Jing-Shou-Shang-Zi No. 11001138650 date Aug.16, 2021

Note 24: Jing-Shou-Shang-Zi No. 11001213360 date Nov.17, 2021

Note 25: Jing-Shou-Shang-Zi No. 11101050130 date Apr.11, 2022

Note 26: Jing-Shou-Shang-Zi No.11101152120 date Aug. 10, 2022

Note 27: Jing-Shou-Shang-Zi No.11101159510 date Aug. 24, 2022

Note 28: Jing-Shou-Shang-Zi No.11101218570 date Nov. 21, 2022

Note 29: Jing-Shou-Shang-Zi No.11230050010 date Mar. 25, 2023

(2) Shareholder structure

2023.4.15; Unit: Share

Shareholder structure Quantity	Government institutions	Financial institution	Other institutions	Individuals	Foreign institutions and foreigners	Total
Head count	-	1	248	43,865	92	44,206
Number of shares held	-	52,000	13,592,872	186,598,925	12,187,625	212,431,422
Shareholding percentage	-	0.02	6.40	87.84	5.74	100.00

(3) Dispersion of equity ownership

2023.4.15; Unit: Share

Class of Shareholding	Number of shareholders	Number of shares held	Shareholding percentage%
1 to 999	16,521	740,402	0.35
1,000 to 5,000	2,923	35,708,017	16.81
5,001 to 10,000	974	22,829,438	10.75
10,001 to 15,000	542	12,372,425	5.82
15,001 to 20,000	521	9,954,430	4.69
20,001 to 30,000	222	13,101,434	6.17
30,001 to 40,000	153	7,840,241	3.69
40,001 to 50,000	236	7,035,550	3.31
50,001 to 100,000	85	16,021,762	7.54
100,001 to 200,000	41	11,695,714	5.51
200,001 to 400,000	15	11,270,018	5.31
400,001 to 600,000	10	7,529,911	3.54
600,001 to 800,000	5	7,142,891	3.36
800,001 to 1,000,000	21	4,457,332	2.1
1,000,001 or more	22	44,731,857	21.05
Total	44,228	212,431,422	100

(4) List of Major Shareholders: Repurchasing shares of the Company during the most recent fiscal year or as of the date of printing of the annual report

April 15 · 2023

Shares Name of major shareholder	Number of shares held	Shareholding percentage
Eric Chen	8,667,851	4.08%
Chuang Fong investment Co., Ltd.	3,694,901	1.74%
Cheer Du	3,385,088	1.59%
Yi-Lin Sung	2,992,000	1.41%
Nai-Ke Song	2,823,688	1.33%
Ciou-Jiang HU	2,248,949	1.06%
Standard Chartered International Commercial Bank Business Department is commissioned to custody of SPDR (R) index share fund belonging SPDR portfolio emerging market ETF special investment account	1,996,000	0.94%
EAST PROFIT INTERNATIONAL LIMITED	1,731,110	0.81%
Bei-Ling Chen	1,698,175	0.80%
Heng-Huang Wu	1,640,000	0.77%

(5) Stock price, net worth, earnings, dividends and related information for the previous two years
Unit: Shares/NT\$ thousand

Year Item		2021 (Distributed in 2020)	2022 (Distributed in 2021)	As of March 31, 2023 (Note 8)	
Stock price(Note 1)	Max	43.70	46.10	42.05	
	Low	34.25	34.50	39.15	
	Average	39.49	40.33	40.98	
Net worth per share (Note 2)	Before distribution	25.88	26.46	27.36	
	After distribution	22.07	Note 9	-	
Earnings per share	Weighted Average Shares		184,310	200,851	210,535
	Earnings Per Share (Note3)	Before Retrospective Adjustment	4.31	4.08	0.80
		After Retrospective Adjustment	4.31	4.08	0.80
Dividends per share	Cash dividends		3.78	Note 9	-
	Stock dividends	Earnings	-	Note 9	-
		Capital surplus	-	Note 9	-
	Accumulated unpaid dividend (Note4)		-	-	-
Return analysis	Price-earnings ratio (Note 5)		9.16	9.88	-
	Price-dividend ratio (Note 6)		10.45	Note 9	-
	Cash dividend yield (Note 7)		9.57%	Note 9	-

Note 1: List the highest and lowest prices of common share in each year, and calculate the market average based on make a bargain and volume.

Note 2: List subject to year-end total shares outstanding and distribution condition from Board of Directors' resolution or next year shareholders' meeting.

Note 3: The earnings per share before and after the adjustment should be shown in case of retroactive adjustment due to free allotment.

Note 4: If the conditions of issuance of equity securities stipulate that the accrued dividends of current year shall be paid in a year with surplus, the accrued dividends as of current year shall be disclosed separately.

Note 5: Price-earnings ratio = Year's average per share closing price / earnings per share.

Note 6: Price-dividend ratio = Year's average per share closing price / cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / year's average per share closing price.

Note 8: net worth per share and earnings per share must be listed with accountant auditing (check and approve) data of the latest quarter as of the annual report publication date;

The rest column must list the current year data as of the annual report publication date.

Note 9: 2022 surplus distribution motion is to be discussed under general shareholders' meeting, and relevant information is not disclosed after adjustment..

(6) Dividend policy and implementation status

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

In accordance with Company Act and the Company's Articles of Incorporation, the annual total surplus, if any, should be withdrawn for the tax firstly, to make up the losses of the past year, then allocated by 10% for the statutory surplus reserves from the balance;

after listing and returning the special surplus reserves according to the laws or regulations, if there are balance, together with the accumulated undistributed earnings, the Board of Directors shall formulate the distribution proposal, and the shareholders' meeting resolution shall determine the distribution. Distribution policy is stipulated based on company's capital budgeting, medium and long term operation planning and financial condition, and by referring the average levels of same trade and capital market dividend on shares. Earnings distribution is subject to the not less than 50% of divisible surplus in current year in stock or cash. Only cash dividends distribution proportion shall not be less than 20% of total dividends, which might also be increased in case of future surplus and capital are sufficient

The Company was approved by the Board of Directors on March 15, 2023 to pay a cash dividend equal to 89% of the current net profit.

2. Distribution of dividend proposed for approval at the Shareholders' Meeting:

The 2022 annual earnings distribution plan of the Company has been approved by the Board of Directors on March 15, 2023, and it is proposed to distribute the cash dividends of NT\$ 728,687,000 (NT\$ 3.45 per share) to the shareholders, pending the resolution of the shareholders' meeting.

(7) Effect of Stock Dividends to Operating Performance and EPS:

Not applicable. There is no stock dividend this year

(8) Remuneration of directors, managers and employees:

For the directors, managers and employees remuneration system, Promate's Remuneration Committee shall evaluate the remuneration policy and system of Promate's directors, managers, and employees with professional objective status, at least twice meetings a year, and may hold a meeting at any time depending on the need, to assist the Board of Directors to evaluate and supervise the remuneration policy of the Company as a whole, for reference of its decision-making. The Committee shall take into account the usual salary level of the same industry, and consider the performance of Promate's operation and employees' personal performance appraisal as well as the future operational risks. It shall not guide the directors, managers and employees to pursue higher salary and reward and engage in the behaviors beyond the Company's risk. On the basis of the principle of determining the proportion of remuneration to be paid to directors, managers and employees for short-term performance and the time of partial variable remuneration, taking into account the characteristics of the industry and the nature of the Company's business, it shall faithfully perform the following functions and powers, and submit the suggestions to the Board of Directors for discussion:

- a. To ensure that the Company's remuneration level is in line with relevant labor laws and regulations and sufficient to attract the talented people.
- b. To formulate and regularly review the policies, systems, standards and structures for performance appraisal and remuneration levels of directors, managers and employees.
- c. To determine and regularly evaluate the performance and remuneration of directors, managers and employees.
- d. The content and amount of remuneration for directors, managers and employees shall consider their reasonability. The determination of remuneration for directors, managers and employees shall not be materially inconsistent with the financial performance.

1) Percentage or scope of remuneration to employees and directors provided in Company's Articles of Incorporation:

According to the provisions of Article 235-1 of the Company Act, the Company's Articles of Incorporation were revised by the interim shareholders' meeting on

December 16, 2015. If the Company makes profits in the year, it shall allocate 7.5%~10% for the remuneration of employees, and the remuneration of directors shall not be higher than 3%. However, if the Company still has accumulated losses, it shall reserve to make up for them in advance.

- 2) Basis for estimating the amount of compensation for employees and directors, basis for calculating the number of shares to be distributed as stock compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

The Company estimated the remuneration for employees, and remuneration for directors as of December 31, 2022 to be NT\$ 83 million and NT\$ 17 million respectively. After the end of the year, if there is a significant change in the distribution amount decided by the Board of Directors prior to the adoption of annual financial report, such change shall adjust the original annual expenses. If there is still any change in the amount after the adoption of annual financial report, it will be adjusted and recorded in the next year according to changes in accounting estimates.

- 3) Distribution of compensation passed by the Board of Directors:

- (a) Employee and directors' remuneration will be distributed in cash or stocks. If there is any difference from the annual estimated amount of recognized expenses, the amount of the difference, the reasons for the difference and the treatment shall be disclosed:

The Board of Directors of the Company has determined that the remuneration for employees and directors in 2022 is NT\$83 million and NT\$17 million respectively, and the difference between the remuneration for employees and directors recognized in the financial report of 2022 is adjusted to the profit and loss of 2023.

- (b) Amount of employee compensation distributed in the form of stock and as a percentage of the after-tax profit provided in this year's standalone financial statements and total employee compensation combined: None.

- 4) Actual distribution of employee bonus and remuneration of board directors in the previous year (including dividend shares, amount and stock price), discrepancies if any from the amount of employees' bonus and directors' remuneration previously recognized, and the causes and treatments for the discrepancies:

The remuneration of the Company's employees and directors in 2021 as determined by the Board of Directors is NT\$80.5 million and NT\$16.5 million respectively, and there is no difference between the compensation of the employees and directors recognized in the financial report of 2021.

- (9) Repurchasing shares of the Company during the most recent fiscal year or as of the date of printing of the annual report: None.

2. Issuance of corporate bonds (include overseas corporate bond)

(1) Issuance of corporate bonds:

Type of Corporate Bonds	Third domestic unsecured convertible corporate bonds	
Issuance date	June 8, 2020	
Par value	NT\$100,000	
Place of issue and trading	(Note)	
Issue price	NT\$101,000	
Total amount	NT\$1.0 billion	
Interest Rate	Coupon rate of 0%	
Interest Rate	3 years: Matures on June8, 2023	
Guarantor agency	None	
Trustee	Trust Department, Chang Hwa Commercial Bank, Ltd.	
Underwriting institution	CAPITAL SECURITIES CORP.	
Certified lawyer	N/A	
CPA	N/A	
Repayment method	Except for the holders of this converted corporate bond who convert the ordinary shares of the Company in accordance with Article 10 of the Issue and Conversion Measures, the early redeemer of the Company in accordance with Article 18 of the Same Law, or the write-off of the Company's purchase and write-off by the Securities Dealer's Office, the Company shall repay the converted corporate bonds held by the bondholders in cash at the maturity of the bonds.	
Outstanding principal	NT\$7,500,000 (as of April 30, 2023)	
Terms of redemption or advance repayment	None	
Restriction clauses	None	
Names of credit rating agency, rating date, rating of corporate bonds	N/A	
Other rights attached	Amount converted to common shares as of the date of report	The amount and number of ordinary shares converted as of May 12, 2023 are as follows: NTD 333,862,280 33,386,228 Shares
	Issuance and conversion method	For details, please refer to the Company's terms of issuance and conversion of the third domestic unsecured convertible corporate bonds.
Issuance and conversion, and potential dilution and impact on	For the issuance of convertible corporate bonds of NT\$1.0 billion, with a conversion price of NT\$34.5 at the time of issue,	

existing shareholders' equity from the terms of issuance	the maximum number of the Company's common stock convertible is approximately 28,985,507 shares. Based on the 179,045,194 outstanding shares issued by the Company at the time of issue, the maximum dilution of shareholding is approximately 13.93%. For shareholders' equity, the conversion of corporate bonds into the Company's common shares not only reduces liabilities, but also increases shareholders' equity, thereby increasing the net value per share. Thus, it better protects shareholders' equity in the long run.
Name of the transfer agent	N/A

Note: For overseas corporate bonds.

(2) Information on convertible corporate bonds:

Type of Corporate Bonds		Third domestic unsecured convertible corporate bonds		
Year		2021	2022	As of April 30, 2023
Item				
Market price of the convertible corporate bonds	Max	138.85	152.00	151.00
	Low	111.20	125.55	136.50
	Average	124.50	139.95	142.30
Conversion price		27.51		
Issuance date and conversion price at issuance		Issuance date: June 8, 2020 Conversion price at issuance: 34.5		
Fulfilling the conversion obligation		The common shares of the Company are the subject matter of conversion, and the conversion obligation is fulfilled by issuing new shares. The bondholders shall conduct the conversion in the form of book transfer through Nordic CSD.		

(3) Information on exchange of corporate bonds: None.

(4) Shelf registration relating to issuance of corporate bonds: None.

(5) Information on corporate bonds with warrants: None.

3. Issuance of preferred shares: None.

4. Issuance of global depositary receipts (GDR): None.

5. Issuance of employee stock warrants: None.

6. Issuance of new restricted employee shares: None.

7. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.

8. Financing plans and implementation:

Capital raising					Implementation of financing plans
Method	Amount	Receipt date:	Purpose	Subjects	
Third domestic unsecured convertible corporate bonds	NT\$1.0 billion	June 4, 2020	Repayment of bank loan	100% publicly offered	Bank loan repaid in full on Q2 (Second Quarter) 2020

V. Business Overview

1. Business Activities

(I) Business scope

(1) Major business activities:

1. Mechanical Equipment Manufacturing.
2. Office Machines Manufacturing
3. Electronic Parts and Components Manufacturing.
4. Computer and Peripheral Equipment Manufacturing.
5. Electrical Appliances and Audiovisual Electronic Products Manufacturing
6. Optical Instruments Manufacturing
7. Watches and Clocks Manufacturing
8. Toys Manufacturing
9. Computing Equipments Installation Construction
10. Wholesale of Ironware
11. Wholesale of Culture, Education, Musical Instruments and Educational Entertainment Supplies
12. Wholesale of Glasses
13. Wholesale of Machinery
14. Wholesale of Electronic Materials.
15. Wholesale of Precision Instruments
16. Wholesale of Computers and Clerical Machinery Equipment
17. Retail Sale of Computer Software
18. Wholesale of Electronic Materials
19. Retail Sale of Hardware.
20. Retail Sale of Culture, Education, Musical Instruments and Educational Entertainment Supplies
21. Retail Sale of Watches and Clocks
22. Retail Sale of Electrical Appliances
23. Retail Sale of Computers and Clerical Machinery Equipment
24. Retail Sale of Precision Instruments
25. Retail Sale of Other Machinery and Equipment
26. Retail Sale of Computer Software
27. Retail Sale of Electronic Materials
28. Restrained Telecom Radio Frequency Equipments and Materials Import.
29. Software Design Services
30. Data Processing Services.
31. General Advertising Services.
32. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(2) Operation proportion: the operation proportion of various major products of the merged company in 2022 is as follows:

Unit: NT \$1,000

Item	Operating revenue	Operating proportion
Specific applications and LCD panel related products	5,634,547	20.07
Linear/distributed components	12,371,259	44.07
Image processing IC	6,134,073	21.85
Applied chips	2,167,346	7.72
Others (Note)	1,765,980	6.29
Total	28,073,205	100.00

Note: The agent products including the microcomputer controller, LED and memory are merged into other items.

(3) Current products and services of the Company:

- a. Agency of specific applied IC
- b. Agency of LCD panel
- c. Agency of microcomputer controller
- d. Agency of image processing IC
- e. Agency of linear/distributed component
- f. Agency of embedded LCD module product
- g. Agency of other electronic component

(4) New commodities and services planned for development

With the rapid change of industry environment, the Company expects to develop new products, including the industrial applications, automotive electronics, wireless communications, analog IC and consumer electronics components and other niche products.

(II) Industry overview

(1) Current situation and development of the industry:

Looking into 2023, there will be four major observation highlights pertaining to the development of Taiwan's electronic component industry, including inventory reduction speed, influence of the technological competition between China and the United States, growth strength of 3C PLUS applications, and proportions of high-standard products.

According to the report of "World Economic Outlook" published by the International Monetary Fund (IMF) in October 2022, the global economic growth rate was predicted to decline from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023. As for inflation, it was predicted in this report that the global inflation rate would rise from 4.7% in 2021 to 8.8% in 2023, but this figure was expected to drop to 6.5% in 2023. In 2024, this figure might even drop to 4.1%. For Taiwan, the economic growth rate in 2022 and 2023 was expected to reach 3.3% and 2.8% respectively. Compared with that in April, the economic growth rate was slightly increased by 0.1% this year and slightly decreased by 0.1% next year. For major Asian countries, the economic growth rate of mainland China was significantly decreased from 8.1% last year to 3.2% in 2022 and 4.4% in 2023 respectively. The estimated value of the inflation of this year and next year was 2.2%; the economic growth rate of Japan was expected to be 1.7% and 1.6% in 2022 and 2023 respectively, with inflation rate of 2.0% and 1.4%.

Overview of the World Economic Outlook Projections
(Percent change, unless noted otherwise)

	Year over Year						Q4 over Q4 2/		
	Estimate		Projections		Difference from October 2022 WEO Projections 1/		Estimate	Projections	
	2021	2022	2023	2024	2023	2024	2022	2023	2024
World Output	6.2	3.4	2.9	3.1	0.2	-0.1	1.9	3.2	3.0
Advanced Economies	5.4	2.7	1.2	1.4	0.1	-0.2	1.3	1.1	1.6
United States	5.9	2.0	1.4	1.0	0.4	-0.2	0.7	1.0	1.3
Euro Area	5.3	3.5	0.7	1.6	0.2	-0.2	1.9	0.5	2.1
Germany	2.6	1.9	0.1	1.4	0.4	-0.1	1.4	0.0	2.3
France	6.8	2.6	0.7	1.6	0.0	0.0	0.5	0.9	1.8
Italy	6.7	3.9	0.6	0.9	0.8	-0.4	2.1	0.1	1.0
Spain	5.5	5.2	1.1	2.4	-0.1	-0.2	2.1	1.3	2.8
Japan	2.1	1.4	1.8	0.9	0.2	-0.4	1.7	1.0	1.0
United Kingdom	7.6	4.1	-0.6	0.9	-0.9	0.3	0.4	-0.5	1.8
Canada	5.0	3.5	1.5	1.5	0.0	-0.1	2.3	1.2	1.9
Other Advanced Economies 3/	5.3	2.8	2.0	2.4	-0.3	-0.2	1.4	2.1	2.2
Emerging Market and Developing Economies	6.7	3.9	4.0	4.2	0.3	-0.1	2.5	5.0	4.1
Emerging and Developing Asia	7.4	4.3	5.3	5.2	0.4	0.0	3.4	6.2	4.9
China	8.4	3.0	5.2	4.5	0.8	0.0	2.9	5.9	4.1
India 4/	8.7	6.8	6.1	6.8	0.0	0.0	4.3	7.0	7.1
Emerging and Developing Europe	6.9	0.7	1.5	2.6	0.9	0.1	-2.0	3.5	2.8
Russia	4.7	-2.2	0.3	2.1	2.6	0.6	-4.1	1.0	2.0
Latin America and the Caribbean	7.0	3.9	1.8	2.1	0.1	-0.3	2.6	1.9	1.9
Brazil	5.0	3.1	1.2	1.5	0.2	-0.4	2.8	0.8	2.2
Mexico	4.7	3.1	1.7	1.6	0.5	-0.2	3.7	1.1	1.9
Middle East and Central Asia	4.5	5.3	3.2	3.7	-0.4	0.2	...	...	...
Saudi Arabia	3.2	8.7	2.6	3.4	-1.1	0.5	4.6	2.7	3.5
Sub-Saharan Africa	4.7	3.8	3.8	4.1	0.1	0.0	...	...	...
Nigeria	3.6	3.0	3.2	2.9	0.2	0.0	2.6	3.1	2.9
South Africa	4.9	2.6	1.2	1.3	0.1	0.0	3.0	0.5	1.8
<i>Memorandum</i>									
World Growth Based on Market Exchange Rates	6.0	3.1	2.4	2.5	0.3	-0.1	1.7	2.5	2.5
European Union	5.5	3.7	0.7	1.8	0.0	-0.3	1.8	1.2	2.0
ASEAN-5 5/	3.8	5.2	4.3	4.7	-0.2	-0.2	3.7	5.7	4.0
Middle East and North Africa	4.1	5.4	3.2	3.5	-0.4	0.2	...	...	...
Emerging Market and Middle-Income Economies	7.0	3.8	4.0	4.1	0.4	0.0	2.5	5.0	4.1
Low-Income Developing Countries	4.1	4.9	4.9	5.6	0.0	0.1	...	...	...
World Trade Volume (goods and services) 6/	10.4	5.4	2.4	3.4	-0.1	-0.3	...	...	...
Advanced Economies	9.4	6.6	2.3	2.7	0.0	-0.4	...	...	...
Emerging Market and Developing Economies	12.1	3.4	2.6	4.6	-0.3	0.0	...	...	...
Commodity Prices									
Oil 7/	65.8	39.8	-16.2	-7.1	-3.3	-0.9	11.2	-9.8	-5.9
Nonfuel (average based on world commodity import weights)	26.4	7.0	-6.3	-0.4	-0.1	0.3	-2.0	1.4	-0.2
World Consumer Prices 8/	4.7	8.8	6.6	4.3	0.1	0.2	9.2	5.0	3.5
Advanced Economies 9/	3.1	7.3	4.6	2.6	0.2	0.2	7.8	3.1	2.3
Emerging Market and Developing Economies 8/	5.9	9.9	8.1	5.5	0.0	0.2	10.4	6.6	4.5

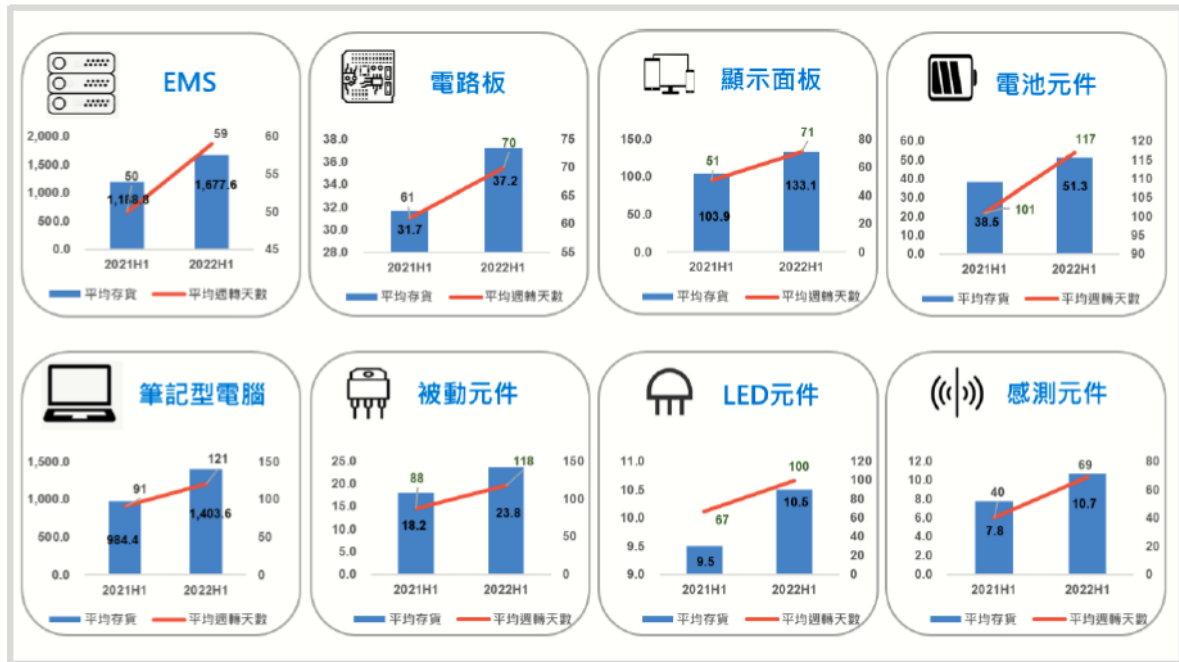
The average inventory amount and average inventory turnover days of the main EMS, laptops, and six major component industries of Taiwan can be analyzed as follows. Take the downstream EMS factory in the component industry as an example. The average inventory turnover days of this factor were around 51 days in recent three years. This figure approached 60 days in 2022H1, upon by nearly 20% compared with the average inventory turnover days. Despite the increase of both average inventory amount and average inventory turnover days compared with those last year, the increasing range of these six major electronic component industries differed. The preceding increase was relatively significant in display panels, passive components, LED components, and sensing components, resulting from the substantial decline of industry demands and the delay of customers' orders. On the contrary, the increase of average inventory amount and average inventory turnover days was relatively insignificant in circuit board industry and battery module industry. The circuit board industry still maintained shipments thanks to the demands for data center servers, high-efficiency chip carrier, and communication device transformation boards, while the inventories increased to the battery

module industry were limited due to the driving force from the electric vehicles. As a whole, the inventory amount and average inventory turnover days in 2022H2 were substantially increased compared with those in the same period last year in either downstream terminals or component industries.

The forecast of IMF in October indicated that the estimated global economic rate of 2022 was reduced, and the economic growth rate of major countries in 2023 is also not optimistic. Globally, the economic growth rate will drop from 3.2% in 2022 to 2.7% in 2023. Except Japan that will maintain its economic growth rate at 1.6%~1.7% without significant change, other developed countries and regions will witness the further decline of their economic growth rate: The economic growth rate of the United States will drop from 1.6% to 1.0%; the economic growth rate of the Eurozone will drop from 3.1% to 0.5%; the economic growth rate of the UK will drop from 3.6% to 0.3%. The mainland China is the only country that will realize economic growth among all emerging countries, but only with the growth rate increasing from 3.2% to 4.4%. There is a great gap from its previous growth rate that was usually above 7%.

In addition, Purchasing Manager's Index (PMI) also directly reflects the strength of purchasing demand of components. The data observation in October 2022 indicated that PMI data published by the United States, Europe and the mainland China reached 49.9, 46.6, and 49.2 respectively, all lower than 50, a threshold that represented the economic prosperity. It showed that the purchasing managers in the manufacturing industry adopted a conservative attitude towards the future economic prosperity, and there was still a great doubt as when the economy would improve in the future. It was also an adverse factor influencing the inventory reduction speed of electronic components.

2021H1 & 2022H1 臺灣各產業庫存情形



單位：億新臺幣，平均週轉天數

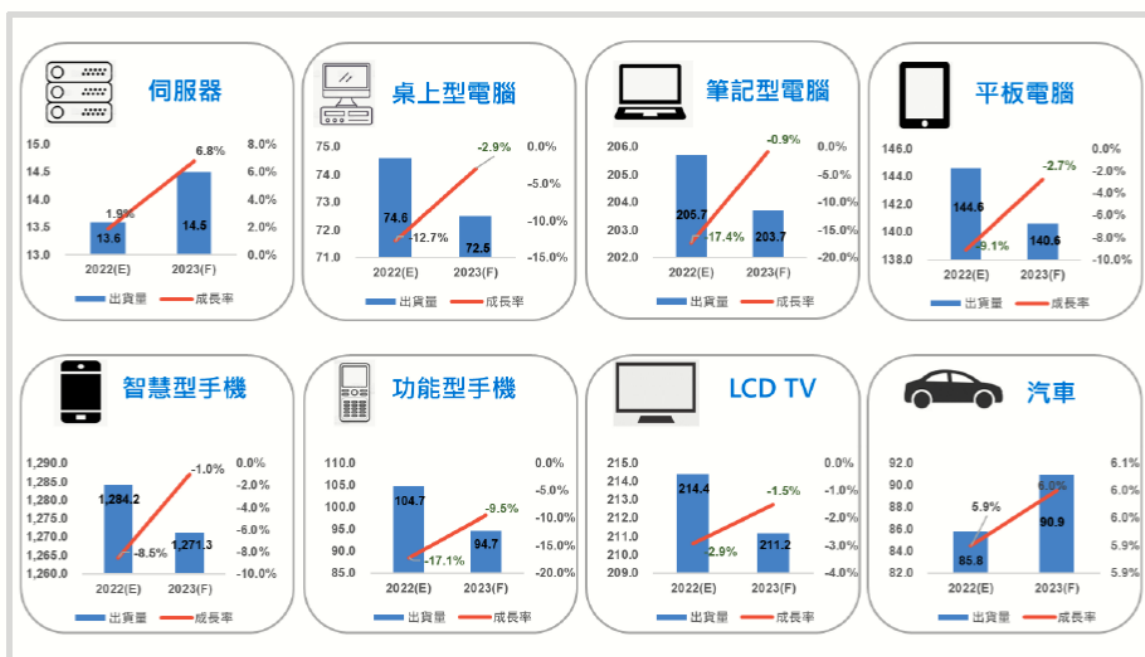
資料來源：公開資訊觀測站 /IEK

Gartner predicted that the global shipments and growth rate of main electronic terminal products in 2022 and 2023. The shipments of servers and automobiles presented a growing trend in two consecutive years. In particular, the shipments of servers haven't been prone to dramatic increase or decrease due to the economic fluctuation for a long term, and a stable growing trend has been presented almost every year. Besides, since intel and AMD successively launched new server processing chip models and platforms in recent period, it is estimated that the demands for server upgrading will be further driven. Moreover, despite the influence of shortage of chips, the shipments of automobiles will still return to a scale of approximately 90 million sets in 2023, a level similar to the past. The shipments of other products declined in the last two consecutive years although the range of recession was reduced compared with that in 2022. However, the hope for reducing the inventories of electronic parts by relying on the substantial recovery and growth of electronic terminal products in 2023 is unlikely to realize.

China and the United States, two major powers in the world, have escalated their competition from the trade war in 2018 all the way to the technological control war in 2022. Since China and the United States are world factory/market and main production material/equipment supply country respectively, any policy approach adopted by them would influence not only their local industries but also probably other countries' industries and economy. In particular, since the electronic component manufacturers of Taiwan cannot be separated from both China and the United States at production end and sales end, the development of Taiwan's electronic component industry will be inevitably influenced if the

two countries take further measures.

2022 年& 2023 年全球電子終端銷售量預估

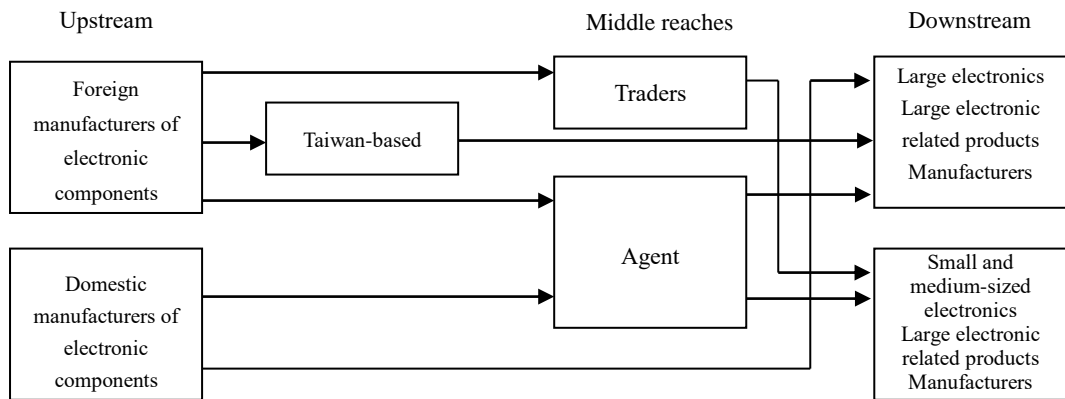


單位：百萬台

資料來源：Gartner /IEK

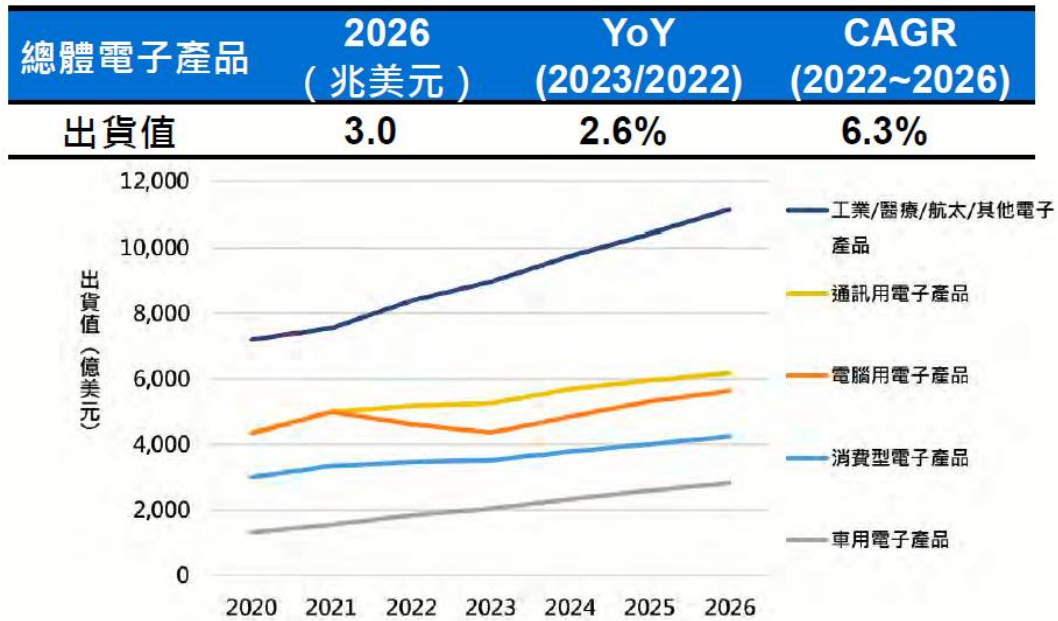
(2) Relevance of upstream, midstream and downstream of the industry

The main business of the Company is the distribution of electronic components. The industry is a bridge between the domestic and foreign upstream electronic component manufacturers and downstream computer, information, communications, optoelectronics, industrial electronics, national defense and aerospace, and transportation electronics manufacturers, and manages a wide range of product items. Therefore, maintaining the smooth flow of goods through the channels is a key part of our business performance. For the upstream manufacturers, we construct a complete and dense sales network, and save the cost of management and marketing. For the downstream manufacturers, we can quickly provide the required electronic components and application engineering support, reduce their research and development costs, and effectively reduce the inventory costs. Therefore, the agency and the downstream manufacturers form a close business community of co-existence and co-prosperity, and not only a pure trading relationship, but through its channel advantage, to effectively provide the overall industry operation efficiency. The upstream, midstream and downstream association diagram of the industry is shown as follows:



(3) Future development trend of products

The shipment value of total global electronic products will have a compound annual growth rate (CAGR) of 6.3% from 2022 to 2026. The future growth trends of 3C electronic products will slow down as estimated, and the electronic products with increasing growth strength are industrial/medical/aerospace/other electronic products as well as electronic products used for vehicles.



資料來源：Gartner、工研院產科國際所 (2022/12)

(III) Technology and R&D overview

(1) Technical levels of operating business, technologies and products of R&D and successful development

The sustainable operation of professional electronic components sales agency is to meet the customer demand and grasp the market pulse; responding to the fast electronic information science and technology change and product alternation, the Company set up the product field application engineer (FAE) from 1986 in the business department of various components and products division, to provide the customers the professional technical support services and products complete solutions, to help the customers to shorten R&D time and save R&D costs, so as to improve the quality of service, and then strengthen the cooperation with customers and suppliers. In 1995, "MCU Software R&D Engineer" was set up in

the second division of sales department to cooperate with the product line. The engineer was responsible for the software design of MCU products to provide customers with product value-added services. As the Company's R&D strength was becoming mature, the module product business department was established in 1999, which belonged to "R&D Department", and formally developed towards the field of R&D design. In 2001, the Company integrated the R&D teams into the independent department. In 2004, the Company actively adjusted the R&D department by adding an optical department, committed to integrating its existing product lines and R&D technology capabilities, and jointly developed the derivative related application products with the original factory. And in 2005, it began to carry on the relevant quality certification of manufacturing plant, until 2007, the R&D department had the data center and test division, as well as the optical, institution, system software, application software and hardware units. At present, the Company's customers are mainly concentrated in NB, PC, Netcom, industrial computer and specific application fields. We can provide the perfect solutions for all kinds of electronic consumption products to meet the needs of customers for new products.

(2) R&D personnel and their education background

As of March 31, 2023, the Company has a total of 31 product field application engineers, who are responsible for providing the technical support services to customers.

Unit: person; year

Year \ Item	R&D engineer	Education background analysis			Average seniority
		Master	College and above	High school and below	
2021	25	-	100%	-	7.61
2022	31	16.13%	83.87%	-	8.61
March 31, 2023	31	16.13%	83.87%	-	8.86

(3) R&D expenditure for the most recent year and as of the publication date of annual report

Unit: NT\$ 1,000

Item	2021	2022	As of March 31, 2023
R&D expense	70,364	81,970	23,954
Operating revenue	32,469,053	28,073,205	6,920,801
Ratio of R&D expense to total business turnover (%)	0.22	0.29	0.35

The R&D expenses of the merged company in the latest year were NT\$81,970,000 and NT\$70,364,000, respectively, mainly the personnel salaries and laboratory equipment expenses. With the expansion of the Company's operation scale, the Company will continue to actively recruit the talents, strengthen its technical ability to integrate the existing product lines, and develop its own modular products, thus increasing the Company's overall added value.

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

(1) Short-term plan

- A. Continuously seeking for sales agent of niche products
 Constantly seeking for sales agent of niche products has always been the policy of the Company; in order to make the Company operating growth steady and add the future development power, in the current characteristics of fast information electronic products promotion and short life cycle, the Company fully authorizes the department deputy general manager on the opportunity to seek new agent, and get closer to the customer and market demand fluctuation; at the same time, by the accumulation of many years of experience in technology, marketing, and keen judgment to product application market, the Company also fully grasps the future product application market development trend, actively cooperates with the upstream original suppliers at home and abroad, develops and sells new electronics, photoelectricity, and communication related components as well as hardware and software products, to have a more complete product line portfolio to meet the needs of customer integration, and then improve the Company's performance and profit.
- B. Continuously strengthening the marketing and technical support capabilities, improving the customer relations and value-added services
 The Company attaches great importance to and provide the customers a complete solution. In today's fierce competition in the market, to provide the customers a complete technical support is a key to the success of electronic components sales agent; the Company continues to strengthen its technical support ability, to master relevant technology and cultivate the professional talents, to provide the customers a higher quality of professional and technical support services and complete solutions, through a good process of interaction to cultivate the customer relations of trusting the professional service, to help the customers to more quickly promote their finished products to the market, and enhance the competitiveness of the Company's service.
- C. Using the information technology to improve business performance and service quality
 In order to strengthen the management efficiency and effectively control the inventory and real-time profit analysis, the Company has fully introduced the application of SAP sound information management to effectively integrate the logistics support system, which will make the Company more efficient in the management, and effectively monitor the Company's inventory and management.

(2) Long-term plan

- A. Actively expanding the overseas territory
 The product sales agency of the Company is mainly in Asia and Taiwan, and the marketing scope of embedded specific application products consists of Asia, America and Europe, while the downstream industry has expanded to the industrial control, instruments, medical, entertainment, automobile, etc. In the future, the Company will continue deepening the existing market, hope to build the global sales network by the specific application products division, and further expand the marketing area of electronic components to the whole world. For the overseas service offices, the Company has set up the subsidiary in Hong Kong and the United States, and service points in Japan, Europe and Mainland China; cooperating with the future global

operation layout, the successful experience of professional agent and customer service shall be introduced to every new marketing point, to accelerate the extension of market. At present, the marketing points have been established in China, the United States, Japan and Europe. It has gradually shown the benefits and will continue to be transplanted to each new marketing base to accelerate the expansion of market.

B. Enhancing the strategic cooperation with suppliers and customers, and jointly developing new products and new markets

Electronic components sales agent is the communication bridge between industry upstream and downstream. The Company will continue to play the role of distribution agent, to reflect the status of market sales and customer information to the upstream suppliers, in order to grasp the market information and expand the customer base advantage, strengthen the stability of supply chain, and to continuously provide professional integrated technology services to the downstream customers; in the future, we will cooperate with suppliers to jointly develop the niche module products with different uses, provide the best solution for downstream customers, and give full play to the benefits of upstream and downstream integration. In other words, the Company will continue to increase the sales of niche products, for he balanced development towards 4C+ simulation + module.

C. Enhancing the personnel training and education through technical cooperation with academic institutions

The Company has established the cooperative relationship and information exchange platform with relevant academic and research institutions, hoping that through the academic and practical exchanges, the Company can fully grasp the latest technology and cultivate the high-quality professionals, so as to provide the customers with high-quality services and strengthen the competitiveness and added value of the Company.

D. Enhancing the employee quality and implementing the business philosophy

We shall continuously strengthen the education and training of employees, so that they are fully familiar with the products of the agent brands and related application technologies, to meet the customer service requirements, and provide the professional and value-added services; with new technology and new service, to implement the business philosophy of "honesty, diligence, righteousness, intelligence", to cultivate the organizational culture and value of "humanity and sincerity, advanced technology, value-added partnership, feedback to society"; under the leadership of excellent management team, to construct the future of Promate electronic internationalization with the components professional knowledge, and achieve the vision of becoming a world top-class component solution provider.

2. Overview of market, production and sales

(I) Market analysis

(1) Sales areas of major commodities

Unit: NT\$1,000; %

Year	2020		2021		2022	
Region	Amount	%	Amount	%	Amount	%

Asia	24,450,451	91.54	30,175,736	92.94	25,643,671	91.35
America	1,541,893	5.77	1,504,902	4.63	1,619,628	5.77
Europe	715,473	2.68	778,341	2.40	702,338	2.50
Other	2,996	0.01	10,074	0.03	107,568	0.38
Total	26,710,813	100.00	32,469,053	100.00	28,073,205	100.00

(2) Market share

According to the statistics of the World Semiconductor Trade Statistics Organization (WSTS), the scale of the global semiconductor market in 2022 reached US\$580.1 billion, and the Company's annual net operating income in 2022 was about US\$9.36 million, with a market share of about 0.16%.

(3) Future supply and demand conditions and growth of the market

WSTS suggested that the increase of inflation and the weak demand of terminal market, especially consumption expenditure, contributed to the primary reason of the decrease of the estimated amount of operating revenue from semiconductors in 2023. The operating revenue from memory might decline by 12.6%, and will become the product with the worst performance. The operating revenue from separated modules, sensors, and analog ICs is expected to increase by more than 10%. Specifically, the growth rate of operating revenue of these three product categories will reach 12.4%, 16.3%, and 20.8% respectively.

By region, WSTS predicted that the operating revenue in the American market was expected to grow by 17%, and it will become the region with the largest increase; the operating revenue in European and Japanese markets will also grow by 12.6% and 10% respectively; the operating revenue in the Asia-Pacific market might decline by 2%, and become the region with the worst performance. Looking into 2023, WSTS estimates that the global semiconductor operating revenue may drop to USD 556.5 billion, down by 4.1% which is lower than the originally estimated level of 4.6% of increase. The operating revenue from memory products may be further decreased by 17%. It will still become the product with the worst performance. The operating revenue from separated modules is expected to increase by 2.8%, while that from optoelectrical products and sensors will be synchronously increased by 3.7%. The operating revenue from analog ICs will be increased by 1.6%.

(4) Company competition niche

1. Complete product line portfolio

The Company has accumulated many years of electronic components sales experience and sensitivity to the electronic components market trends, so that the Company has developed a professional electronic components distribution channel. The Company's agent product line includes the specific application chips, linear IC, RF and communication related IC, image processing IC, liquid crystal display panel products and other fields, with further self-development of TFT-LCD, GPS module related products; the scope of application covers 4C and optoelectronic products. Our suppliers include AUO, ITE, LTC, EMC, AOS, Parade, Diodes, AMC, ITE, Silego, Silergy, Leadtrend, UPI, Gigadevice, XMC, VLI and other well-known manufacturers at home and abroad. As we have established a close and harmonious long-term relationship with our suppliers, we are the main agents of these suppliers.

2. Clear product and market positioning

With many years of marketing experience and a good grasp of the current trends of electronic components market, the Company has become one of the important members of domestic distributors. The Company's product lines for distribution and agency mainly include specific application chips, linear ICs, communication related ICs, imaging processing ICs, LCD panel products, etc., positioning in the design-in market of high technology and high additional value, with obvious market segments to the domestic companies of the industry; plus complete goods combinations in relevant product market, we can provide the professional technical services and complete product portfolio. In addition, the Company has been actively introducing the high-price electronic components in line with future market trends and technology orientation, especially in the communications, optoelectronic industry and peripheral products in the post-PC era, so as to develop new markets and maintain the competitive edge.

3. Professional technical service ability

As the global information industry is developing towards international division of labor integration, professional electronic component distributors must play a key role in the promotion of product market. Due to the trend of specialization, the electronics industry, the professional electronic components providers are no longer limited to provide the value of products and reduce the cost for the downstream customers, and extend to the logistical support; so the Company not only provides the customers with complete delivery plan to cooperate with the downstream system manufacturer's production plan, but also sets up a technical support team, in addition to assist the business personnel to promote the products to the customer, and also to provide the customers complete solutions (total solutions) to help them to solve the problem of engineering application, even for customers tailored products according to the demand of individual module, which can enable the customers to research and develop new products ahead of the market, so as to enhance the overall efficiency and the satisfaction of the market.

4. Strong and powerful management team

The Company was founded by the experienced electronic components distribution agents, and the main cadres of management team have more than 10 years of relevant experience, with a good tacit understanding and business philosophy; their accumulated professional services and technical capabilities and deep understanding to the customer needs and market, have been recognized by the industry and customers. Promate is dedicated in electronic industry, the management team is also thinking of electronic components distribution business strategy, and hopes that with the power of the team, to pursue the goal of business continuity; Promate Electronic has become the important business partner of the upstream and downstream cooperation, and the Company maintains profiting and win various awards of professional institutions since its establishment, which can prove the Company's ability to operate the channels and the strong strength of the management team.

5. Channel advantage highly recognized by suppliers

In recent years, the Company has been working hard in the electronic component

channel industry and has established a good reputation in the industry. Therefore, some of our suppliers have taken the initiative to negotiate with us for our professional service reputation. With the professional and complete marketing network, the agency number of the Company is still increasing, which shows that the Company has a strong ability of sales agency. In addition, because of the considerable research and development and technical support ability, the Company obtains the agent affirmation and then becomes the agent's business partner, creates various module products to meet the customer demands, which is one of the big competitive niche of the Company in the electronic component channel industry in the future.

6. Perfect marketing network

In addition to the sales agency of electronic components in Taiwan, the Company has set up subsidiaries in Hong Kong and Mainland China to develop the business in Hong Kong and Mainland China. The Company also has subsidiaries in the United States, and has expanded to Europe and Japan. The Company has a complete marketing channel, to meet the downstream customers, set up factories overseas for component demand, and increase the flexible application of spot scheduling, which can effectively enhance the substantial competitiveness of both the Company and customers.

(5) Favorable and unfavorable factors and countermeasures of development prospect

1. Favorable factors

A. Continual innovation of consumer electronic products stimulating the growth of demand

In view of the structural changes of global information industry, the emergence of emerging markets in Asia, and the interaction and agitation of the trend of information household electronics and home appliance informatization, the integration of 4C (computer, communication, consumption and car electronics) has become the trend of information electronics industry. With the demand for various components derived from the continuous integration and innovation of electronic information, communication, optoelectronics and other related industries mentioned above, the Company's performance and profit should be positively influenced by the advantage that Taiwan is the main production base of information and electronic products in the world.

B. Complete product lines and diversification of agent products

The Company's current agent product lines include AUO, AOS, Asix, AMC, EMC, Diodes, GigaDevice, ITE, Leadtrend, NDK, Newracom, Parade, Silergy, UPI, XMC, VLI and other well-known domestic and foreign manufacturers. And the products include the linear IC, specific application chips, liquid crystal display panels, RF, and communications related IC, image processing IC related electronic components products, and with the existing agent product lines, the Company develops in line with the future market trend and technology oriented application derivative products, including LCD panel module products, to provide the customers a complete portfolio of products, and meet the integrated needs of customers.

C. Vertical division of labor in the industry making the value of distribution

agents more important

Distribution agents has complete logistics and inventory management, which can realize the order confirmation, goods preparation and Door-to-Door shipping service in the shortest possible time; in addition to provide the customers relevant information of new products and new industrial development areas, to help the customers planning new products, the distribution agents can also pass the downstream market information to the upstream suppliers; and the distribution agents also act as a bridge in the upstream and downstream industries of electronic information. Therefore, under the vertical division of labor structure in Taiwan's electronics-related industries, the distribution agents are closely integrated with upstream suppliers and downstream manufacturers, which makes the distribution agents more important.

D. Stable agency

Generally speaking, the agency contract is signed once a year based on the nature of the business. If there is no objection from both parties at the expiration of the contract, the contract will be automatically renewed. The Company has accumulated more than 20 years of sales experience in this field, the current agency upstream suppliers are more than 20, with stable cooperative relationship and good performance; there was no agency forced to be terminated, but repeatedly obtained the affirmation of the original supplier; even if the original factory was merged, such as S3 merged by VIA, and original Acer Display Technology and Unipac Optoelectronics Corporation merged to AUO, the Company not only retains the original agency by virtue of the strength of management, but also derives a new agency or even closer relations, so the stability of agency will be beneficial to the Company's operating profit in the future of the promotion and expansion of the business.

E. Professional technical support and R&D strength

As the distribution agents have a wide coverage in electronic components, the upstream manufacturers often rely on the experience and professional advice of distribution agents in the development and planning of new products. Therefore, professional technical support services have become one of the necessary conditions for distribution agents. Thus, the Company sets up the technical support team and R&D department, grasps the product market development trend timely, provides the technical support, assists the customers for early application of electronic components on the products, and even initiatively design products for the customer to meet the demand of individual module, for the downstream customers to grasp the market opportunities, save time in the new product development, and provide the market trend analysis, advice and perfect after-sales service and total solution, with the expectation of establishing the long-term cooperative business partnership with customers.

F. Strong and powerful management team

The strength of management team and the management philosophy are also important factors that affect the operation effectiveness of the enterprise. Due to the Company's main management teams all have the electronic

components distribution specialty, with good business ideas and cooperative tacit understanding, to create the value of the Company with the group power; since 2002, the operating indicators of the Company show continued growth, ranked top in the same industry, enough to prove the strength of the Company's management ability and team, which will be of great positive help to our future business.

2. Unfavorable factors

A. Fierce competition in agency market and continuous fermentation of cheap computer making the profit space continuously compressed

The competition in the agency market is becoming increasingly fierce, and the consumer electronics and personal computers, due to the fierce competition, have a short life cycle and fast price reduction. In order to cope with this trend, the downstream customers will have to reduce their purchase costs, which will directly affect the profit space of distribution agents.

Countermeasures:

- a. Our technical support team and R&D department actively help the customers to adopt the supplier components as soon as possible and provide the customers complete hardware and software package of products, help them to shorten the product design schedule, launch new products, and timely grasp the market opportunities, to transfer the old value of distributors, and effectively reduce the price wars in the same industry, so as to maintain a competitive edge, and continue to introduce new distribution products to grasp the business opportunities of market replacement.
- b. Enhance the education and training of employees to familiarize them with the products of the distribution brands, so as to facilitate the development of future marketing business.
- c. The Company will timely reflect the overall market competition situation to the upstream suppliers, and actively strive for the full support of suppliers to expand the performance and increase the profits.
- d. Integrate the existing product line and jointly develop the derivative application products with the original factory, so as to increase the added value of the agent dealers and improve the Company's competitive advantage.

B. Consumer electronics market demand risk

The electronics industry is characterized by rapid product renewal and short life cycle, and the sales of products are susceptible to the adverse economic conditions, buying season, business cycle, technological innovation or poor market acceptance. In addition, if the average sales unit price of customers' products drops sharply, the sales unit price of components used in the products will also be affected. Therefore, it is particularly important for the electronic components distributor to control the inventory and grasp the product information.

Countermeasures:

- a. In addition to the business departments and each department monthly convening the business meeting, review the market supply and demand,

needs of customers, accounts receivable, inventory and price trend, the business review meeting of each business department shall be convened once a week, to overall review the production and developed machine used components and purchase and sales status, and clear inventory aging analysis through the computer information management system, to manage the inventory quantity and take appropriate action.

- b. According to the market product trends and technical trends, to set the Company's future development direction, actively agent the products that meet the needs of customers, and timely introduce new product agency and develop new customers, so as to optimize the connection of product portfolio, grasp the growth opportunities of replacement, and reduce the operational risks.

C. Industrial offshoring

Due to the labor shortage in Taiwan, rising production costs and specialization in the international industry, some electronic manufacturers have moved abroad, which has a relative impact on the delivery locations of downstream customers.

Countermeasures:

- a. Actively develop the overseas locations and develop the emerging markets, make good use of the marketing system of Hong Kong, set up the service points in Shanghai, Beijing, Shenzhen, Singapore, the United States and South America, and serve customers nearby, so as to meet the demand of downstream customers for components to set up factories overseas and increase the flexibility of spot scheduling, and use it as a niche to win new product lines or new regional agency rights from original suppliers.
- b. Strengthen the computer network system, effectively manage the enterprise resources to improve the business performance, actively strive for new agency lines that meet the market demand and create new business opportunities.

(II) Important use and production process of main products

(1) Use of main products:

Main product name	Use
Specific application chipsets	Personal computers, laptops, VGA add-on cards, image processing cards
Embedded related products	Personal computer, LCD monitor, home security & entertainment system, medical device, PDA, vending machine & cash machine, vehicle system, LCM for industrial control, LCD TV, GPS, Bluetooth, etc.
Linear IC	PC, laptop, VGA, communication, industrial control, PDA, LCD Monitor/Projector
Image processing IC	Communications market (ADSC), display, mobile phone
Other	Main board, communication, power supply

(2) Production process: omitted (the Company is not a manufacturing company)

(III) Supply of major raw materials: omitted (the Company is not a manufacturing company)

(IV) List of major suppliers and customers

(1) Information of main suppliers in recent two years

Item	2021				2022				As of the previous quarter in 2023			
	Name	Amount	Ratio to net purchase amount of whole year (%)	Relationship with issuer	Name	Amount	Ratio to net purchase amount of whole year (%)	Relationship with issuer	Name	Amount	Ratio to net purchase amount of current year as of the previous quarter (%)	Relationship with issuer
1	A	7,508,956	23.35	None	A	6,960,720	26.61	None	A	1,385,501	23.35	None
2	B	4,973,668	15.46	None	B	4,341,603	16.60	None	B	795,140	13.40	None
									C	1,065,665	17.96	None
	Others	19,680,665	61.19		Others	14,854,591	56.79		Others	2,686,733	45.29	
	Net purchase amount	32,163,289	100.00		Net purchase amount	26,156,914	100.00		Net purchase amount	5,933,039	100.00	

Reasons for increase or decrease:

There was no significant change in the suppliers in 2022 and 2021.

(2) Information of major customers in recent two years: No customer whose individual sales amount exceeded more than 10% of the total sales amount in the first quarters of 2020, 2021 and 2022.

(V) Table of production volume in recent two years: The Company is an agent dealer of electronic components, so it is not applicable.

(VI) Table of sales volume in recent two years:

Unit: 1,000; NT\$1,000

Product category	2021		2022	
	Volume	Value	Volume	Value
Specific application and LCD panel related products	5,276	6,469,499	2,522	5,634,547
Specific application chips	1,227,777	2,641,228	4,059,463	12,371,259
Linear/distributed components	5,899,208	14,273,300	273,066	6,134,073
Image processing IC	389,817	6,804,960	622,623	2,167,346
Other	251,779	2,280,066	188,594	1,765,980
Total	7,773,857	32,469,053	5,146,268	28,073,205

3. Number of employees in recent two years and as of the publication date of annual report

Year	2021	2022	As of March 31, 2023	
Number of employee	Manager	66	71	72
	General staff	144	149	149
	Total	210	220	221
Average age	40.64	41.07	41.11	
Average service seniority (years)	10.31	10.05	10.13	
Distribution ratio of educational background	Doctor	-	-	-
	Master	7.14%	8.64%	8.60%
	Junior college/bachelor	88.10%	86.36%	86.88%
	High school	4.76%	5.00%	4.52%
	Below high school	-	-	-

4. Environmental protection expenditure information

In recent year and as of the publish date of annual report, the total losses (including compensations) and penalties of the Company due to the environmental pollution, indicating the future responding strategies (including improvements) and possible expenses (including the estimated amount of possible loss, penalty and compensation for no responding strategy; if unable to reasonably estimate, please specify the fact of unable to make a reasonable estimate): none.

5. Labor-capital relationship:

(I) List the Company's various employee benefits, education, training and retirement systems and their implementations, as well as the agreements between employers and employees, and the protection of employee rights and interests

(1) Employee welfare measure and implementation:

A. Accident group insurance / accident medical insurance / hospitalization insurance / occupational accident insurance.

B. Travel security insurance.

C. Inclusion of labor insurance and health insurance

According to the provisions of the labor insurance and national health insurance ordinances, all employees are insured from the date of employment.

- D. Holiday bonus
Spring Festival, Dragon Boat Festival, Mid-Autumn Festival gifts and year-end bonus.
- E. To allocate funds for the establishment of welfare committee.
- F. To subsidize the annual travel of employees, and organize regular staff dinners and year-end parties.
- G. Employees shall be provided with education and training both inside and outside the Company from time to time.
- H. To subsidize the employees to form their own associations.

(2) Retirement system and implementation:

- A. The retirement system and regulations of employees of the Company shall be governed by relevant provisions of the Labor Standards Law.
- B. Until June 30, 2006, for the implementation of Article 56 of the Labor Standards Law to allocate and manage the labor pension reserve funds, the Company set up the labor pension reserve fund supervision committee according to "Labor pension reserve fund supervision committee organization code for public institutions" in Order Tai-Nei-Lao-Zi No. 321291 of the Ministry of the Interior on July 1, 1985, responsible for the management and use of retirement reserve fund, and 2% of the paid salary shall be set aside as the retirement reserve and deposited in the special account in Bank of Taiwan.
Starting from July 1, 2005, employees who choose the pension system under the Labor Pension Ordinance will be allocated to the individual pension account of the Labor Insurance Bureau at the rate of 6% of their monthly salary.

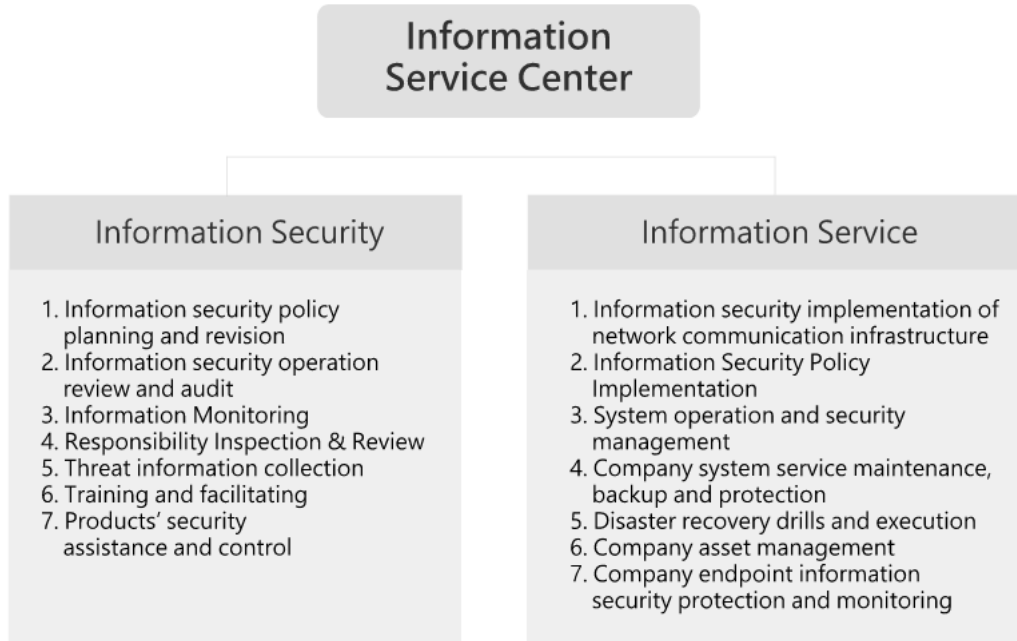
(3) Agreement between employers and employees: any new or amended measures relating to labor relations shall be decided only after full agreement between employers and employees, so there is no dispute.

- (II) In the most recent fiscal year and as of the publishment date of annual report, the loss incurred from the labor disputes, and the estimated amount and response measures exposing the present and future possible losses: in terms of labor relations, the Company's labor and the management have been in a rational communication and maintain a harmonious relationship, so the Company has no major labor disputes since its establishment.

6. Cyber Security Management

(I) The Company's Cyber security management framework, Cyber security policies, management plan and investments in resources for cyber security

a. Organizational structure of information security



b. Information Security Management Policy

Purpose: To strengthen information security management, Promate Electronic Co., Ltd. establishes safe and reliable electronic communications that ensure data confidentiality, system integrity and process management, in addition to equipment and network security. This avoids unnecessary operational losses caused by information security failures so as to ensure the purpose of continuous business operations. See details in company website “Management Practices for Information and Network Security”.

c. Information Security Management Measures

Type	Relevant Operations
Access Management	1. Review of personnel account access management
	2. Regular inventory of personnel accounts
	3. Strengthen employees' awareness of information security and information security education and training
Control and Management on System Access	1. Management measures of personnel access to internal/external systems and data transmission
	2. Separating the internal/external network with a firewall
	3. Remote access management measures
External Threats	1. Program for computer virus protection and regular virus pattern updates
	2. Regular vulnerability scans
	3. If the information system is infected by a virus, security vulnerabilities and exploits shall be protected
	4. E-Mail security, Spam mail filtering mechanism
Availability	1. Network and system usage status monitoring and reporting mechanism
	2. Contingency measures when information services are interrupted
	3. Ensure the implementation of daily backup/remote backup mechanisms and store them in a secure location
	4. Data leakage prevention mechanism to ensure data confidentiality
	5. Regular disaster recovery drills so that the computer systems and business can quickly resume to normal operations after a disaster occurs

d. Investments in resources for cyber security

The Company takes current events as cyber security promotion at regular intervals, and organizes 8 times of educational training of this year, totally 240 employees and 496.5 hours, to enhance its staffs' watchfulness for cyber security.

(II) Losses Related to Cyber Security for the Most Recent Year and Up To the Publication Date of this Annual Report : None.

7. Significant contract

Contract nature	Party involved	Beginning and ending dates of the contract	Main content	Restrictive clause
Agency contract	Zilog Inc. (Note 3)	1994.05	Semiconductor parts sales agent	Taiwan
Agency contract	ITE Technology	2000.03	Semiconductor parts sales agent	No
Agency contract	AMCC	1999.03	Semiconductor parts sales agent	No
Agency contract	AU Optronics (Note 2)	1999.06	TFT-LCD crystal display panel sales agent	Greater China Region
Agency contract	Alpha & Omega Semiconductor Inc.,(AOS)	2001.07	Electronic component	-
Agency contract	MELLANOX TECHNOLOGIES	2001.07	Communication product	-
Agency contract	Bitek	2002.10	Electronic component	Greater China Region
Agency contract	Audience	2007.06	Electronic component	-
Agency contract	Oxford	2007.08	Electronic component	-
Agency contract	UPI	2008.06	Electronic component	Greater China Region
Agency contract	Mastouch	2010.01	Electronic component	Greater China Region
Agency contract	Silergy	2010.03	Electronic component	Greater China Region
Agency contract	ANAX	2010.11	Electronic component	Greater China Region
Agency contract	Tehuti Network Ltd.	2012.11	Electronic component	Greater China Region
Agency contract	Electric Connector Technology	2013.04	Electronic component	Greater China Region
Agency contract	UBIQ Semiconductor	2013.06	Electronic component	Greater China Region
Agency contract	SQ	2013.08	Electronic component	Mainland China
Agency contract	ITTI Company Ltd.	2014.01	Semiconductor parts sales agent	Taiwan
Agency contract	Silego Technology, Inc.	2014.05	Semiconductor parts sales agent	-
Agency contract	Conexant Systems, Inc.	2014.09	Semiconductor parts sales agent	Taiwan/ Mainland China
Agency contract	Active-Semi Hong Kong Limited	2014.09	Semiconductor parts sales agent	Taiwan
Agency contract	NDK	2015.05	Semiconductor parts sales	Taiwan

Contract nature	Party involved	Beginning and ending dates of the contract	Main content	Restrictive clause
contract			agent	
Agency contract	EMC	2015.06	Semiconductor parts sales agent	Taiwan
Agency contract	SGMICRO	2016.09	Semiconductor parts sales agent	Taiwan
Agency contract	Amazing	2016.10	Semiconductor parts sales agent	Taiwan
Agency contract	JOULWATT	2017.09	Semiconductor parts sales agent	Taiwan
Agency contract	LFC SEMICONDUCTOR LIMITED	2018.05	Semiconductor parts sales agent	Taiwan
Agency contract	BVI Capxon Technology Co., Ltd. Taiwan Branch	2018.07	Semiconductor parts sales agent	Taiwan
Agency contract	Wuhan Xinxin Semiconductor Manufacturing Co., Ltd. (XMC)	2019.02	Semiconductor parts sales agent	Taiwan
Agency contract	LOWPOWERSEMI CONDUCTOR CO., LTD.	2019.02	Semiconductor parts sales agent	Taiwan / Mainland China
Agency contract	GIGADEVICE SEMICONDUCTOR (HK) LIMITED	2019.11	Semiconductor parts sales agent	Taiwan / Hong Kong
Agency contract	VIA Labs Inc	2020.03	Semiconductor parts sales agent	Taiwan / Hong Kong
Agency contract	Telink Semiconductor Co., Ltd.	2020.05	Semiconductor parts sales agent	Taiwan
Agency contract	Lanxin System Co., Ltd.	2020.07	Semiconductor parts sales agent	Taiwan
Agency contract	CHIPLUS SEMICONDUCTOR CORP.	2021.01	Semiconductor parts sales agent	Taiwan / Mainland China/
Agency contract	Jiangsu Zhenhua Xinyun Electronics Co., Ltd.	2021.03	Semiconductor parts sales agent	Taiwan / Mainland China
Agency contract	ILI TECHNOLOGY CORP.	2021.04	Semiconductor parts sales agent	Mainland China Hisense Group
Agency contract	Jiangsu Changjing Electronics Technology Co.,ltd	2021.04	Semiconductor parts sales agent	Taiwan / Mainland China
Agency contract	ANALOG MICOROELECTRONICS, INC.	2021.09	Semiconductor parts sales agent	Taiwan / Mainland China
Agency contract	LEADTREND TECHNOLOGY CORP.	2022.11	Semiconductor parts sales agent	Taiwan / Mainland China

Note 1: The above contract shall be extended for one year each time upon expiration.

Note 2: S3 International Ltd. (Asahi) was merged by Via Electronics and changed its name to S3/VIA. Unipac and Acer Display Technology merged and the surviving company was AU Optronics.

Note 3: There is a price protection agreement with the supplier.

VI. Financial Overview

1. Brief financial information for the past five years

(I) Condensed balance sheet and consolidated income statement

Condensed Balance Sheet (Consolidated)

Unit: NT\$1,000

Item	Year	Financial statements for the past five years					Financial statements as of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Current assets		8,135,995	9,216,649	10,934,870	13,196,559	12,347,254	12,805,556
Property, plant and equipment (Note 2)		410,916	388,807	391,976	382,717	393,410	393,791
Intangible assets		13,216	10,579	6,704	9,837	7,091	6,323
Other assets (Note 2)		227,418	407,502	710,850	1,623,486	1,676,572	1613,810
Total Assets		8,787,545	10,023,537	12,044,400	15,212,599	14,424,327	14,819,480
Current liabilities	Before distribution	4,598,280	5,657,878	6,259,944	8,449,224	7,739,045	7,953,027
	After distribution	5,069,169	6,066,101	6,761,497	9,186,245	Note 3	Note 3
Non-current liabilities		147,999	327,318	1,520,720	1,757,704	1,160,181	1,062,794
Total liabilities	Before distribution	4,746,279	5,985,196	7,780,664	10,206,928	8,899,226	9,015,821
	After distribution	5,217,168	6,393,419	8,282,217	10,943,949	Note 3	Note 3
Equity attributable to owners of parent		3,691,076	3,677,608	3,886,392	4,639,049	5,146,460	5,405,379
Capital		1,790,452	1,790,452	1,791,260	1,934,141	2,087,964	2,121,552
Capital surplus		657,809	657,690	712,730	1,008,022	1,290,786	1,349,297
Retained earnings	Before distribution	1,247,604	1,244,671	1,375,624	1,694,335	1,784,134	1,951,813
	After distribution	776,715	836,448	874,071	957,314	Note 3	Note 3
Other equity		(4,789)	(15,205)	6,778	2,551	(16,424)	(17,283)
Treasury stock		-	-	-	-	-	-
Non-controlling interests		350,190	360,733	377,344	366,622	378,641	398,280
Total amount of Equity	Before distribution	4,041,266	4,038,341	4,263,736	5,005,671	5,525,101	5,803,659
	After distribution	3,570,377	3,630,118	3,762,183	4,268,650	Note 3	Note 3

Note 1: The financial statements on March 31, 2023 have been audited and approved by the accountant.

Note 2: Asset revaluation has not been processed.

Note 3: The above numbers are allocated and filled in next year based on resolutions of Board of Directors or shareholders' meeting. Only 2022 distribution of earnings has been passed by Board of Directors' resolution, and is to be distributed by the next year shareholders' meeting.

Condensed Balance Sheet (Parent Company Only)

Unit: NT\$1,000

Item \ Year	Financial statements for the past five years					Financial statements as of March 31, 2023 (Note 1)	
	2018	2019	2020	2021	2022		
Current assets	6,664,490	7,667,002	9,459,984	11,607,572	10,648,129	-	
Property, plant and equipment (Note 2)	329,723	322,945	317,389	315,614	320,912	-	
Intangible assets	3,480	3,312	2,649	3,979	3,129	-	
Other assets (Note 2)	978,030	1,050,442	1,445,506	2,294,019	2,386,287	-	
Total Assets	7,975,723	9,043,701	11,225,528	14,221,184	13,358,457	-	
Current liabilities	Before distribution	4,164,976	5,142,657	5,894,194	7,882,880	7,087,794	-
	After distribution	4,635,865	5,550,880	6,395,747	8,619,901	Note 3	-
Non-current liabilities	119,671	223,436	1,444,942	1,699,255	1,124,203	-	
Total liabilities	Before distribution	4,284,647	5,366,093	7,339,136	9,582,135	8,211,997	-
	After distribution	4,755,536	5,774,316	7,840,689	10,319,156	Note 3	-
Capital	1,790,452	1,790,452	1,791,260	1,934,141	2,087,964	-	
Capital surplus	657,809	657,690	712,730	1,008,022	1,290,786	-	
Retained earnings	distribution	1,247,604	1,244,671	1,375,624	1,694,335	1,784,134	-
	After distribution	776,715	836,448	874,071	Note 3	Note 3	-
Other equity	(4,789)	(15,205)	6,778	2,551	(16,424)	-	
Treasury stock	-	-	-	-	-	-	
Total amount of Equity	Before distribution	3,691,076	3,677,608	3,886,392	4,639,049	5,146,460	-
	After distribution	3,220,187	3,269,385	3,384,839	3,902,028	Note 3	-

Note 1: No individual financial statements have been issued for the first quarter of 2023.

Note 2: Asset revaluation has not been processed.

Note 3: The Company's 2022 year distribution of earnings has been passed by Board of Directors' resolution, and is to be distributed by the next year shareholders' meeting.

Condensed Statement of Comprehensive Income (Consolidated)

Unit: NT\$1,000 (Except EPS: NT\$)

Item \ Year	Financial statements for the past five years					Financial statements as of March 31, 2023 (Note 1)
	2018	2019	2020	2021	2022	
Operating Revenue	19,712,236	22,824,272	26,710,813	32,469,053	28,073,205	6,920,801
Operating margin	1,782,744	1,804,849	1,997,334	2,367,038	2,181,640	532,877
Operating income	784,029	835,142	1,032,481	1,234,817	936,360	285,330
Non-operating income and expense	(32,303)	(160,638)	(284,866)	(175,360)	196,739	50,840
Pre-tax profit	751,726	674,504	747,615	1,059,457	1,133,099	234,490
Continuing operations Current period net profit	585,743	539,482	604,676	848,904	885,907	187,207
Income (loss) on Discontinued Operations	-	-	-	-	-	-
Net income (loss)	585,743	539,482	604,676	848,904	885,907	187,207
Other comprehensive income (Net amount after tax)	317	(13,123)	31,726	21,043	(16,221)	(748)
Total comprehensive income	586,060	526,359	636,402	869,947	869,686	186,459
Net profit attributable to parent company shareholders	521,974	469,655	536,016	793,979	820,324	167,679
Profit Attributable to Noncontrolling Interest	63,769	69,827	68,660	54,925	65,583	19,528
Comprehensive Income (Loss) Attributable to Owners of the Parent	522,125	457,540	561,159	816,037	807,845	166,820
Comprehensive Income Attributable to Noncontrolling Interest	63,935	68,819	75,243	53,910	61,841	19,639
Earnings Per Share	2.92	2.62	2.99	4.31	4.08	0.80

Note 1: The financial documents on March 31, 2023 have been audited and approved by the accountant.

Condensed Statement of Comprehensive Income (Parent Company Only)

Unit: NT\$1,000 (Except EPS: NT\$)

Item \ Year	Financial statements for the past five years					Financial statements as of March 31, 2023 (Note 1)
	2018	2019	2020	2021	2022	
Operating Revenue	18,018,996	21,061,405	25,061,287	30,995,947	26,361,267	-
Operating margin	1,193,913	1,226,304	1,439,044	1,816,406	1,661,667	-
Operating income	537,663	556,056	738,012	1,021,642	694,672	-
Non-operating income and expense	109,013	(2,272)	(108,413)	(50,313)	305,759	-
Pre-tax profit	646,676	553,784	629,599	971,329	1,000,431	-
Continuing operations Current period net profit	521,974	469,655	536,016	793,979	820,324	-
Income (loss) on Discontinued Operations	-	-	-	-	-	-
Net income (loss)	521,974	469,655	536,016	793,979	820,324	-
Other comprehensive income (Net amount after tax)	151	(12,115)	25,143	22,058	(12,479)	-
Total comprehensive income	522,125	457,540	561,159	816,037	807,845	-
Earnings Per Share	2.92	2.62	2.99	4.31	4.08	-

Note 1: No individual financial statements have been issued for the first quarter of 2023.

(II) Name of CPA and Auditors' Opinions for the last five years

Year	Name of accounting firm	Name of CPA	Audit opinion
2018	Deloitte & Touche Taiwan	Li, Li-Huang and Chen, Huei-Ming	Unqualified opinion
2019	Deloitte & Touche Taiwan	Li, Li-Huang and Chen, Huei-Ming	Unqualified opinion
2020	Deloitte & Touche Taiwan	Li, Li-Huang and Chen, Huei-Ming	Unqualified opinion
2021	Deloitte & Touche Taiwan	Li, Li-Huang and Chen, Huei-Ming	Unqualified opinion
2022	Deloitte & Touche Taiwan	Li, Li-Huang and Kuo, Nai-Hua	Unqualified opinion

2. Financial analysis

(I) Financial ratio

IFRS- Consolidated Financial

Item (Note 3)		Year (Note 1)	Financial analysis of the last five years					Financial statements as of March 31, 2023 (Note 2)
			2018	2019	2020	2021	2022	
Financial structure %	Debt to asset ratio		54.01	59.71	64.60	67.10	61.70	60.84
	Long-term Fund to Property, Plant and Equipment		1,019.49	1,122.83	1,475.72	1,767.20	1,699.32	1743.68
Liquidity %	Current Ratio		176.94	162.90	174.68	156.19	159.54	161.01
	Quick Ratio		114.17	114.51	137.15	114.63	109.31	115.61
	Times interest earned		14.72	6.90	11.04	19.79	10.69	7.90
Operating ability	Average Collection Turnover (Times)		5.81	5.93	5.48	5.18	4.85	1.39
	Average days of collection		63	62	67	70	75	263
	Average Inventory Turnover (Times)		6.75	7.53	9.76	10.33	7.05	1.72
	Average Payables Turnover (Times)		9.34	11.22	10.50	8.77	7.94	2.46
	Average days of sales		54	48	37	35	52	212
	Property, Plant and Equipment Turnover (Times)		46.77	57.08	68.42	83.82	72.34	17.58
	Total Assets Turnover (Times)		2.31	2.43	2.42	2.38	1.89	0.47
Profitability	Return on Total Assets (%)		7.37	6.71	6.02	6.56	6.61	1.47
	Return on Equity (%)		14.79	13.35	14.57	18.32	16.83	3.30
	Pre-tax Income to Paid-in Capital Ratio (%) (Note 7)		41.99	37.67	41.74	54.78	54.27	11.05
	Net Margin (%)		2.97	2.36	2.26	2.61	3.16	2.70
	Earnings Per Share (NT\$)		2.92	2.62	2.99	4.31	4.08	4.08
Cash flows	Cash Flow Ratio (%)		3.47	(5.73)	8.38	1.97	10.19	3.90
	Cash Flow Adequacy Ratio (%)		73.08	72.98	65.73	24.06	29.05	38.82
	Cash Flow Reinvestment Ratio (%)		(3.78)	(18.36)	2.03	(5.10)	0.80	4.70
Leverage	Operating leverage		1.10	1.09	1.07	1.05	1.08	1.11
	Financial leverage		1.08	1.16	1.08	1.05	1.14	1.14

Please provide the reasons for changes in financial ratios in the most recent two years.

1. Times interest earned: It was mainly resulted from the increase of interest expense due to the increase of the Company's borrowings and rise of USD interest rate in current year.

2. Average inventory turnover (times)/Average days of sales: It was mainly caused due to the following reasons: The Russia-Ukraine war broke out; the new mutant virus caused China to lock down cities frequently, which influenced the economy, and later the mainland China suddenly lift the lockdown at the end of 2022 to result in massive virus infections, and consequently the factories were lack of workers to add uncertain factors and customers ordered goods in a conservative manner.

3. Total assets turnover (times): It was mainly resulted from the substantial decline of operating revenue of the Company caused by the following reasons: The Russia-Ukraine war broke out; the new mutant virus caused China to lock down cities frequently, which influenced the economy, and later the mainland China suddenly lift the lockdown at the end of 2022 to result in massive virus infections, and consequently the factories were lack of workers to add uncertain factors and customers ordered goods in a conservative manner.

4. Net margin: It was mainly resulted from the slight increase of net profit in current period but decline of operating revenue.

5. Cash flow ratio/Cash flow adequacy ratio/Cash flow reinvestment ratio: They were mainly resulted from the substantial increase of net cash flows from operating activities.

Note 1: The financial statements on March 31, 2023 have been audited and approved by the accountant.

Note 2: A company that is listed or whose shares have been traded at the business premises of securities dealer shall also incorporate the financial information for the previous quarter as of the publication date of annual report.

Note 3: At the end of this annual report, the following calculation formula should be given:

1. Financial structure

(1) Debt to asset ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets – Inventories – Prepaid Expenses) / Current Liabilities

(3) Time interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

(1) Average Collection Turnover = Net Sales / Average Trade Receivables (including all accounts receivable and all notes receivable resulting from trade)

(2) Average Collection Days = 365 / Average Collection Turnover

(3) Inventory turnover ratio = cost of goods sold / average amount of inventory

(4) Average Payables Turnover = Cost of Sales / Average Trade Payables (including all accounts payable and all notes payable resulting from trade)

(5) Average Inventory Turnover Days = 365 / Average Inventory Turnover

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

(7) Fixed assets turnover ratio = net sales / total average fixed assets

4. Profitability

(1) Return on Total Assets = (Net Income + Interest Expenses * (1-Effective Tax Rate)) / Average Total Assets

(2) Return on Equity = Net Income / Average Equity

(3) Net profit margin = after-tax profit / net operating income

(4) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent – Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash flows

(1) Cash flow ratio = new cash flows from operating activities / current liabilities

(2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years

(3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other noncurrent assets + working capital)

6. Leverage

(1) Operating leverage = (net operating revenue – variable operating cost and expenses) / operating profit

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

Note 4: The above calculation formula of earnings per share shall be measured with special attention to the following matters:

1. Based on the weighted average number of common shares, not on the number of shares outstanding at year-end.
2. Any trader with cash increase or treasury share shall calculate the weighted average number of shares, taking into account the period of circulation.
3. In the case of conversion of surplus to capital increase or conversion of capital reserve to capital increase, the calculation of earnings per share of previous years and semi-years shall be adjusted retroactively according to the proportion of capital increase, without taking into account the issuing period of such capital increase.
4. If the special shares are non-convertible cumulative special shares, the current year dividend (whether distributed or not) shall be deducted from the net profit after tax or added to the net loss after tax. If the special shares are non-cumulative, the dividend of special shares shall be deducted from the net profit after tax if there is any net profit after tax; if it is a loss, no adjustment is required.

Note 5: Cash use analysis should pay special attention to the following matters when measuring:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.

2. Capital expenditure refers to the annual cash outflow from capital investments.
3. The inventory increase is only taken into account when the ending balance is greater than the beginning balance. If the inventory decreases at the end of the year, it is calculated as zero.
4. Cash dividends include the cash dividends of common shares and special shares.
5. Real estate, building and equipment means the total value of real estate, building and equipment before the accumulated depreciation.

Note 6: The issuer shall classify the operating costs and expenses into the fixed and variable by nature. If any of them involve in the estimates or subjective judgments, the issuer shall pay attention to their rationality and maintain consistency.

Note 7: If the shares of the Company are in no denomination or in denomination other than NT\$10 per share, the above calculation of paid-in capital ratio shall be based on the equity ratio attributable to the owner of parent company in the balance sheet.

IFRS-Parent Company Only

Year (Note 1) Item (Note 3)		Financial analysis of the last five years					Financial statements as of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Financial structure %	Debt to asset ratio	53.72	59.34	65.38	67.38	61.47	Note 1
	Long-term Fund to Property, Plant and Equipment	1,155.74	1,207.96	1,679.75	2,008.25	1,954.01	Note 1
Liquidity %	Current Ratio	160.01	149.09	160.50	147.25	150.23	Note 1
	Quick Ratio	103.70	101.74	125.85	107.33	101.65	Note 1
	Times interest earned	13.34	6.34	10.15	19.39	9.78	Note 1
Operating ability	Average Collection Turnover (Times)	5.93	5.99	5.47	5.20	4.82	Note 1
	Average days of collection	62	61	67	70	76	Note 1
	Average Inventory Turnover (Times)	7.63	8.33	10.58	11.29	7.52	Note 1
	Average Inventory Turnover (Times)	9.85	11.77	10.88	9.04	8.19	Note 1
	Average days of sales	48	44	34	32	49	Note 1
	Property, Plant and Equipment Turnover (Times)	54.20	64.54	78.28	97.93	82.83	Note 1
	Total Assets Turnover (Times)	2.34	2.47	2.47	2.44	1.91	Note 1
Profitability	Return on Total Assets (%)	7.31	6.49	5.83	6.57	6.61	Note 1
	Return on Equity (%)	14.49	12.75	14.17	18.63	16.77	Note 1
	Pre-tax Income to Paid-in Capital Ratio (%) (Note 7)	36.12	30.93	35.15	50.22	47.91	Note 1
	Net Margin (%)	2.90	2.23	2.14	2.56	3.11	Note 1
	Earnings Per Share (NT\$)	2.92	2.62	2.99	4.31	4.08	Note 1
Cash flows	Cash Flow Ratio (%)	1.75	(16.59)	4.90	(0.25)	6.17	Note 1
	Cash Flow Adequacy Ratio (%)	57.14	25.67	9.85	(6.19)	(1.67)	Note 1
	Cash Flow Reinvestment Ratio (%)	(6.48)	(34.07)	(2.26)	(8.45)	(4.99)	Note 1
Leverage	Operating leverage	1.05	1.04	1.03	1.02	1.04	Note 1
	Financial leverage	1.11	1.23	1.10	1.05	1.20	Note 1

Item (Note 3)	Year (Note 1)	Financial analysis of the last five years					Financial statements as of March 31, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Please provide the reasons for changes in financial ratios in the most recent two years.							
1. Times interest earned: It was mainly resulted from the increase of interest expense due to the increase of the Company's borrowings and rise of USD interest rate in current year.							
2. Average inventory turnover (times)/Average days of sales: It was mainly caused due to the following reasons: The Russia-Ukraine war broke out; the new mutant virus caused China to lock down cities frequently, which influenced the economy, and later the mainland China suddenly lift the lockdown at the end of 2022 to result in massive virus infections, and consequently the factories were lack of workers to add uncertain factors and customers ordered goods in a conservative manner.							
3. Total assets turnover (times): It was mainly resulted from the substantial decline of operating revenue of the Company caused by the following reasons: The Russia-Ukraine war broke out; the new mutant virus caused China to lock down cities frequently, which influenced the economy, and later the mainland China suddenly lift the lockdown at the end of 2022 to result in massive virus infections, and consequently the factories were lack of workers to add uncertain factors and customers ordered goods in a conservative manner.							
4. Net margin: It was mainly resulted from the slight increase of net profit in current period but decline of operating revenue.							
5. Cash flow ratio/Cash flow adequacy ratio/Cash flow reinvestment ratio: They were mainly resulted from the substantial increase of net cash flows from operating activities.							

Note 1: No individual financial statements have been issued for the first quarter of 2023.

Note 2: A company that is listed or whose shares have been traded at the business premises of securities firm shall also incorporate the financial information for the previous quarter as of the publication date of annual report.

Note 3: The formulas in this chart are the same as the consolidated financial analysis in previous page.

3. Approval and Audit Report of Audit Committee for 2022

Promate Electronic Co., Ltd.

Approval and Audit Report of Audit Committee

The Board of Directors of the Company has prepared the annual business report, financial statements and surplus distribution plan for 2022. The financial statements have been examined and verified by Accountants Wong, Bo-Ren and Kuo, Nai-Hua of Deloitte & Touche Accounting Firm who issued the audit report. The accountant has communicated with the Audit Committee on the key audit matters in the audit report. The Audit Committee, upon examination, finds no discrepancy in the foregoing lists, and in accordance with the provisions of Article 14 of the Securities and Exchange Act and Article 219 of the Company Act, hereby provides a report for your approval.

General Meeting of Shareholders in 2023 of Promate Electronic Co., Ltd.

Convener of Audit Committee: Chen, Mei-Chi

March 15, 2023

Statement of consolidated financial statements of affiliated enterprises

In accordance with the "Consolidated business report of affiliated enterprises, consolidated financial statements of affiliated enterprises and relationship report compiling principles", the companies to be incorporated in the consolidated financial statements of affiliated enterprises in 2022 are the same with the companies to be incorporated in the consolidated financial statements of parent-subsidary enterprises according to IFRS 10, and the relevant information that should be disclosed in the consolidated financial statements of affiliated enterprises has been disclosed in the above consolidated financial statements of parent-subsidary enterprises, so the consolidated financial statements of affiliated enterprises will not be prepared separately.

Company Name: Promate Electronic Co., Ltd.

Owner: Eric Chen

March 15, 2023

4. Financial Statements for 2022

INDEPENDENT AUDITORS REPORT

The Board of Directors and Shareholders
Promate Electronics Co. Ltd.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

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

Occurrence of shipment with revenue gained from specific clients

The Group specializes in trading distributed components, liquid crystal display products, and image processing IC. Based on the materiality and auditing standards, revenue recognition is presumed to be a significant risk. Therefore, the engaging partner believes that the existence of sales revenue with specific clients would materially affect the occurrence of the financial statement, which is the reason

the audit team listed the occurrence of shipment with sales revenue from certain clients as the key audit matter of 2022 audit process. Refer to note 4(12) for more details of revenue recognition policy.

Our main audit procedures performed in respect of above matter include the following:

1. We understood the internal control procedures for revenue recognition and the relevant approval process followed by the Group's management.
2. We understood the internal control procedures for revenue recognition and the relevant approval process followed by the Group's management.
3. We ascertained sales returns and discounts that occurred after the balance sheet date, to ensure whether there is a material misstatement on sales revenue from specific clients in the group's financial statement.

Other Matters

We have also audited the parent company only financial statements of Promate Electronics Co. Ltd as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the 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 generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Po-Jen Weng and Nai-Hua Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 28, 2023

Notice to Readers

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

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

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 2,536,276	18	\$ 1,976,856	13
Financial assets at fair value through profit or loss - current (Notes 4, 7, 20, and 32)	20,813	-	13,382	-
Financial assets at amortized cost - current (Notes 4, 9, 10, 32 and 34)	3,972	-	2,236	-
Contract assets - current (Notes 4 and 26)	1,856	-	-	-
Notes receivable (Notes 4, 11 and 32)	40,685	-	92,798	1
Accounts receivable (Notes 4, 11 and 32)	4,560,982	32	6,868,984	45
Accounts receivable from related parties (Notes 4, 11, 32 and 33)	36	-	1,693	-
Other receivables (Notes 4, 11 and 32)	1,293,746	9	727,041	5
Current tax assets (Notes 4 and 28)	566	-	391	-
Inventories (Notes 4 and 12)	3,853,470	27	3,489,971	23
Other current assets (Notes 18)	34,852	-	23,207	-
Total current assets	12,347,254	86	13,196,559	87
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 8 and 32)	175,654	1	166,654	1
Property, plant and equipment (Notes 4, 15, 27, 30 and 34)	393,410	3	382,717	2
Right-of-use assets (Notes 4, 16, 27 and 33)	77,037	-	105,289	1
Other intangible assets (Notes 4, 17 and 27)	7,091	-	9,837	-
Deferred tax assets (Notes 4 and 28)	294,796	2	174,778	1
Prepayments for business facilities (Notes 18, 30 and 35)	569	-	6,834	-
Refundable Deposits (Notes 18 and 32)	1,128,516	8	1,169,931	8
Total non-current assets	2,077,073	14	2,016,040	13
TOTAL	\$ 14,424,327	100	\$ 15,212,599	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4, 19, 30, 32, 34 and 35)	\$ 3,257,405	23	\$ 2,645,942	17
Short-term bills payable (Notes 4, 19, 30 and 32)	150,000	1	180,000	1
Contract liabilities - current (Notes 22 and 26)	217,013	2	146,306	1
Notes payable (Notes 21 and 32)	344	-	8,447	-
Accounts payable (Notes 21 and 32)	2,385,905	17	4,083,540	27
Accounts payable to related parties (Notes 21, 32 and 33)	28,175	-	13,893	-
Other payables (Notes 22 and 32)	729,380	5	558,738	4
Current tax liabilities (Notes 4 and 28)	204,908	1	279,163	2
Provisions- current (Notes 4 and 23)	5,821	-	2,938	-
Lease liabilities - current (Notes 4, 16, 30, 32 and 33)	40,054	-	37,289	-
Current portion of bonds payable (Note 4, 20 and 32)	106,985	1	-	-
Other current liabilities (Note 22)	613,055	4	492,968	3
Total current liabilities	7,739,045	54	8,449,224	55
NON-CURRENT LIABILITIES				
Bonds Payable (Note 4, 20 and 32)	-	-	539,418	4
Long-term borrowings (Notes 4, 19, and 32)	100,000	1	-	-
Provisions- noncurrent (Notes 4 and 23)	3,703	-	1,386	-
Deferred tax liabilities (Notes 4 and 28)	13,166	-	53,883	-
Lease liabilities - noncurrent (Notes 4, 16, 30, 32 and 33)	37,661	-	68,470	1
Net defined benefit liabilities - noncurrent (Notes 4 and 24)	36,274	-	42,643	-
Guarantee Deposits (Notes 22 and 32)	969,377	7	1,051,904	7
Total non-current liabilities	1,160,181	8	1,757,704	12
Total liabilities	8,899,226	62	10,206,928	67
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 13, 25, and 29)				
Share capital				
Ordinary shares	2,087,964	15	1,934,141	13
Capital surplus	1,290,786	9	1,008,022	7
Retained earnings				
Legal reserve	954,454	6	872,428	6
Unappropriated earnings	829,680	6	821,907	5
Total retained earnings	1,784,134	12	1,694,335	11
Other equity	(16,424)	-	2,551	-
Total equity attributable to owners of the Company	5,146,460	36	4,639,049	31
NON-CONTROLLING INTERESTS (Notes 13 and 25)	378,641	2	366,622	2
Total equity	5,525,101	38	5,005,671	33
TOTAL	\$ 14,424,327	100	\$ 15,212,599	100

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

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 26 and 33)				
Sales	\$ 28,073,205	100	\$ 32,469,053	100
OPERATING COSTS (Notes 4, 12, 27 and 33)				
Cost of sales	(25,891,565)	(92)	(30,102,015)	(93)
GROSS PROFIT	2,181,640	8	2,367,038	7
OPERATING EXPENSES (Notes 27 and 33)				
Selling and marketing expenses	(1,005,204)	(4)	(924,717)	(3)
General and administrative expenses	(158,106)	(1)	(137,140)	-
Research and development expenses	(81,970)	-	(70,364)	-
Total operating expenses	(1,245,280)	(5)	(1,132,221)	(3)
OPERATING PROFIT	936,360	3	1,234,817	4
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 33)				
Interest income	9,087	-	2,390	-
Other income- others	14,407	-	10,463	-
Other gains and losses	290,147	1	(131,210)	(1)
Finance costs	(116,902)	-	(56,396)	-
Share of profit (loss) of associates accounted for using equity method	-	-	(607)	-
Total non-operating income and expenses	196,739	1	(175,360)	(1)
PROFIT BEFORE INCOME TAX	1,133,099	4	1,059,457	3
INCOME TAX EXPENSE (Notes 4 and 28)	(247,192)	(1)	(210,553)	-
NET PROFIT FOR THE PERIOD	885,907	3	848,904	3
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 24)	5,163	-	3,727	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 25)	(26,439)	-	17,224	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 28)	1,505	-	(745)	-
Items that may be reclassified subsequently to profit or loss:	(19,771)	-	20,206	-

	2022		2021	
	Amount	%	Amount	%
Exchange differences on translating the financial statements of foreign operations (Notes 25)	4,437	-	(2,439)	-
Unrealized gain on investments in debt instruments at fair value through other comprehensive income (Notes 4, 9 and 25)	-	-	2,788	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 28)	(887)	-	488	-
	<u>3,550</u>	-	<u>837</u>	-
Other comprehensive income (loss) for the period, net of income tax	(16,221)	-	21,043	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 869,686</u>	<u>3</u>	<u>\$ 869,947</u>	<u>3</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 820,324	3	\$ 793,979	3
Non-controlling interests	<u>65,583</u>	-	<u>54,925</u>	-
	<u>\$ 885,907</u>	<u>3</u>	<u>\$ 848,904</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 807,845	3	\$ 816,037	3
Non-controlling interests	<u>61,841</u>	-	<u>53,910</u>	-
	<u>\$ 869,686</u>	<u>3</u>	<u>\$ 869,947</u>	<u>3</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 4.08</u>		<u>\$ 4.31</u>	
Diluted	<u>\$ 3.83</u>		<u>\$ 3.75</u>	

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

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company										
	Issued Capital			Retained Earnings			Other Equity		Total	Noncontrolling Interest	Total Equity
	Shares (Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operation	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income			
BALANCE AT JANUARY 1, 2021	179,126	\$ 1,791,260	\$ 712,730	\$ 818,510	\$ 15,204	\$ 541,910	(\$ 5,218)	\$ 11,996	\$ 3,886,392	\$ 377,344	\$ 4,263,736
Appropriation of 2020 earnings											
Legal reserve	-	-	-	53,918	-	(53,918)	-	-	-	-	-
Special reserve	-	-	-	-	(15,204)	15,204	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(501,553)	-	-	(501,553)	-	(501,553)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(64,632)	(64,632)
Conversion of convertible bonds to common stock	14,288	142,881	295,292	-	-	-	-	-	438,173	-	438,173
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	24,410	-	(24,410)	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	793,979	-	-	793,979	54,925	848,904
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,875	(1,836)	22,019	22,058	(1,015)	21,043
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	795,854	(1,836)	22,019	816,037	53,910	869,947
BALANCE AT DECEMBER 31, 2021	193,414	1,934,141	1,008,022	872,428	-	821,907	(7,054)	9,605	4,639,049	366,622	5,005,671
Appropriation of 2021 earnings											
Legal reserve	-	-	-	82,026	-	(82,026)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(737,021)	-	-	(737,021)	-	(737,021)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	(49,822)	(49,822)
Conversion of convertible bonds to common stock	15,382	153,823	282,764	-	-	-	-	-	436,587	-	436,587
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	2,940	-	(2,940)	-	-	-
Net profit for the year ended December 31, 2022	-	-	-	-	-	820,324	-	-	820,324	65,583	885,907
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	3,556	3,574	(19,609)	(12,479)	(3,742)	(16,221)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	823,880	3,574	(19,609)	807,845	61,841	869,686
BALANCE AT DECEMBER 31, 2022	208,796	\$ 2,087,964	\$ 1,290,786	\$ 954,454	\$ -	\$ 829,680	(\$ 3,480)	(\$ 12,944)	\$ 5,146,460	\$ 378,641	\$ 5,525,101

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

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

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

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,133,099	\$ 1,059,457
Adjustments for:		
Expected loss on credit impairment	12,027	13,216
Depreciation expenses	66,033	62,945
Amortization expenses	3,378	2,932
Finance costs	116,902	56,396
Share of loss(profit) of associates accounted for using the equity method	-	607
Interest income	(9,087)	(2,390)
Dividend income	(4,798)	(6,813)
Loss (gain) on inventory impairment	353,518	130,068
Loss (gain) on disposal of property, plant and equipment	(24)	(429)
Loss (gain) on lease modification	(364)	(1,668)
Loss (gain) on disposal of investments	-	13
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	6,367	(3,242)
Net loss (gain) on foreign currency exchange	(5,725)	(8,575)
Loss (gain) on scrap of inventories	8,289	4,081
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(13,800)	9,237
Dncrease (iecrease) in contract assets	(1,856)	-
Decrease (increase) notes receivable	52,113	(23,981)
Decrease (increase) in accounts receivable	2,295,984	(1,368,855)
Decrease (increase) in accounts receivable due from related parties	1,657	501
Decrease (increase) in other receivable	(566,705)	(10,173)
Decrease (increase) in inventories	(725,307)	(1,283,789)
Decrease (increase) in other current assets	(11,645)	(13,936)
Increase (decrease) in contract liabilities	70,707	68,602
Increase (decrease) in notes payable	(8,103)	8,423
Increase (decrease) in accounts payable	(1,697,635)	1,344,064
Increase (decrease) in accounts payable to related parties	14,282	(6,006)
Increase (decrease) in other payable	156,577	153,099
Increase (decrease) in provisions	5,200	(1,200)
Increase (decrease) in net defined benefit liability	(1,206)	(1,189)
Increase (decrease) in other current liabilities	<u>120,087</u>	<u>183,362</u>
Cash generated from (used in) operations	1,369,965	364,757
Interest paid	(99,850)	(41,607)
Income tax paid	<u>(481,739)</u>	<u>(156,895)</u>
Net cash generated from (used in) operating activities	<u>788,376</u>	<u>166,255</u>

	<u>2022</u>	<u>2021</u>
		(Continued)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(6,748)	(46,963)
Acquisition of financial assets at fair value through other comprehensive income	(39,330)	(107,878)
Proceeds from disposal of financial assets at amortized cost	5,180	133,914
Proceeds from disposal of financial assets at fair value through other comprehensive income	3,891	36,881
Interest received	9,087	2,390
Other dividends received	4,798	6,813
Increase in prepayments for business facilities	(26,063)	(17,011)
Acquisition of property, plant and equipment	(1,594)	(7,886)
Acquisition of intangible assets	-	(1,908)
Proceeds from disposal of property, plant and equipment	177	429
Refundable deposits paid	-	(764,949)
Refundable deposits refunded	<u>41,415</u>	<u>-</u>
Net cash used in investing activities	(<u>9,187</u>)	(<u>766,168</u>)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	617,020	248,297
Decrease in short-term loans	(30,000)	(10,000)
Increase of long-term debt	100,000	-
Payments of lease liabilities	(41,659)	(40,130)
Guarantee deposits received	-	767,040
Guarantee deposits refunded	(82,527)	-
Payments of cash dividends	(737,021)	(501,553)
Dividends paid to non-controlling interests	(<u>49,822</u>)	(<u>64,632</u>)
Net cash generated from financing activities	(<u>224,009</u>)	<u>399,022</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>4,240</u>	(<u>1,200</u>)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	559,420	(202,091)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,976,856</u>	<u>2,178,947</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 2,536,276</u>	<u>\$ 1,976,856</u>

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

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Promate Electronic Co., Ltd. (the “Company”) is a listed company that was established in May, 1986. The Company is mainly engaged in the distribution and sales of electronic/electrical components, sales of computer software and electrical products, and sales of electronic/electrical components.

The Company conducted an IPO on the Taipei Exchange (TPEX) in September 2002, and its common shares were listed on the Taiwan Stock Exchange (TWSE) since May 2004.

After carefully evaluating the opportunities of the business unit as well as Promate Electronic as a whole, the Board of Directors concluded that creating a separate entity is the next reasonable step for the business. With two separate entities, Promate Electronic and Promate Solutions will have the flexibility and agility needed to pursue growth in a concentrated manner. Most importantly, this will enable each entity to serve customers more effectively and deliver values to shareholders.

As of August 1st, 2013, the Company is pleased to announce that this business unit will form a fully-owned subsidiary under Promate Solutions Corporation.

The functional currency of the Company is the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on March 15, 2023.

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

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

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Group’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or

after January 1, 2023.

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

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

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

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

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

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

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

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

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

3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single

Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Group will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.)

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

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

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

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

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

- 1) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” i(referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”).

The 2020 amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Group shall disclose information that enables users of financial statements to

understand the risk of the Group that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement

for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

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

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

Refer to Note 13 and Tables 6 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the financial statements of the Company's foreign operations that are prepared using functional currencies which are different from the currency of the Company are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in

other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

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

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

f. Inventories

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

g. Property, plant and equipments

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

i. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property,

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

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

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivable and notes receivable (including related party) at amortized cost, contract assets and other receivables (including related party), are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both collecting of contractual cash flows and selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI and operating lease receivables.

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

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

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

c) Derecognition of financial assets

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

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss

which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

Financial liabilities are subsequently measured either at amortized cost using effective interest method

b) Derecognition of financial liabilities

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

4) Convertible corporate bonds

The composite financial instruments (convertible corporate bonds) issued by the Group are based on the substance of the contractual agreement and the definition of financial liabilities and equity instruments, and their components are classified into financial liabilities and equity at the time of initial recognition.

At the time of initial recognition, the fair value of the liability component is estimated at the prevailing market interest rate of similar non-convertible instruments, and measured at the amortized cost calculated using the effective interest method before the conversion or maturity date. The component of liability embedded in non-equity derivatives is measured at fair value.

The conversion right classified as equity is equal to the remaining amount of the overall fair value of the compound instrument minus the fair value of the separately determined liability component, which is recognized as equity after deducting the impact of income tax, and will not be measured in the future. When the conversion right is executed, the related liability component and the amount of equity will be transferred to equity and capital reserve—issuance premium. If the conversion right of convertible corporate bonds has not been executed on the maturity date, the amount recognized in equity will be transferred to capital reserve—issuance premium.

The transaction costs related to the issuance of convertible corporate bonds are allocated to the liabilities (included in the carrying amount of the liabilities) and equity components (included in equity) of the instrument in proportion to the total apportionment price.

5) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

k. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Warranty

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

l. Revenue recognition

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

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

1) Revenue from the sale of goods

The commodity sales revenue comes from the agency distribution of electronic components and the sales of special application display modules, medical touch displays and embedded control system products, which are mainly sold to the computer and peripheral equipment industry and other electronics industries. Since the above products arrive at the customer's designated location or when the shipment is started, the customer has the contractually agreed price and the right to use the product and bears the main responsibility for resale, and bears the risk of obsolescence and obsolescence of the product, the Group recognizes at that point in time list income and accounts receivable. Advance receipts from sales are recognized as contract liabilities before the products arrive or depart.

When the material is removed for processing, the control of the ownership of the processed product has not been transferred, so the revenue is not recognized when the material is removed.

2) Service revenue

Service revenue mainly comprises revenue from the design of embedded, medical, and application specific display modules during product development; revenue from customers' request for repair when defects occur in products that exceed the warranty period; and revenue recognized at the agreed prices stipulated in contracts.

m. Leasing

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

1) The Group as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

2) The Group as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b)

making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

n. Borrowing costs

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

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

p. Taxation

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

1) Current tax

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

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

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

a、 Impairment of financial assets.

The provision for impairment of accounts receivable is based on assumptions on probability of default and loss given default. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions

and inputs used, see Note 11 to the consolidated financial statements. Where the actual future cash inflows are less than expected, a material impairment loss may arise

b、 Impairment of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 623	\$ 1,395
Checking accounts and demand deposits	1,903,627	1,627,123
Cash equivalents (investment with original maturities less than three months)		
Time deposits	<u>632,026</u>	<u>348,338</u>
	<u>\$ 2,536,276</u>	<u>\$ 1,976,856</u>

The market rate intervals of cash in bank, at the end of the reporting period were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposits	0.001%~3.70%	0.001%~0.35%
Time deposits	1.60%~4.35%	0.13%~2.00%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic quoted shares	\$ 4,602	\$ 13,382
Foreign quoted shares	<u>16,211</u>	<u>-</u>
	<u>\$ 20,813</u>	<u>\$ 13,382</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Investments in equity instruments	<u>\$ 175,654</u>	<u>\$ 166,654</u>

Investments in equity instruments at FVTOCI:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Domestic investments		
Listed shares		
HIGGSTEC Inc.	\$ 52,198	\$ 65,526
Medimaging Integrated Solution Inc.	-	4,312
Unlisted shares		
Tricorntech Corp.	438	438
DigiZerocarbon Corp.	500	500
Foreign investments		
Private Funds		

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Esquarre IoT Landing Fund,L.P.	122,518	95,878
	<u>\$ 175,654</u>	<u>\$ 166,654</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ 3,972	\$ 2,236
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Foreign investments	<u>\$ 3,972</u>	<u>\$ 2,236</u>

- a. The interest rates for time deposits with original maturity over 3 months ranged from 0.22% ~ 3.10% and 0.30% per annum as of December 31, 2022 and 2021, respectively.
- b. Refer to Note 10 for information related to credit risk management and impairment evaluation of financial assets at amortized cost.
- b. Financial assets at amortized cost as collateral for borrowings are set out in Note 34.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at amortized cost.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Gross carrying amount	\$ 3,972	\$ 2,236
Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	3,972	2,236
Fair value adjustment	<u>-</u>	<u>-</u>
	<u>\$ 3,972</u>	<u>\$ 2,236</u>

In order to minimize credit risk, the Group has tasked its credit management committee with the development and maintenance of a credit risk grading framework for categorizing exposures according to the degree of the risk of default. The credit rating information may be obtained from independent rating agencies, where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors. The Group's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses.

The Group's current credit risk grading framework comprises the following categories:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Losses</u>
Normal	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as follows:

<u>Category</u>	<u>Expected Loss Rate</u>	<u>Gross carrying amount</u>	
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
Normal	0%-0.01%	\$ 3,972	\$ 2,236

There was no change in the allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the years ended December 31, 2022 and 2021.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 40,685	\$ 92,798
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	\$ 40,685	\$ 92,798
From operation	\$ 40,685	\$ 92,798
<u>Accounts receivables</u>		
At amortized cost		
Gross carrying amount	\$ 4,615,668	\$ 6,911,652
Gross carrying amount- related parties	36	1,693
Less: Allowance for impairment loss	(54,686)	(42,668)
	\$ 4,561,018	\$ 6,870,677
<u>Overdue receivables</u>		
At amortized cost		
Gross carrying amount	\$ 13,972	\$ 13,972
Less: Allowance for impairment loss	(13,972)	(13,972)
	\$ -	\$ -
<u>Other receivables</u>		
Accounts receivables at FVTOCI	\$ 1,200,308	\$ 596,497
Tax refund receivables	61,387	109,098
Customs duty refund receivables	2,434	2,104
Receivables for disposal of financial assets	10,900	7,320
Others	18,717	12,022
	\$ 1,293,746	\$ 727,041

Notes Receivable and Accounts Receivables

At amortized cost

The average credit period of the sales of goods was 90-150 days. No interest was charged on accounts receivables. In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual accounts debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts.

The Group measures the loss allowance for all accounts receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the

current financial position of the debtor, and the current and future economic conditions of the industry as well as the overall economy. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

December 31, 2022

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
Expected credit loss rate	0.00%-0.74%	0.02%-32.29%	2.86%-52.87%	14.69%-91.41%	12.41%-100%	
Gross carrying amount	\$ 4,076,401	\$ 477,702	\$ 82,560	\$ 3,627	\$ 16,099	\$ 4,656,389
Loss allowance (Lifetime ECL)	(12,051)	(15,446)	(8,665)	(2,763)	(15,761)	(54,686)
Amortized cost	<u>\$ 4,064,350</u>	<u>\$ 462,256</u>	<u>\$ 73,895</u>	<u>\$ 864</u>	<u>\$ 338</u>	<u>\$ 4,601,703</u>

December 31, 2021

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
Expected credit loss rate	0.00%-0.04%	0.00%-20.12%	0.68%-30.07%	5.93%-37.18%	9.12%-100%	
Gross carrying amount	\$ 6,017,923	\$ 790,741	\$ 168,474	\$ 14,313	\$ 14,692	\$ 7,006,143
Loss allowance (Lifetime ECL)	(1,228)	(16,387)	(14,703)	(1,295)	(9,055)	(42,668)
Amortized cost	<u>\$ 6,016,695</u>	<u>\$ 774,354</u>	<u>\$ 153,771</u>	<u>\$ 13,018</u>	<u>\$ 5,637</u>	<u>\$ 6,963,475</u>

The movements of the loss allowance of accounts receivables and overdue receivables were as follows:

	For the Year Ended December 31			
	2022		2021	
	Trade Receivables	Overdue Receivables	Trade Receivables	Overdue Receivables
Balance on January 1	\$ 42,668	\$ 13,972	\$ 29,462	\$ 13,972
Add: Amount of expected loss recognized	12,027	-	13,216	-
Foreign exchange gains and losses	(9)	-	(10)	-
Balance on December 31	<u>\$ 54,686</u>	<u>\$ 13,972</u>	<u>\$ 42,668</u>	<u>\$ 13,972</u>

12. INVENTORIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Raw materials and work in process	\$ 288,639	\$ 277,428
Merchandise inventories	<u>3,564,831</u>	<u>3,212,543</u>
	<u>\$ 3,853,470</u>	<u>\$ 3,489,971</u>

Operating cost summarized by nature is listed below.

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>

Cost of Goods Sold	\$ 25,528,254	\$ 29,946,169
Service cost	1,504	21,697
Impairment	353,518	130,068
Write-off	8,289	4,081
	<u>\$ 25,891,565</u>	<u>\$ 30,102,015</u>

13. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

The entities included in the consolidated statements are listed below:

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31, 2022	December 31, 2021	
Promate Electronic Co., Ltd	Promate Solutions Corporation.	Production and sale of electronic products	66.21%	66.21%	a
	PROMATE INTERNATIONAL CO., LTD.	Investment	100%	100%	b
	HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Warehouse and logistic device	100%	100%	c
	PROMATE ELECTRONICS COMPANY USA	Sales of electronic/ electrical components	100%	100%	d
	CT Continental Corporation	International trade	90%	90%	e
PROMATE INTERNATIONAL CO., LTD.	Promate Electronic (Shenzhen) Co., Ltd.	International trade	100%	100%	f
	Promate Electronic (Shanghai) Co., Ltd	International trade	100%	100%	g
Promate Solutions Corporation.	Promate Japan Inc.	International trade	100%	100%	h

Remarks:

- Promate Solutions Corporation. (Promate Solutions) was incorporated on May 29, 2000 in Taiwan. The Company holds 66.21% ownership in the subsidiary. Main business of Promate Solutions includes manufacturing and sales of information software and electronic parts, as well as services in the supply of electronic information.
- PROMATE INTERNATIONAL CO., LTD. (Promate International) was incorporated in Hong Kong on October 4, 2000 by the Company, who holds 100% ownership. Main business includes investment operation.
- HAPPY ON SUPPLY CHAIN MANAGEMENT LTD. (Happy on) was incorporated in Hong Kong in February 2006 by the Company, who holds 100% ownership. Main business includes logistics operation.
- PROMATE ELECTRONICS COMPANY USA (PROMATE USA) was incorporated in California, USA in November 2011 by the Company, who holds 100% ownership. Main business includes sale of electronic components.
- CT Continental Corporation (CTC) was incorporated on March 12, 1990. Since June 15, 2020, the Company holds 90% ownership in this subsidiary. Main businesses include manufacturing, distribution, and import and export of computer motherboards and computer peripherals.
- Promate Electronic (Shenzhen) Co., Ltd. was incorporated in February 2009 in Shenzhen, China by PROMATE INTERNATIONAL, 100% shareholding. Main businesses include the import/export of electronic components, economic information consulting, and the development and transfer of electronic products.
- Promate Electronic (Shanghai) Co., Ltd. was incorporated in November 2009 in Shanghai, China

by PROMATE INTERNATIONAL, 100% shareholding. Main businesses include the import/export of electrical components and related services.

h) Promate Japan Inc. was incorporated in March 2017 in Tokyo, Japan by Promate Solutions Corporation, 100% shareholding.

b. Details of subsidiaries that have material non-controlling interests

Name of Subsidiary	Proportion of Ownership and Voting Rights Held by Non-controlling Interests	
	December 31, 2022	December 31, 2021
Promate Solutions and its subsidiaries	33.79%	33.79%

See Table 6 for the information on place of incorporation and principal place of business.

Name of Subsidiary	Profit (Loss) Allocated to Non-controlling Interests		Accumulated Non-controlling Interests	
	For the Years Ended December 31,		December 31,	December 31,
	2022	2021	2022	2021
Promate Solutions and its subsidiaries	<u>\$ 65,601</u>	<u>\$ 54,833</u>	<u>\$ 372,581</u>	<u>\$ 360,488</u>

The summarized financial information below represents amounts before intragroup eliminations.

Promate Solutions and its subsidiaries

	December 31, 2022	December 31, 2021
Current assets	\$ 1,554,604	\$ 1,576,278
Non-current assets	184,069	194,502
Current liabilities	(618,051)	(668,997)
Non-current liabilities	(17,984)	(34,934)
Equity	<u>\$ 1,102,638</u>	<u>\$ 1,066,849</u>
Equity attributable to:		
The Parent Company	\$ 730,057	\$ 706,361
Non-controlling interests of Promate Solutions	<u>372,581</u>	<u>360,488</u>
	<u>\$ 1,102,638</u>	<u>\$ 1,066,849</u>
	For the Year ended December 31	
	2022	2021
Revenue	<u>\$ 1,885,962</u>	<u>\$ 1,745,768</u>
Net income for the period	\$ 194,144	\$ 162,274
Other comprehensive income for the period	(11,074)	(3,006)
Total comprehensive income for the period	<u>\$ 183,070</u>	<u>\$ 159,268</u>
Net income attributable to:		
The Parent Company	\$ 128,543	\$ 107,441
Non-controlling interests of Promate Solutions	<u>65,601</u>	<u>54,833</u>
	<u>\$ 194,144</u>	<u>\$ 162,274</u>
Total comprehensive income (loss) attributable to:		
The Parent Company	\$ 121,211	\$ 105,450
Non-controlling interests of Promate Solutions	<u>61,859</u>	<u>53,818</u>
	<u>\$ 183,070</u>	<u>\$ 159,268</u>

	For the Year ended December 31	
	2022	2021
Net cash flow from:		
Operating activities	\$ 341,040	\$ 199,514
Investing activities	(25,550)	26,446
Financing activities	(243,311)	(136,435)
Foreign exchange translation	(90)	(428)
Net cash inflow (outflow)	<u>\$ 72,089</u>	<u>\$ 89,097</u>
Dividends paid to non-controlling interests		
Promate Solutions	<u>\$ 49,766</u>	<u>\$ 64,632</u>

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Associates that are not individually material</u>		
Prosperity Venture Capital I, Limited (Note)	\$ _____ -	\$ _____ -
	Proportion of Ownership and Voting Rights Held by the Company	
<u>Name of Associate</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prosperity Venture Capital I, Limited	-	-

(Note) Prosperity Venture Capital I, Limited has discontinued operations. Therefore, the Company recognized loss on disposal of associate of NT\$13 thousand and listed in other gains and losses.

All the associates were accounted for using the equity method.

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

	For the Year Ended December 31	
	2022	2021
Revenue	<u>\$ _____ -</u>	<u>\$ _____ -</u>
Net gain (loss)	\$ -	(\$ 2,806)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>\$ _____ -</u>	<u>(\$ 2,806)</u>
Dividend received	<u>\$ _____ -</u>	<u>\$ _____ -</u>

15. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Group

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Miscellaneous Equipment	Total
<u>Cost</u>							
Balance on January 1, 2022	\$212,223	\$192,150	\$ 85,037	\$ 20,876	\$ 51,830	\$ 89,077	\$651,193
Additions	-	-	-	177	305	1,112	1,594
Disposals	-	-	-	(1,531)	-	-	(1,531)
Reclassifications	-	-	1,273	839	11,293	22,808	36,213
Effect of foreign currency	-	433	1	190	479	47	1,150
Balance on December 31, 2022	<u>\$212,223</u>	<u>\$192,583</u>	<u>\$ 86,311</u>	<u>\$ 20,551</u>	<u>\$ 63,907</u>	<u>\$113,044</u>	<u>\$688,619</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 80,084	\$ 58,589	\$ 17,381	\$ 44,904	\$ 67,518	\$268,476
Disposals	-	-	-	(1,378)	-	-	(1,378)
Depreciation expense	-	6,638	6,617	873	3,852	9,246	27,226
Effect of foreign currency	-	226	-	152	453	54	885
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 86,948</u>	<u>\$ 65,206</u>	<u>\$ 17,028</u>	<u>\$ 49,209</u>	<u>\$ 76,818</u>	<u>\$295,209</u>
Carrying amount on December 31, 2022	<u>\$212,223</u>	<u>\$105,635</u>	<u>\$ 21,105</u>	<u>\$ 3,523</u>	<u>\$ 14,698</u>	<u>\$ 36,226</u>	<u>\$393,410</u>
<u>Cost</u>							
Balance on January 1, 2021	\$212,223	\$192,373	\$ 83,678	\$ 20,681	\$ 52,979	\$ 76,970	\$638,904
Additions	-	-	-	1,389	710	5,787	7,886
Disposals	-	-	-	(1,125)	(1,708)	(2,210)	(5,043)
Reclassifications	-	-	1,360	-	-	8,548	9,908
Effect of foreign currency	-	(223)	(1)	(69)	(151)	(18)	(462)
Balance on December 31, 2021	<u>\$212,223</u>	<u>\$192,150</u>	<u>\$ 85,037</u>	<u>\$ 20,876</u>	<u>\$ 51,830</u>	<u>\$ 89,077</u>	<u>\$651,193</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 73,544	\$ 51,660	\$ 17,834	\$ 42,973	\$ 60,917	\$246,928
Disposals	-	-	-	(1,125)	(1,708)	(2,210)	(5,043)
Depreciation expense	-	6,646	6,930	723	3,779	8,828	26,906
Effect of foreign currency	-	(106)	(1)	(51)	(140)	(17)	(315)
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ 80,084</u>	<u>\$ 58,589</u>	<u>\$ 17,381</u>	<u>\$ 44,904</u>	<u>\$ 67,518</u>	<u>\$268,476</u>
Carrying amount on December 31, 2021	<u>\$212,223</u>	<u>\$112,066</u>	<u>\$ 26,448</u>	<u>\$ 3,495</u>	<u>\$ 6,926</u>	<u>\$ 21,559</u>	<u>\$382,717</u>

There was no indication of an impairment loss in the years ended December 31, 2022 and 2021; therefore, the Group did not perform impairment assessment.

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

Buildings- Office in China	20 years
Buildings- Office in Taiwan	61 years
Buildings- Plant in Taiwan	25-30 years
Machinery Equipment	3-10 years
Transportation Equipment	3-10 years
Office Equipment	3-10 years
Miscellaneous Equipment	3-20 years

Property, plant and equipment pledged as collateral for borrowings are set out in Note 34.

16. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts		
Buildings	\$ 71,681	\$ 99,320
Transportation equipment	<u>5,356</u>	<u>5,969</u>
	<u>\$ 77,037</u>	<u>\$ 105,289</u>
	For the Year Ended December 31	
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets		
Buildings	\$ 8,450	\$ 79,038
Transportation equipment	<u>2,722</u>	<u>5,043</u>
	<u>\$ 11,172</u>	<u>\$ 84,081</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 35,472	\$ 33,700
Transportation equipment	<u>3,335</u>	<u>2,339</u>
	<u>\$ 38,807</u>	<u>\$ 36,039</u>

Due to the modification and early termination of the lease contract during the year ended December 31, 2022 and 2021, the Group's right-of-use assets were reduced by NT\$2,541 thousand and NT\$47,172 thousand respectively, and lease liabilities were reduced by NT\$2,905 thousand and NT\$48,840 thousand respectively. Thus, it resulted in a lease modification benefit of NT\$364 thousand and NT\$1,668 thousand respectively.

Except for the aforementioned addition and recognized depreciation, the Group did not have significant sublease or impairment of right-of-use assets during the year ended December 31, 2022 and 2021.

b. Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Carrying amounts</u>		
Current	<u>\$ 40,054</u>	<u>\$ 37,289</u>
Non-current	<u>\$ 37,661</u>	<u>\$ 68,470</u>

Range of discount rate for lease liabilities was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	2.75%~4.75%	2.75%~4.75%
Transportation equipment	5.69%	5.69%

c. Material lease-in activities and terms

The Group leased a number of cars for use by business personnel or warehouse personnel for 2~3 years. The lease contracts for these cars do not contain terms for the right of renewal or the right of purchase.

The Group also leased certain buildings for use as plant and office for a period 3 to 5 years. The lease contracts for offices located in Taiwan specify that the lease payments will be adjusted by customer price index each year. The Group does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Group is prohibited from

subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	For the Year Ended December 31	
	2022	2021
Expenses relating to low-value asset leases	<u>\$ 2,161</u>	<u>\$ 1,858</u>
Total cash outflow for lease	<u>(\$ 43,820)</u>	<u>(\$ 41,988)</u>

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

17. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance on January 1, 2022	\$ 22,912
Addition	632
Effect of foreign currency	<u>3</u>
Balance on December 31, 2022	<u>\$ 23,547</u>
<u>Accumulated amortization</u>	
Balance on January 1, 2022	(\$ 13,075)
Amortization expense	(3,378)
Effect of foreign currency	<u>(3)</u>
Balance on December 31, 2022	<u>(\$ 16,456)</u>
Carrying amount on December 31, 2022	<u>\$ 7,091</u>
<u>Cost</u>	
Balance on January 1, 2021	\$ 23,112
Addition	1,908
Reclassification	4,157
Disposal	(6,262)
Effect of foreign currency	<u>(3)</u>
Balance on December 31, 2021	<u>\$ 22,912</u>
<u>Accumulated amortization</u>	
Balance on January 1, 2021	(\$ 16,408)
Amortization expense	(2,932)
Disposal	6,262
Effect of foreign currency	<u>3</u>
Balance on December 31, 2021	<u>(\$ 13,075)</u>
Carrying amount on December 31, 2021	<u>\$ 9,837</u>

Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Computer Software 3 ~ 10 years

Amortization expenses summarized by function are as below.

For the Year Ended December 31	
2022	2021

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ -	\$ -
Selling and marketing expenses	84	129
General and administrative expenses	2,160	2,246
Research and development expenses	1,134	557
	<u>\$ 3,378</u>	<u>\$ 2,932</u>

18. OTHER ASSETS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Prepayments	\$ 34,390	\$ 21,224
Others	<u>462</u>	<u>1,983</u>
	<u>\$ 34,852</u>	<u>\$ 23,207</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 569	\$ 6,834
Refundable deposits	1,128,516	1,169,931
Overdue receivables (Note 11)	13,972	13,972
Allowance for impairment loss - Overdue receivables (Note 11)	<u>(13,972)</u>	<u>(13,972)</u>
	<u>\$ 1,129,085</u>	<u>\$ 1,176,765</u>

Refundable deposits

Refundable deposits are mainly paid to suppliers as performance bond.

19. BORROWINGS

a. Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured borrowings (Note 34)		
Bank loans (1)	\$ 2,598,816	\$ 1,765,000
Bank loans - letters of credit (2)	658,589	804,721
Bank loans - export letters of credit (3)	<u>-</u>	<u>76,221</u>
	<u>\$ 3,257,405</u>	<u>\$ 2,645,942</u>

- 1) The effective weighted average interest rates for bank loans ranged from 1.30% ~4.05% and 0.577% ~0.83% per annum as of December 31, 2022 and 2021, respectively.
- 2) The effective weighted average interest rate for letters of credit loans was 1.441%~5.8139% and 0.51%~0.7729% per annum as of S December 31, 2022 and 2021, respectively.
- 3) The weighted average effective interest rate for export L/C documentary loan which were secured by the Group's notes receivable (refer to Note 34) was 0.786% per annum as of December 31, 2021.

b. Short-term bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper	\$ 150,000	\$ 180,000
Less: Unamortized discount on bills payable	<u>-</u>	<u>-</u>
	<u>\$ 150,000</u>	<u>\$ 180,000</u>

The effective weighted average interest rates for commercial papers ranged from 1.918%-2.068%, and 0.828% per annum as of December 31, 2022 and 2021, respectively.

c. Long-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured borrowings (Note 34)		
Bank loans (1)	\$ 100,000	\$ -

As of December 31, 2022, the weighted average effective interest rates of the bank borrowings secured by the Group's freehold land and buildings (refer to Note 34) was 1.66967% per

annum, and the maturity date is May 6, 2024.

20. Convertible Bond

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Domestic unsecured convertible bonds	\$ 107,500	\$ 549,200
Less : Discounts on bonds payable	(515)	(9,782)
Less: Current portion	<u>(106,985)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 539,418</u>

Unsecured Domestic Convertible Bonds - Third Issue

On June 8, 2020, the Company issued 10 thousand NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$1,000,000 thousand. In addition, the bond is publicly underwritten by bidding auction, the issue price is \$101, and the actual total issue amount is \$1,020,987 thousand. The annual interest rate of the issuance coupon is 0%, the issuance period is three years, and the maturity date is June 8, 2023.

The major terms are as follows:

- a. In the period of circulation from three months after the issuance of the convertible corporate bonds to forty business days before the maturity of the bonds, the Company may notify the bondholders under the conversion measures and redeem all bonds in cash at the nominal amount when the agreed conditions are met.
- b. When this convertible bond expires, it will be repaid in cash based on the denomination of the bond.
- c. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. The conversion price at issuance was NT\$ 34.50.
- d. The conversion price after the issuance of convertible corporate bonds will be adjusted according to the anti-dilution clause of the third Unsecured Convertible Bonds Issuance and Conversion Rules of the Company. The conversion price was adjusted from NT\$34.50 per share to NT\$32.16 per share since July 29, 2020, i.e. the ex-dividend date.
- e. The conversion price after the issuance of convertible corporate bonds will be adjusted according to the anti-dilution clause of the third Unsecured Convertible Bonds Issuance and Conversion Rules of the Company. The conversion price was adjusted from NT\$32.16 per share to NT\$30.16 per share since August 29, 2021, i.e. the ex-dividend date.
- f. The conversion price after the issuance of convertible corporate bonds will be adjusted according to the anti-dilution clause of the third Unsecured Convertible Bonds Issuance and Conversion Rules of the Company. The conversion price was adjusted from NT\$30.16 per share to NT\$27.51 per share since July 25, 2022, i.e. the ex-dividend date.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 1.28% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,100 thousand)	\$ 1,015,887
Equity component (less transaction costs allocated to the equity component of \$255 thousand)	(53,332)
Redemption right	<u>100</u>

Liability component on the date of issuance (less transaction costs allocated to the liability component of \$4,845 thousand)	962,655
Interest charged at an effective interest rate of 1.28%	17,452
Conversion of corporate bond payable into common shares	(440,689)
Liability component on December 31, 2021	539,418
Interest charged at an effective interest rate of 1.28%	4,154
Conversion of corporate bond payable into common shares	(436,587)
Liability component on December 31, 2022	<u>\$ 106,985</u>

21. NOTES AND ACCOUNTS PAYABLE

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes payable</u>		
Non-trade	<u>\$ 344</u>	<u>\$ 8,447</u>
<u>Accounts payable</u>		
Accounts payable	<u>\$ 2,385,905</u>	<u>\$ 4,083,540</u>
Accounts payable - related parties	<u>\$ 28,175</u>	<u>\$ 13,893</u>

The average credit period for purchases of goods was between 30-120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

22. OTHER LIABILITIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Other payables		
Accrued commissions	\$ 14,144	\$ 37,923
Payables for salaries or bonuses	241,831	166,368
Payables for annual leaves	24,950	18,750
Payables for compensation of employees and remuneration of directors	100,000	97,000
Subsidiaries' payables for compensation of employees and remuneration of directors	24,000	19,500
Accrued freights	36,794	50,965
Payables for dividends	519	519
Accrued Interests	12,981	3,433
Payables for maintenance and repairs	18,806	474
Payables for purchase of for business facilities	4,517	-
Others	<u>250,838</u>	<u>163,806</u>
	<u>\$ 729,380</u>	<u>\$ 558,738</u>
Contract liability (Note 26)	<u>\$ 217,013</u>	<u>\$ 146,306</u>
Others		
Refund liability (1)	\$ 591,362	\$ 486,610
Others	<u>21,693</u>	<u>6,358</u>
	<u>\$ 613,055</u>	<u>\$ 492,968</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits(2)	<u>\$ 969,377</u>	<u>\$ 1,051,904</u>

1) Refund liabilities is based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the reporting period. Refund liabilities are

recognized as a reduction of operating income in the periods in which the related goods are sold.

2) Guarantee deposits

Guarantee deposits are mainly collected from customers

23. PROVISIONS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Warranties	<u>\$ 5,821</u>	<u>\$ 2,938</u>
<u>Non-current</u>		
Warranties	<u>\$ 3,703</u>	<u>\$ 1,386</u>
	Warranties	
	For the Year Ended December 31	
	2022	2021
Balance on January 1, 2022	\$ 4,324	\$ 5,524
Additions	10,371	3,010
Use	(5,171)	(4,210)
Balance on December 31, 2022	<u>\$ 9,524</u>	<u>\$ 4,324</u>

The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under sale of goods legislation. The estimate had been made on the basis of historic warranty trends, and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality.

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

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

b. Defined benefit plans

The defined benefit plans adopted by the Company and Promate Solutions in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 70,021	\$ 72,699
Fair value of plan assets	(<u>33,747</u>)	(<u>30,056</u>)
Net defined benefit liabilities (assets)	<u>\$ 36,274</u>	<u>\$ 42,643</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Fair Value of the Plan Assets
Balance on January 1, 2022	<u>\$ 72,699</u>	<u>(\$ 30,056)</u>	<u>\$ 42,643</u>
Service cost			
Service cost of current period	156	-	156
Net interest expense (income)	<u>364</u>	<u>(154)</u>	<u>210</u>
Recognized in loss (profit)	<u>520</u>	<u>(154)</u>	<u>366</u>
Remeasurement			
Return on plan assets (other than amounts included in net interest)	-	(2,394)	(2,394)
Actuarial loss – change in demographic assumptions	125	-	125
Actuarial loss – changes in financial assumptions	(4,429)	-	(4,429)
Actuarial loss – experience adjustments	<u>1,535</u>	<u>-</u>	<u>1,535</u>
Recognized in other comprehensive loss (gain)	<u>(2,769)</u>	<u>(2,394)</u>	<u>(5,163)</u>
Contributions from employer	<u>-</u>	<u>(1,572)</u>	<u>(1,572)</u>
Benefits paid	<u>(429)</u>	<u>429</u>	<u>-</u>
Balance on December 31, 2022	<u>\$ 70,021</u>	<u>(\$ 33,747)</u>	<u>\$ 36,274</u>
Balance on January 1, 2021	<u>\$ 76,456</u>	<u>(\$ 28,897)</u>	<u>\$ 47,559</u>
Service cost			
Service cost of current period	153	-	153
Net interest expense (income)	<u>382</u>	<u>(148)</u>	<u>234</u>
Recognized in loss (profit)	<u>535</u>	<u>(148)</u>	<u>387</u>
Remeasurement			
Return on plan assets (other than amounts included in net interest)	-	(359)	(359)
Actuarial loss – change in demographic assumptions	1,799	-	1,799
Actuarial loss – changes in financial assumptions	-	-	-
Actuarial loss – experience adjustments	<u>(5,167)</u>	<u>-</u>	<u>(5,167)</u>
Recognized in other comprehensive loss (gain)	<u>(3,368)</u>	<u>(359)</u>	<u>(3,727)</u>
Contributions from employer	<u>-</u>	<u>(1,576)</u>	<u>(1,576)</u>
Benefits paid	<u>(924)</u>	<u>924</u>	<u>-</u>
Balance on December 31, 2021	<u>\$ 72,699</u>	<u>(\$ 30,056)</u>	<u>\$ 42,643</u>

The amount recognized as profit or loss for the defined benefit plan is summarized by function as follows:

	For the Year Ended December 31	
	2022	2021
Operating cost	\$ 14	\$ 19
Selling and marketing expenses	238	258
General and administrative expenses	100	88
Research and development expenses	<u>14</u>	<u>22</u>
	<u>\$ 366</u>	<u>\$ 387</u>

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

following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate(s)	1.375%	0.50%
Expected rate(s) of salary increase		
<u>The Company</u>	2.25%	2.00%
<u>Promate Solution</u>	2.00%	2.00%

Death rate	According to the sixth mortality experience table of Taiwan life insurance industry	According to the sixth mortality experience table of Taiwan life insurance industry
Disability rate	According to 10% of expected mortality rate	According to 10% of expected mortality rate

Employee turnover rate

The Company

<u>Age</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
20 years old ~ 30 years old	5.5%~8%	7%~10%
35 years old ~ 60 years old	0%~3%	0%~4%

Promate Solutions

<u>Age</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
20 years old ~ 30 years old	6%~10%	6%~10%
35 years old ~ 60 years old	0%~4%	0%~4%

Based on the empirical data of the turnover rate of the Company in the past and the future trend, the revised data were adopted.

The turnover rate under 20 years old shall be calculated as 20 years old; the turnover rate of each age Company shall be calculated in the way of internal difference.

Voluntary retirement rate

Assuming that Z is the earliest retirement age for individual employees

<u>Age</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Z	15%	15%
Z+1~64	3%	3%
65	100%	100%

However, the voluntary retirement rate of individual employees shall not be less than 1.5 times of the turnover rate for the same age adopted by the Company.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate(s)		
0.25% increase	<u>(\$ 1,492)</u>	<u>(\$ 1,758)</u>
0.25% decrease	<u>\$ 1,545</u>	<u>\$ 1,826</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 1,507</u>	<u>\$ 1,769</u>
0.25% decrease	<u>(\$ 1,463)</u>	<u>(\$ 1,713)</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The expected contributions to the plan for the next year	\$ 1,569	\$ 1,588
The average duration of the defined benefit obligation	8.5~9.2 Years	9.6~10.3 Years

25. Equity

a. Share capital

Common stock

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>
Shares authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>208,796</u>	<u>193,414</u>
Shares issued	<u>\$ 2,087,964</u>	<u>\$ 1,934,141</u>

Fully paid ordinary shares, with a par value of NT\$10, each of which carries one vote per share and carry a right to receive dividends

Of the Company's authorized shares, 10,000 thousand shares had been reserved for the issuance of convertible bonds and employee share options.

As of December 31, 2022, 1,745 thousand of common shares issued from convertible bonds has yet to complete the registration process.

b. Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 291,960	\$ 291,960
Conversion of employee stock options	66,208	66,208
Conversion of bonds	1,016,208	733,444
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal of acquisition	45,604	45,604
Less: transfer to capital	(267,199)	(267,199)
Less: cash dividends paid	(73,408)	(73,408)
Less: Treasury stock cancellation	(9,461)	(9,461)
	<u>1,069,912</u>	<u>787,148</u>
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (2)	<u>166,292</u>	<u>166,292</u>
<u>May not be used for any purpose</u>		
Employee share options	1,250	1,250
Share options on Convertible Bond	<u>53,332</u>	<u>53,332</u>
	<u>54,582</u>	<u>54,582</u>
	<u>\$ 1,290,786</u>	<u>\$ 1,008,022</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 27, g.

The Company's dividend policy is formulated according to the Company's capital budget, mid- and long-term operational planning and financial status, as well as by reference to the general level of dividends in the industry and capital markets as the basis for dividend policy. Related earnings can be distributed in the form of stock dividends or cash dividends. However, the percentage of cash dividends shall not be less than 20% of the total dividends. The percentage of cash dividends will be increased when future earnings and funds are more abundant.

A legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company's shareholders' meeting resolved in June 15, 2022 to amend the Articles to appropriate special reserve from the balance of retained earnings of the prior period against "the cumulative net decrease of other equity in the prior period". If the amount of retained earnings of the prior period is not enough for such appropriation, the Company should further make up the gap by the net profit after tax and the balances of other equity items of current period. Before amending the Articles, the Company appropriated by law from retained earnings of the prior period.

The appropriations of earnings for 2021 and 2020, which have been approved in the shareholders' meetings on June 15, 2022 and July 26, 2021, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Legal reserve	<u>\$ 82,026</u>	<u>\$ 53,918</u>
Special reserve (Reversal)	<u>\$ -</u>	<u>(\$ 15,204)</u>
Cash dividends	<u>\$ 737,021</u>	<u>\$ 501,553</u>
Cash dividends per share (NT\$)	<u>\$ 3.78</u>	<u>\$ 2.80</u>

The appropriation of earnings for 2022 was proposed by the Company's board of directors on March 15, 2023. The appropriation and dividends per share were as follows:

Legal reserve	<u>\$ 82,682</u>
Special reserves	<u>\$ 16,424</u>
Cash dividends	<u>\$ 728,687</u>
Cash dividends per share (NT\$)	<u>3.45</u>

The above appropriation for cash dividends had been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 14, 2023.

d. Special reserves

	For the Year Ended December 31	
	2022	2021
Beginning on January 1	<u>\$ -</u>	<u>\$ 15,204</u>
Appropriations (reversal) of special reserves In respect of debits to other equity items	<u>-</u>	<u>(15,204)</u>
Balance on December 31	<u>\$ -</u>	<u>\$ -</u>

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance on January 1	<u>(\$ 7,054)</u>	<u>(\$ 5,218)</u>
Recognized for the period		
Share from associates accounted for using the equity method	<u>3,574</u>	<u>(1,836)</u>
Other comprehensive income recognized for the period	<u>3,574</u>	<u>(1,836)</u>
Balance on December 31	<u>(\$ 3,480)</u>	<u>(\$ 7,054)</u>

2) Unrealized gain or loss on Financial Assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance on January 1	<u>\$ 9,605</u>	<u>\$ 11,996</u>
Recognized for the period		
Unrealized gain (loss) - equity instruments	(19,609)	19,231
Net remeasurement of loss allowance	<u>-</u>	<u>2,788</u>
Other comprehensive income recognized for the period	<u>(19,609)</u>	<u>22,019</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>(2,940)</u>	<u>(24,410)</u>
Balance on S December 31	<u><u>\$ 12,944</u></u>	<u><u>\$ 9,605</u></u>

f. Non-controlling interests

	For the Year Ended December 31	
	<u>2022</u>	<u>2021</u>
Beginning on January 1	\$ 366,622	\$ 377,344
Share of profit (loss) for the period	65,583	54,925
Other comprehensive income during the period		
Exchange differences arising on translating the foreign operations	(24)	(115)
Unrealized gain on FVTOCI financial assets	(4,292)	(2,007)
Actuarial profit and loss of defined benefit plans	574	1,107
Cash dividends distributed by subsidiaries	(<u>49,822</u>)	(<u>64,632</u>)
Balance on December 31	<u>\$ 378,641</u>	<u>\$ 366,622</u>

26. REVENUE

	For the Year Ended December 31	
	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 28,048,923	\$ 32,409,869
Revenue from NRE service	7,967	39,319
Revenue from repair service	<u>9,326</u>	<u>12,711</u>
	<u>28,066,216</u>	<u>32,461,899</u>
Other operating income		
Service revenue	<u>6,989</u>	<u>7,154</u>
	<u>\$ 28,073,205</u>	<u>\$ 32,469,053</u>

a. Revenue from contracts with customers

Revenue from the sale of goods

Revenue from the sale of goods mainly comes from the distribution of electronic components and the sale and manufacture of industrial computer monitors and customized products. Goods are categorized into electronic components (application-specific and LCD display products, linear/distributed components, application-specific and image processing ICs) as well as embedded control systems, medical displays, and application-specific display modules (e.g., medical, factory automation, military, outdoor use, and sports equipment). The Group sells goods at the agreed prices stipulated in contracts, quotations or orders.

Service revenue

Service revenue mainly comprises revenue from the design of embedded, medical, and application specific display modules during product development; revenue from customers' request for repair when defects occur in products that exceed the warranty period; and revenue recognized at the agreed prices stipulated in contracts.

b. Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes receivables (Note 11)	\$ <u>40,685</u>	\$ <u>92,798</u>	\$ <u>68,817</u>
Accounts receivables (Note 11)	\$ <u>4,560,982</u>	\$ <u>6,868,984</u>	\$ <u>5,513,335</u>
Accounts receivables from related parties (Note 11)	\$ <u>36</u>	\$ <u>1,693</u>	\$ <u>2,194</u>
Contract assets			

	December 31, 2022	December 31, 2021	January 1, 2021
Design of product	\$ 1,856	\$ -	\$ -
Less : allowance	<u>-</u>	<u>-</u>	<u>-</u>
Contract assets - current	<u>\$ 1,856</u>	<u>\$ -</u>	<u>\$ -</u>
Contract liabilities (Note 22)			
Sale of goods	\$ 168,717	\$ 146,306	\$ 77,704
Design of product	<u>48,296</u>	<u>-</u>	<u>-</u>
Contract liabilities- current	<u>\$ 217,013</u>	<u>\$ 146,306</u>	<u>\$ 77,704</u>

The changes in the balance of contract assets and contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

c. Disaggregation of revenue

For the year ended December 31, 2022

	Reportable Segment					Total
	Application-specific and LCD Display Products	Linear/Distributed Components	Image Processing ICs	Application-specific ICs	Others	
<u>Types of goods or services</u>						
Revenue from the sale of goods	\$ 5,617,253	\$12,371,259	\$ 6,134,073	\$ 2,167,346	\$ 1,758,992	\$28,048,923
Service revenue	<u>17,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,988</u>	<u>24,282</u>
	<u>\$ 5,634,547</u>	<u>\$12,371,259</u>	<u>\$ 6,134,073</u>	<u>\$ 2,167,346</u>	<u>\$ 1,765,980</u>	<u>\$28,073,205</u>

For the year ended December 31, 2021

	Reportable Segment					Total
	Application-specific and LCD Display Products	Linear/Distributed Components	Image Processing ICs	Application-specific ICs	Others	
<u>Types of goods or services</u>						
Revenue from the sale of goods	\$ 6,417,469	\$14,273,300	\$ 6,804,960	\$ 2,641,228	\$ 2,272,912	\$32,409,869
Service revenue	<u>52,030</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,154</u>	<u>59,184</u>
	<u>\$ 6,469,499</u>	<u>\$14,273,300</u>	<u>\$ 6,804,960</u>	<u>\$ 2,641,228</u>	<u>\$ 2,280,066</u>	<u>\$32,469,053</u>

27. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Interest income

	For the Year Ended December 31	
	2022	2021
Interest Income		
Bank deposits	\$ 8,904	\$ 1,811
Financial assets at amortized cost	154	559
Imputed interest of deposit	<u>29</u>	<u>20</u>
	<u>\$ 9,087</u>	<u>\$ 2,390</u>

b. Other income

	For the Year Ended December 31	
	2022	2021
Rental income		

Other operating lease	\$ 1,774	\$ 946
Dividend Income		
Financial assets at FVTPL	726	1,135
Financial assets at FVTOCI	<u>4,072</u>	<u>5,678</u>
	4,798	6,813
Other	<u>7,835</u>	<u>2,704</u>
	<u>\$ 14,407</u>	<u>\$ 10,463</u>

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain (loss) on financial instruments		
Mandatorily measured at FVTPL	(\$ 6,367)	\$ 3,242
Gain (loss) on disposal of investment in associations (Note 14)	-	(13)
Net foreign exchange gains (losses)	310,273	(118,609)
Gain (loss) on disposal of property, plant and equipment	24	429
Gain on lease modification	364	1,668
Bank charge	(14,146)	(17,745)
Other	<u>(1)</u>	<u>(182)</u>
	<u>\$ 290,147</u>	<u>(\$ 131,210)</u>

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 109,398	\$ 42,037
Interest on convertible corporate bond	4,154	10,307
Interest on lease liabilities	<u>3,350</u>	<u>4,052</u>
	<u>\$ 116,902</u>	<u>\$ 56,396</u>

There was no interest capitalization in the Company for the year ended December 31, 2022 and 2021.

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of deprecation by function		
Operating costs	\$ 887	\$ 909
Operating expenses	<u>65,146</u>	<u>62,036</u>
	<u>\$ 66,033</u>	<u>\$ 62,945</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	<u>3,378</u>	<u>2,932</u>
	<u>\$ 3,378</u>	<u>\$ 2,932</u>

f. Employee benefits expense

For the Year Ended December 31

	<u>2022</u>	<u>2021</u>
Short-term benefits	\$ 753,138	\$ 658,338
Post-employment benefits (Note 24)		
Defined contribution plans	26,258	24,495
Defined benefit plans	<u>366</u>	<u>387</u>
	<u>26,624</u>	<u>24,882</u>
Other employee benefits	<u>44,119</u>	<u>41,913</u>
Total employee benefits expense	<u>\$ 823,881</u>	<u>\$ 725,133</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 52,471	\$ 52,029
Operating expenses	<u>771,410</u>	<u>673,104</u>
	<u>\$ 823,881</u>	<u>\$ 725,133</u>

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors at the rates 7.5%-10% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The compensation to employees and remuneration to the directors of 2022 and 2021 were approved by the Company's board of directors on March 15, 2023 and March 16, 2022, respectively.

Accrual rate

	<u>For the Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Employees' compensation	7.5%	7.5%
Remuneration of directors	1.5%	1.5%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	<u>\$ 83,000</u>	<u>\$ 80,500</u>
Remuneration of directors	<u>\$ 17,000</u>	<u>\$ 16,500</u>

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 2,021,590	\$ 620,507
Foreign exchange losses	(1,711,317)	(739,116)
Net foreign exchange gains and losses	<u>\$ 310,273</u>	<u>(\$ 118,609)</u>

28. INCOME TAXES RELATING TO CONTINUING OPERATION

a. Income tax recognized in profit or loss

Major components of tax expense (income) recognized in profit or loss are as follows:

	For the Year Ended December 31	
	2022	2021
Current tax		
In respect of the current period	\$ 401,400	\$ 359,533
Income tax on unappropriated earnings	154	-
Adjustment for prior years	<u>5,755</u>	<u>1,476</u>
	<u>407,309</u>	<u>361,009</u>
Deferred tax		
In respect of the current period	(<u>160,117</u>)	(<u>150,456</u>)
Income tax expense recognized in profit or loss	<u>\$ 247,192</u>	<u>\$ 210,553</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	For the Year Ended December 31	
	2022	2021
Income before income tax	<u>\$ 1,133,099</u>	<u>\$ 1,059,457</u>
Income tax expense calculated at the statutory rate	\$ 266,899	\$ 234,424
Non-deductible tax loss	130	-
Tax-exempt income	(26,068)	(23,599)
Income tax on unappropriated earnings	154	-
Unrecognized loss carryforwards	(61)	-
Unrecognized deductible temporary differences	383	(1,748)
Adjustments for prior year	<u>5,755</u>	<u>1,476</u>
Income tax expense recognized in profit or loss	<u>\$ 247,192</u>	<u>\$ 210,553</u>

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2022	2021
<u>Deferred tax</u>		
In respect of current period		
Translating the financial statements of foreign operations	(\$ 887)	\$ 488
Unrealized gain on FVTOCI financial assets	2,538	-
Actuarial profit and loss of defined benefit plans	(<u>1,033</u>)	(<u>745</u>)
Income tax recognized in other comprehensive income (loss)	<u>\$ 618</u>	<u>(\$ 257)</u>

c. Current tax assets and liabilities

	December 31, 2022	December 31, 2021
Current tax assets		
Tax refund receivable	\$ 142	\$ -
Prepaid income tax	<u>424</u>	<u>391</u>
	<u>\$ 566</u>	<u>\$ 391</u>
Current tax liabilities		
Income tax payable	<u>\$ 204,908</u>	<u>\$ 279,163</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows
For the year ended December 31, 2022

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized sales return and allowance	\$ 99,779	\$ 4,544	\$ -	\$ 104,323
Impairment loss	2,975	-	-	2,975
Provisions	865	1,040	-	1,905
Defined benefit obligation	4,799	(131)	(608)	4,060
Associates	269	-	-	269
Allowance for write-down of inventories	50,921	70,600	-	121,521
Unrealized foreign exchange loss	5,379	13,307	-	18,686
Exchange differences on translating foreign operations	1,797	-	(887)	910
Valuation on financial assets-current	-	880	-	880
Convertible bonds payable	3,490	831	-	4,321
Unrealized purchase allowance	-	18,684	-	18,684
Financial instruments at FVTOCI	-	-	2,538	2,538
Others	4,504	9,220	-	13,724
	<u>\$ 174,778</u>	<u>\$ 118,975</u>	<u>\$ 1,043</u>	<u>\$ 294,796</u>

Deferred tax liabilities

Temporary differences				
Defined benefit obligation	(\$ 734)	(\$ 110)	(\$ 425)	(\$ 1,269)
Associates	(10,346)	575	-	(9,771)
Unrealized purchase allowance	(43,315)	43,315	-	-
Unrealized foreign exchange loss	-	(1,961)	-	(1,961)
Others	512	(677)	-	(165)
	<u>(\$ 53,883)</u>	<u>\$ 41,142</u>	<u>(\$ 425)</u>	<u>(\$ 13,166)</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized sales return and allowance	\$ 58,276	\$ 41,503	\$ -	\$ 99,779
Impairment loss	5,993	(3,018)	-	2,975
Provisions	1,105	(240)	-	865
Defined benefit obligation	5,048	(238)	(11)	4,799
Associates	269	-	-	269
Allowance for write-down of inventories	24,921	26,000	-	50,921
Unrealized foreign exchange loss	17,221	(11,842)	-	5,379
Exchange differences on translating foreign operations	1,309	-	488	1,797
Valuation on financial assets-current	240	(240)	-	-
Convertible bonds payable	-	3,490	-	3,490
Others	3,180	1,324	-	4,504
	<u>\$ 117,562</u>	<u>\$ 56,739</u>	<u>\$ 477</u>	<u>\$ 174,778</u>

	<u>Opening Balance</u>	<u>Recognized in Profit (Loss)</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	<u>Closing Balance</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Defined benefit obligation	\$ -	\$ -	(\$ 734)	(\$ 734)
Associates	(10,975)	629	-	(10,346)
Unrealized purchase allowance	(135,535)	92,220	-	(43,315)
Others	(356)	868	-	512
	<u>(\$ 146,866)</u>	<u>\$ 93,717</u>	<u>(\$ 734)</u>	<u>(\$ 53,883)</u>

- e. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loss carryforwards		
Expiry in 2022	<u>\$ -</u>	<u>\$ 504</u>
Deductible temporary differences	<u>\$ 1,910</u>	<u>\$ 74</u>

- f. Income tax assessments

The tax returns of the Company through 2020 have been assessed by the tax authorities.

The tax returns of Promate Solutions Corporation through 2019 have been assessed by the tax authorities.

29. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings per share total	<u>\$ 4.08</u>	<u>\$ 4.31</u>
Diluted earnings per share total	<u>\$ 3.83</u>	<u>\$ 3.75</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Income for the period attributable to owners of the Company	<u>\$ 820,324</u>	<u>\$ 793,979</u>
Earnings used in the computation of basic earnings per share	\$ 820,324	\$ 793,979
Effect of potentially dilutive ordinary shares:		
The after-tax interest of convertible bonds	<u>3,323</u>	<u>8,245</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 823,647</u>	<u>\$ 802,224</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares in computation of basic earnings per share	200,851	184,310
Effect of potentially dilutive ordinary shares:		

	For the Year Ended December 31	
	2022	2021
Employees' compensation	2,569	2,261
Corporate bond	<u>11,812</u>	<u>27,271</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>215,232</u>	<u>213,842</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus would be settled in shares, and if the resulting potential shares have a dilutive effect, these shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

30. CASH FLOW INFORMATION

a. Non-cash transaction

For the year ended December 31, 2022 and 2021, the Group entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows.

- 1) The Group reclassified prepayments for equipment amounting to NT\$36,123 thousand and NT\$9,908 thousand to property, plant and equipment for the year ended December 31, 2022 and 2021, respectively.
- 2) The Group reclassified prepayments for equipment amounting to NT\$632 thousand and 4,157 thousand to intangible assets for the year ended December 31, 2022 and 2021, respectively.
- 3) The Group increased other payable amounting to NT\$4,517 thousand due to the increase in prepayments for equipment for the year ended December 31, 2022.
- 4) The Group reclassified convertible bonds payable amounting to NT\$106,985 thousand to the current portion of convertible bonds payable for the year ended December 31, 2022.

b. Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2022

	Balance as of January 1, 2022	Cash Flows	Non-cash Changes				Balance as of December 31, 2022
			New Lease	Lease Modified	Interest Amortized	Foreign Currency Exchange Rates	
Short-term borrowings	\$ 2,645,942	\$ 617,020	\$ -	\$ -	\$ -	(\$ 5,557)	\$ 3,257,405
Short-term bills payable	180,000	(30,000)	-	-	-	-	150,000
Long-term borrowings	-	100,000	-	-	-	-	100,000
Guarantee deposits received	1,051,904	(82,527)	-	-	-	-	969,377
Lease liabilities	<u>105,759</u>	<u>(41,659)</u>	<u>8,631</u>	<u>(364)</u>	<u>3,350</u>	<u>1,998</u>	<u>77,715</u>
	<u>\$ 3,983,605</u>	<u>\$ 562,834</u>	<u>\$ 8,631</u>	<u>(\$ 364)</u>	<u>\$ 3,350</u>	<u>(\$ 3,559)</u>	<u>\$ 4,554,497</u>

For the year ended December 31, 2021

	Balance as of January 1, 2021	Cash Flows	Non-cash Changes				Balance as of December 31, 2021
			New Lease	Lease Modified	Interest Amortized	Foreign Currency Exchange Rates	
Short-term borrowings	\$ 2,405,108	\$ 248,297	\$ -	\$ -	\$ -	(\$ 7,463)	\$ 2,645,942
Short-term bills payable	190,000	(10,000)	-	-	-	-	180,000
Guarantee deposits received	284,864	767,040	-	-	-	-	1,051,904
Lease liabilities	106,436	(40,130)	36,909	(1,668)	4,052	160	105,759
	<u>\$ 2,986,408</u>	<u>\$ 965,207</u>	<u>\$ 36,909</u>	<u>(\$ 1,668)</u>	<u>\$ 4,052</u>	<u>(\$ 7,303)</u>	<u>\$ 3,983,605</u>

31. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

Adopting a prudent risk management strategy and regularly reviewing the strategy, the Group engages in overall planning based on business development strategies and operational needs, in order to determine the appropriate capital structure of the Group.

The Group is not subject to any externally imposed capital requirements.

32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial Liabilities</u>					
Financial liabilities at amortized cost:					
– Bond payable	\$ 106,985	\$ 107,500	\$ -	\$ -	\$ 107,500

December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial Liabilities</u>					
Financial liabilities at amortized cost:					
– Bond payable	\$ 539,418	\$ 549,200	\$ -	\$ -	\$ 549,200

The Level 2 and Level 3 fair value measurements above are determined by discounted cash flow analysis based on the income approach. The significant unobservable inputs used in Level 3 fair value measurements reflect the discount rates of counterparty credit risk

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

Level 1	Level 2	Level 3	Total
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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed shares and emerging market shares	\$ 4,602	\$ -	\$ -	\$ 4,602
Foreign listed shares	<u>16,211</u>	<u>-</u>	<u>-</u>	<u>16,211</u>
	<u>\$ 20,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,813</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares and emerging market shares	\$ 52,198	\$ -	\$ -	\$ 52,198
Domestic unlisted shares	-	-	938	938
Foreign Private Funds	<u>-</u>	<u>-</u>	<u>122,518</u>	<u>122,518</u>
	<u>\$ 52,198</u>	<u>\$ -</u>	<u>\$ 123,456</u>	<u>\$ 175,654</u>

December 31, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets at FVTPL</u>				
Domestic listed shares and emerging market shares	<u>\$ 13,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,382</u>
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares and emerging market shares	\$ 69,838	\$ -	\$ -	\$ 69,838
Domestic unlisted shares	-	-	938	938
Foreign Private Funds	<u>-</u>	<u>-</u>	<u>95,878</u>	<u>95,878</u>
	<u>\$ 69,838</u>	<u>\$ -</u>	<u>\$ 96,816</u>	<u>\$ 166,654</u>

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets at Fair Value Through Other Comprehensive Income	<u>For the year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Equity Instrument		
Balance at January 1	\$ 96,816	\$ 2,398
Recognized in other comprehensive income	(12,690)	-
Purchase	39,330	96,378
Transfer out from Level 3	<u>-</u>	<u>(1,960)</u>
Balance at December 31	<u>\$ 123,456</u>	<u>\$ 96,816</u>
Unrealized gain (loss) for the current year included in profit or loss relating to assets held at the end of the year	<u>\$ -</u>	<u>\$ -</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The Group measures the fair value of its investments on domestic unlisted shares by using the market approach. The judgment is based on the industry type, the evaluation of the same type of

company and the company's operating situation.

c. Categories of financial instruments

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 20,813	\$ 13,382
Financial assets at amortized cost (Note 1)	9,564,213	10,839,539
Financial assets at FVTOCI		
Equity instruments	175,654	166,654
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	7,727,571	9,081,882

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes and accounts receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term loans, short-term bills payable, notes and accounts payable, other payables, convertible bonds payable, long-term loans and guarantee deposits.

d. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, accounts receivables, accounts payables, borrowings and lease liabilities. The Group's Corporate Treasury monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price risk (see (c) below).

a) Foreign currency risk

The Company and its subsidiaries had foreign currency sales and purchases, which exposed the Group to foreign currency risk. The Group manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by using forward exchange contracts, which was governed by the Group's policies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 37.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar

The following table details the Group's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 1% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the reporting period for a 1% change in foreign currency rates.

A positive number below indicates an increase in pretax profit and other equity associated with the 1% strengthening of the New Taiwan dollar against the relevant currency. For a 1% weakening of New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	U.S. Dollar Impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss	<u>\$ 43,326</u> (i)	<u>\$ 34,926</u> (i)

(i) This was mainly attributable to the exposure outstanding on U.S. dollar-denominated accounts receivables, accounts payables and loans, which were not hedged at the end of the reporting period

The Group's sensitivity to foreign currency increased during the current year mainly due to the increase of accounts receivable balance in the USD.

In management's opinion, the sensitivity analysis did not reflect the inherent exchange rate risk because the exposure at the end of the year did not reflect the exposure during the period.

b) Interest rate risk

The Group evaluates hedging activities regularly to align with interest rate views and defined risk appetite and ensures that the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
Financial assets	<u>\$ 635,998</u>	<u>\$ 350,574</u>
Financial liabilities	<u>\$ 256,985</u>	<u>\$ 719,418</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 1,903,627</u>	<u>\$ 1,627,123</u>
Financial liabilities	<u>\$ 3,357,405</u>	<u>\$ 2,645,942</u>

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for nonderivative instruments at the end of the year. For floating-rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profits for the year ended December 31, 2022 and 2021 would decrease/increase by NT\$7,269 thousand and NT\$5,094 thousand, respectively, mainly attributable to the Group's exposure to the floating-interest rates on bank borrowings and bank deposits

The increase in the Group's sensitivity to interest rates during the current period was mainly due to the increasing use of floating-rate debt instruments

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities

and beneficiary certificates. The Company manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Group has appointed a special team to monitor the price risk and evaluate when it is necessary to increase the risk aversion position.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had fluctuated by 3%, the pre-tax profit for the year ended December 31, 2022 and 2021 would have increased/decreased by \$624 thousand and \$401 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income of or the year ended December 31, 2022 and 2021 would have increase/decreased by \$5,270 thousand and \$5,000 thousand as a result of the changes in fair value of financial assets at FVTOCI.

The Group's sensitivity to equity prices increased mainly because of its increase in financial assets investment in 2022.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Group, could be mainly from the following:

- a) The carrying amount of the financial assets recognized in the balance sheets; and
- b) The maximum amount payable by the Group due to financial guarantees provided by the Group, regardless of possibility.

Financial assets are potentially affected by the failure of the Group's counterparties to fulfill their contractual obligations. The Group's credit risk is evaluated based on contracts whose fair value at the end of the financial reporting period is positive. The Group's counterparties are financial institutions and companies with sound credit ratings. The Group has a dedicated unit that regularly monitors counterparty credit exposure levels every year, so no significant credit risk is expected.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The Company did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

The maximum credit exposure of the Group is the net carrying amount of financial assets after deducting the amount that can be offset against each other and the impairment loss recognized in accordance with the regulations without considering collateral and other credit enhancement policies.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Group's available unutilized bank loan facilities set out in section (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on agreed repayment dates.

To the extent that interest flows are floating, the undiscounted amount was derived from the yield curve at the end of the year.

	December 31, 2022			
	Less than 1 year	2-3 years	4-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 3,322,214	\$ -	\$ -	\$ -
Short-term bills payable	150,000	-	-	-
Notes payables	344	-	-	-
Accounts payables	2,385,905	-	-	-
Accounts payables to related parties	28,175	-	-	-
Other payables	729,380	-	-	-
Lease liabilities-current	41,664	-	-	-
Lease liabilities-non current	-	36,393	2,989	-
Refund liability	591,362	-	-	-
Bond payable	107,500	-	-	-
Long-term borrowings	<u>1,670</u>	<u>100,579</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,358,214</u>	<u>\$ 136,972</u>	<u>\$ 2,989</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Lease liabilities	<u>\$ 41,664</u>	<u>\$ 39,382</u>	<u>\$ -</u>

	December 31, 2021			
	Less than 1 year	2-3 years	4-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 2,664,957	\$ -	\$ -	\$ -
Short-term bills payable	180,000	-	-	-
Notes payables	8,447	-	-	-
Accounts payables	4,083,540	-	-	-
Accounts payables to related parties	13,893	-	-	-
Other payables	558,738	-	-	-
Lease liabilities- current	40,581	-	-	-
Lease liabilities- non current	-	55,888	16,756	-
Refund liability	486,610	-	-	-
Bond payable	-	549,200	-	-
	<u>\$ 8,036,766</u>	<u>\$ 605,088</u>	<u>\$ 16,756</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 year	1-5 years	Over 5 years
Lease liabilities	<u>\$ 40,581</u>	<u>\$ 72,644</u>	<u>\$ -</u>

b) Financing facilities

	December 31, 2022	December 31, 2021
Unsecured bank overdraft facilities		
Amount used	\$ 4,026,830	\$ 4,040,504
Amount unused	<u>5,202,322</u>	<u>3,903,344</u>
	<u>\$ 9,229,152</u>	<u>\$ 7,943,848</u>
Secured bank borrowings facility		
Amount used	\$ 100,000	\$ -
Amount unused	<u>300,000</u>	<u>70,722</u>
	<u>\$ 400,000</u>	<u>\$ 70,722</u>

e. Transfers of financial assets

Factored accounts receivables that are not yet overdue at the end of the year were as follows:

December 31, 2022

<u>Counter-parties</u>	<u>Balance at January 1</u>	<u>Receivables Factoring Proceeds</u>	<u>Cash Received</u>	<u>Advances Received - Used</u>	<u>Balance at December 31</u>	<u>Credit Lines</u>
Bank SinoPac	\$ 126,696	\$ 3,680,591	(\$ 368,640)	(\$ 2,933,851)	\$ 504,796	<u>USD 54,000</u>
	USD 4,577	USD 124,411	(USD 13,846)	(USD 98,705)	USD 16,437	
Taishin International Bank	282,794	2,365,755	(272,443)	(2,149,367)	226,739	<u>USD 60,000</u>
	USD 10,217	USD 81,099	(USD 11,427)	(USD 72,506)	USD 7,383	
Chang Hwa Bank	14,929	251,768	(31,359)	(127,914)	107,424	<u>USD 4,000</u>
	USD 539	USD 8,428	(USD 1,149)	(USD 4,320)	USD 3,498	
E.Sun Bank	53,701	1,932,802	(223,645)	(1,569,543)	193,315	<u>USD 26,300</u>
	USD 1,940	USD 66,226	(USD 8,656)	(USD 53,215)	USD 6,295	
HSBC Bank	118,377	1,009,289	4,367	(963,999)	168,034	<u>USD 20,000</u>
	USD 4,277	USD 34,348	(USD 599)	(USD 32,554)	USD 5,472	
	<u>\$ 596,497</u>	<u>\$ 9,240,205</u>	<u>(\$ 891,720)</u>	<u>(\$ 7,744,674)</u>	<u>\$ 1,200,308</u>	
	<u>USD 21,550</u>	<u>USD 314,512</u>	<u>(USD 35,677)</u>	<u>(USD 261,300)</u>	<u>USD 39,085</u>	

December 31, 2021

<u>Counter-parties</u>	<u>Balance at January 1</u>	<u>Receivables Factoring Proceeds</u>	<u>Cash Received</u>	<u>Advances Received - Used</u>	<u>Balance at December 31</u>	<u>Credit Lines</u>
Bank SinoPac	\$ 252,365	\$ 3,888,646	(\$ 432,873)	(\$ 3,581,442)	\$ 126,696	<u>USD 54,000</u>
	USD 8,902	USD 138,597	(USD 14,503)	(USD 128,419)	USD 4,577	
Taishin International Bank	116,069	3,330,490	(419,709)	(2,744,056)	282,794	<u>USD 50,000</u>
	USD 4,095	USD 118,687	(USD 14,110)	(USD 98,455)	USD 10,217	
Chang Hwa Bank	16,537	603,486	(66,914)	(538,180)	14,929	<u>USD 6,000</u>
	USD 582	USD 21,488	(USD 2,229)	(USD 19,302)	USD 539	
E.Sun Bank	80,672	1,971,780	(284,908)	(1,713,843)	53,701	<u>USD 24,800</u>
	USD 2,846	USD 70,193	(USD 9,732)	(USD 61,367)	USD 1,940	
HSBC Bank	157,640	1,860,510	(272,523)	(1,627,250)	118,377	<u>USD 20,000</u>
	USD 5,557	USD 66,210	(USD 9,317)	(USD 58,173)	USD 4,277	
	<u>\$ 623,283</u>	<u>\$ 11,654,912</u>	<u>(\$ 1,476,927)</u>	<u>(\$ 10,204,771)</u>	<u>\$ 596,497</u>	
	<u>USD 21,982</u>	<u>USD 415,175</u>	<u>(USD 49,891)</u>	<u>(USD 365,716)</u>	<u>USD 21,550</u>	

The above credit lines may be used on a revolving basis.

The effective weighted average interest rates for factoring ranged from 0.80%~6.45% for the year ended December 31, 2022, and 0.66% ~ 1.09254% for the year ended December 31, 2021.

Pursuant to the factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Company, while losses from credit risk are borne by banks. Refer to Note 35 for information on the use of promissory notes provided by the Group as collateral for the sale of accounts receivable.

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are the related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

a. Names and categories of related parties

Name	Related Party Categories
Weikeng Industrial Co., Ltd.	Substantive related party
Weikeng International Co., Ltd.	Substantive related party
HIGGSTECH Inc.	The management – The company is a corporate director of the entity.

b. Sales of goods

Line Items	Related Party Categories/Name	For the Year ended December 31	
		2022	2021
Sales	Substantive related parties	\$ 31,109	\$ 5,228
	The management	1,250	964
		<u>\$ 32,359</u>	<u>\$ 6,192</u>

c. Purchases of goods

Related Party Categories/Name	For the Year ended December 31	
	2022	2021
Substantive related parties	\$ 92,658	\$ 53,323
The management	17,550	13,526
	<u>\$ 110,208</u>	<u>\$ 66,849</u>

The related-party transactions were conducted under normal terms.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31,	December 31,
		2022	2021
Accounts receivable	Substantive related parties	\$ 26	\$ 1,048
	The management	10	645
		<u>\$ 36</u>	<u>\$ 1,693</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from subsidiaries.

The revenue from sales to other customers through CT Continental Corp. for the years ended December 31, 2022 and 2021 were NT\$2,094,969 thousand, and NT\$2,817,167 thousand respectively.

Its accounts receivable as of December 31, 2022 and 2021 was NT\$668,763 thousand, and NT\$1,516,015 thousand respectively.

All inter-company transactions have been eliminated from consolidation, please see Table 5 in Note 38.

e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category/Name	December 31,	December 31,
		2022	2021
Accounts payables	Substantive related parties	\$ 22,709	\$ 9,185
	The management	5,466	4,708
		<u>\$ 28,175</u>	<u>\$ 13,893</u>

\$ 28,175 \$ 13,893

The outstanding accounts payables to related parties are unsecured.

f. Lease arrangements - the Group is lessee

<u>Related Party Categories/Name</u>		<u>For the Year ended December 31</u>	
		<u>2022</u>	<u>2021</u>
<u>Acquisition of right-of-use assets</u>			
Substantive related parties		\$ <u>-</u>	\$ <u>14,523</u>

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lease liabilities			
current	Substantive related party	\$ 3,739	\$ 3,686
non-current	Substantive related party	<u>3,739</u>	<u>7,367</u>
		<u>\$ 7,478</u>	<u>\$ 11,053</u>

<u>Related Party Categories/Name</u>		<u>For the Year ended December 31</u>	
		<u>2022</u>	<u>2021</u>
<u>Interest expense</u>			
Substantive related parties		\$ <u>248</u>	\$ <u>353</u>
<u>Gain on Lease Modification</u>			
Substantive related parties		\$ <u>-</u>	\$ <u>297</u>

<u>Lessor</u>	<u>Location</u>	<u>Lease term and Payment Method</u>
Weikeng Industrial Co., Ltd.	Office building on Huanshan Road, Neihu District	The lease term begins on January 1, 2021 and ends on December 31, 2025. Rent is paid every six months, where the monthly rent is NT\$334,500.

g. Other transactions with related parties

<u>Line Items</u>	<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Research and development fee	Substantive related parties	\$ <u>1,670</u>	\$ <u>579</u>
	The management	\$ <u>3,370</u>	\$ <u>1,600</u>
Operating cost-Subcontracting fee	The management	\$ <u>2,774</u>	\$ <u>-</u>
Other income	The management	\$ <u>663</u>	\$ <u>-</u>

h. Compensation of key management personnel

<u>Line Items</u>	<u>For the Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 101,111	\$ 76,375
Other long-term employee benefits	<u>681</u>	<u>691</u>
	<u>\$ 101,792</u>	<u>\$ 77,066</u>

The remuneration of directors and key executives is determined by the remuneration committee based on the performance of individuals and market trends.

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

	December 31, 2022	December 31, 2021
Land	\$ 205,987	\$ 212,223
Buildings	102,967	110,272
Time Deposits (Recognized as Financial assets at amortized cost)	3,972	2,236
Accounts Receivable	-	76,221
	<u>\$ 312,926</u>	<u>\$ 400,952</u>

The land and buildings above have been pledged as collateral for bank loans. The Group may not use the pledged assets as collateral for other loans or sell them to other companies.

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

a. Significant commitments

- 1) As of December 31, 2022 and 2021, unused letters of credit for purchases of inventories were as follows:

	December 31,, 2022	December 31, 2021
USD	\$ -	\$ 7,955
NTD	187,961	290,319

- 2) As of December 31, 2022 and 2021, the Group had issued promissory notes for the facilities of bank loans, the facilities of accounts receivables factoring and for purchase of inventories amounted to \$950,000 thousand and \$953,000 thousand, respectively.
- 3) As of December 31, 2022 and 2021, the Group has issued letters of guarantee for purchase of inventories amounted to \$247,859 thousand and \$187,784 thousand, respectively.
- 4) As of December 31, 2022 and 2021, the Group has all issued letters of guarantee for tariff guarantee amounted to \$18,000 thousand and \$18,000 thousand, respectively.
- 5) As of December 31, 2022 and 2021, commitment for acquisition of property, plant and equipment were as follows:

	December 31, 2022	December 31, 2021
Contract amount	\$ 1,130	\$ 17,065
Paid amount	(569)	(6,834)
Unpaid amount	<u>\$ 561</u>	<u>\$ 10,231</u>

b. Contingent liabilities: None

36. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE: NONE

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2022

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>		<u>Carrying Amount</u>
<u>Financial assets</u>				
Monetary items				
USD	\$ 278,787	30.71	USD:NTD	\$ 8,561,552
USD	62	132.70	USD:JPY	1,916
CNY	1,830	4.408	CNY:NTD	8,068
CNY	36	1.1199	CNY:HKD	159
CNY	1,827	0.1435	CNY:USD	8,053
HKD	1,230	3.938	HKD:NTD	4,845
HKD	32	0.1282	HKD:USD	127
EUR	127	32.72	EUR:NTD	4,155
GBP	46	37.09	GBP:NTD	1,715
JPY	11,716	0.2324	JPY:NTD	2,723
				<u>\$ 8,593,313</u>
<u>Financial liabilities</u>				
Monetary items				
USD	\$ 137,707	30.71	USD:NTD	\$ 4,228,972
USD	2,320	6.9669	USD:CNY	71,259
CNY	207	4.408	CNY:NTD	912
CNY	88	1.1199	CNY:HKD	388
HKD	2,051	3.938	HKD:NTD	8,077
HKD	25	0.1282	HKD:USD	98
EUR	23	32.72	EUR:NTD	743
JPY	96	0.2324	JPY:NTD	22
				<u>\$ 4,310,471</u>

December 31, 2021

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>		<u>Carrying Amount</u>
<u>Financial assets</u>				
Monetary items				
USD	\$ 322,561	27.68	USD:NTD	\$ 8,928,476
USD	180	115.02	USD:JPY	4,984
CNY	2,975	4.344	CNY:NTD	12,925
CNY	41	1.2232	CNY:HKD	180
CNY	1,792	0.1569	CNY:USD	7,784
HKD	5,054	3.549	HKD:NTD	17,935
HKD	35	0.1282	HKD:USD	126
EUR	94	31.52	EUR:NTD	2,967
GBP	148	37.50	GBP:NTD	5,549
JPY	9,994	0.2405	JPY:NTD	2,404
				<u>\$ 8,983,330</u>

	<u>Foreign Currencies</u>	<u>Exchange Rate</u>		<u>Carrying Amount</u>
<u>Financial liabilities</u>				
Monetary items				
USD	196,384	27.68	USD:NTD	\$ 5,435,902
USD	6,396	6.372	USD:CNY	177,036
USD	125	115.02	USD:JPY	3,458
CNY	332	4.344	CNY:NTD	1,440
CNY	216	1.2232	CNY:HKD	936
HKD	2,507	3.549	HKD:NTD	8,897
EUR	16	31.52	EUR:NTD	519
JPY	1,570	0.2405	JPY:NTD	378
				<u>\$ 5,628,566</u>

The Group is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities of the Group, and the exchange rates between respective functional currencies and the presentation currency were disclosed.

The significant realized and unrealized foreign exchange gains (losses) were as follows:

<u>Functional Currencies</u>	<u>For the Year ended December 31</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Exchange Rate</u>	<u>Net Foreign Exchange (Loss)</u>	<u>Exchange Rate</u>	<u>Net Foreign Exchange Gain (Loss)</u>
NTD	1 (NTD:NTD)	\$332,075	1 (NTD:NTD)	(\$125,543)
CNY	4.408(CNY:NTD)	(21,898)	4.344(CNY:NTD)	6,714
HKD	3.938 (HKD:NTD)	38	3.549 (HKD:NTD)	234
JPY	0.2324 (JPY:NTD)	58	0.2405 (JPY:NTD)	(14)
		<u>\$310,273</u>		<u>(\$118,609)</u>

38. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. information on investees:

- 1) Financing provided to others. (None)
- 2) Endorsement/guarantee provided. (Table 1)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)

- 9) Trading in derivative instruments. (None)
- 10) Significant transactions between the Company and subsidiaries. (Table 5)
- b. Information of investees. (Table 6)
- c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 7)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Table 8)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders (Table 9)

39. SEGMENT INFORMATION

Information reported to the chief operating decision maker (“CODM”) for the purpose of resource allocation and assessment of segment performance focuses on the area of operations. The Group’s segment information which is disclosed is as follows:

China region:

Manufacturing and distribution agents established in Mainland China and Hong Kong, including Happy On Supply Chain Management Limited, Promate Electronic (Shenzhen) Co., Ltd., and Promate Electronic (Shanghai) Company Limited.

Non-China region:

Manufacturing and distribution agents established outside Mainland China and Hong Kong, including the Company, Promate Solutions Corporation, CT Continental Corporation, Promate Japan Inc., and Promate Electronics Company USA.

The CODM considers manufacturing and distribution agent as a separate operating segment. But for financial statements presentation purposes, these individual operating segments have been aggregated into a single operating segment, taking into account the following factors:

- 1) These operating segments have customers with similar risks;
- 2) These operating segments have the same method of product delivery to customers.

a. Segment Revenues and Operating Results

Analysis by reportable segment of revenues and operating results of continuing operations was as follows:

	For the Year ended December 31, 2022		
	China Region	Non-China Region	Total
Segment revenue	<u>\$ 8,232,036</u>	<u>\$ 19,841,169</u>	<u>\$ 28,073,205</u>
Segment income	<u>\$ 269,314</u>	<u>\$ 667,046</u>	<u>\$ 936,360</u>
Interest income			9,087
interest expenses			(116,902)
Net foreign exchange gains (losses)			310,273
Other gains and losses			(5,719)
Profit before income tax			<u>\$ 1,133,099</u>

	For the Year ended December 31, 2021		
	China Region	Non-China Region	Total
Segment revenue	<u>\$ 10,086,531</u>	<u>\$ 22,382,522</u>	<u>\$ 32,469,053</u>
Segment income	<u>\$ 417,739</u>	<u>\$ 817,078</u>	<u>\$ 1,234,817</u>
Interest income			2,390
interest expenses			(56,396)
Share of loss of associates			(607)
Net foreign exchange gains (losses)			(118,609)
Other gains and losses			(2,138)
Profit before income tax			<u>\$ 1,059,457</u>

The above revenues were generated through transactions with external customers and among segments. The inter-segment revenues for the years ended December 31, 2022 and 2021 had been adjusted and eliminated from the consolidated financial statements.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' and supervisors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gains or losses on disposal of financial instruments, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment assets and liabilities

	December 31, 2022	December 31, 2021
Segment assets		
Operating operation segments		
China region	\$ 1,818,806	\$ 2,168,609
Non-China region	<u>7,113,905</u>	<u>8,782,680</u>
Total segment assets	8,932,711	10,951,289
Unallocated assets	<u>5,491,616</u>	<u>4,261,310</u>
Consolidated total assets	<u>\$ 14,424,327</u>	<u>\$ 15,212,599</u>
Segment liabilities		
Operating operation segments		
China region	\$ 126,456	\$ 254,938
Non-China region	<u>3,591,453</u>	<u>5,159,235</u>
Total segment liabilities	3,717,909	5,414,173
Unallocated liabilities	<u>5,181,317</u>	<u>4,792,755</u>

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Consolidated total liabilities	\$ 8,899,226	\$ 10,206,928

For the purpose of monitoring segment performance and allocating resources between segments:

- 1) The reportable departments are assessed for performance primarily on the basis of receivables, inventories and immovable property, plant and equipment held and used by them, with no allocation of the remaining assets; and
- 2) All liabilities other than borrowings, other financial liabilities and current and deferred income tax liabilities are allocated to reportable segments. Liabilities shared by reportable segments are apportioned in proportion to the department assets.

c. Revenue from sales of products and services

The Group's operating segment's revenue from sales of products and services are as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Application specific and LCD Display Products	\$ 5,634,547	\$ 6,469,499
Linear/Distributed Components	12,371,259	14,273,300
Image Processing ICs	6,134,073	6,804,960
Application specific ICs	2,167,346	2,641,228
Others	<u>1,765,980</u>	<u>2,280,066</u>
	<u>\$ 28,073,205</u>	<u>\$ 32,469,053</u>

d. Geographic information

Single customers contributing 10% or more to the Group's revenue were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Asia	\$ 25,643,671	\$ 30,175,736
America	1,619,628	1,504,902
Europe	702,338	778,341
Other	<u>107,568</u>	<u>10,074</u>
	<u>\$ 28,073,205</u>	<u>\$ 32,469,053</u>

e. Information about main customers

No single customers contributed 10% or more to the Group's revenue for the years ended December 31, 2022 and 2021

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/Guaranteed During the Period	Outstanding Endorsement/Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collaterals	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/Guarantee Amounts Allowable (Note 2)	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	Promate Electronic Co., Ltd. and subsidiaries	Promate Electronic (Shanghai) Co., Ltd	(1)	\$1,801,261	\$ 27,036	\$ -	\$ -	\$ -	-	\$2,573,230	Y	N	Y
		Promate Electronic (Shenzhen) Co., Ltd.	(1)	1,801,261	36,048	35,264	8,816	-	0.69	2,573,230	Y	N	Y
1	Promate Electronic (Shanghai) Co., Ltd	Promate Electronic (Shenzhen) Co., Ltd.	(2)	1,801,261	27,036	26,448	-	26,448	0.51	2,573,230	N	N	Y

Note 1 : The 2 types of relationship between a guarantor and a guarantee are set out as follows:

(1) Companies in which the Company directly and indirectly holds more than 50 percent of the voting shares.

(2) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares

Note 2 : The endorsement/guarantee limit is determined by the Company in accordance with Articles 36 and 38 of the Securities and Exchange Act and Operational Procedures for

Endorsements/Guarantees resolved by the shareholders' meeting: the total amount of endorsement/guarantee provided by the Company shall not exceed 50% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall not exceed 35% of the net worth of the current period.

(1)According to the above regulations, aggregate Endorsement/Guarantee Limit: shall not exceed forty percent (50%) of net worth NT\$5,146,460 (in thousands) × 50% = \$2,573,230 (in thousands).

(2)According to the above regulations, limits on Endorsement/Guarantee Given on Behalf of Each Party: Shall not exceed thirty percent (35%) of net worth NT\$5,146,460 (in thousands) × 35% = \$1,801,261 (in thousands).

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

AS OF DECEMBER 31, 2022

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

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Promate Electronic Co., Ltd.	<u>Ordinary shares</u>							
	Higgstec Inc.	The management	Financial assets at fair value through profit or loss - noncurrent	789,000	\$ 22,250	-	\$ 22,250	Domestic listed company
	TricornTech Taiwan Corporation	None	"	48,645	438	-	438	Non-publicly traded equity investments
	DigiZerocarbon Corp.	"	"	50,000	500	-	500	"
Private Fund	Esquarre IoT Landing Fund	"	"	USD 2,375,651	61,259	-	61,259	Foreign private funds
	Higgstec Inc.	The management	"	1,062,000	29,948	-	29,948	Domestic listed company
Promate Solutions Corporation	Private Fund							
	Esquarre IoT Landing Fund	None	"	USD2,375,651	<u>61,259</u> <u>\$175,654</u>	-	<u>61,259</u> <u>\$175,654</u>	Foreign private funds
Promate Electronic Co., Ltd.	<u>Ordinary shares</u>							
	Adobe Inc.	None	Financial assets at fair value through profit or loss - current	150	\$ 1,550	-	\$ 1,550	Foreign listed company
	Apple Inc.	"	"	200	798	-	798	"
	Home Depot, Inc.	"	"	50	485	-	485	"
	Intuitive Surgical, Inc.	"	"	50	407	-	407	"
	Microsoft Corporation	"	"	50	368	-	368	"
	Micron Technology, Inc.	"	"	150	230	-	230	"
	NVIDIA Corporation	"	"	240	1,077	-	1,077	"
	Taiwan Semiconductor Manufacturing Company Limited	"	"	350	801	-	801	"
	Tesla, Inc.	"	"	90	341	-	341	"
	Unity Software Inc.	"	"	150	132	-	132	"
	ASML Holding N.V.	"	"	100	1,678	-	1,678	"
	Meta Platforms, Inc.	"	"	100	370	-	370	"
	Invesco QQQ Trust, Series 1	"	"	50	409	-	409	"
Promate Solutions Corporation	KING SLIDE WORKS CO.,LTD	"	"	1,200	461	-	461	Domestic listed company
	SUNONWEALTH ELECTRIC MACHINE INDUSTRY CO., LT	"	"	22,000	939	-	939	"
	INTERNATIONAL GAMES SYSTEM CO.,LTD.	"	"	2,300	997	-	997	"
	LOTES CO., LTD	"	"	700	578	-	578	"
	Jinan Acetate Chemical Co., LTD	"	"	6,000	1,068	-	1,068	"

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2022				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
	WW Holding Inc.	"	"	7,000	559	-	559	Domestic listed company
	Adobe Inc.	"	"	80	827	-	827	Foreign listed company
	Apple Inc.	"	"	300	1,197	-	1,197	"
	Home Depot, Inc.	"	"	50	485	-	485	"
	Intuitive Surgical, Inc.	"	"	50	407	-	407	"
	Microsoft Corporation	"	"	50	368	-	368	"
	Micron Technology, Inc.	"	"	300	460	-	460	"
	NVIDIA Corporation	"	"	270	1,212	-	1,212	"
	Taiwan Semiconductor Manufacturing Company Limited	"	"	250	572	-	572	"
	Tesla, Inc.	"	"	60	227	-	227	"
	Unity Software Inc.	"	"	150	132	-	132	"
	ASML Holding N.V.	"	"	100	1,678	-	1,678	"
					<u>20,813</u>		<u>20,813</u>	

Note : Refer to Tables 6 and 7 for information on interests in subsidiaries, associates, and joint ventures.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Promate Electronic Co., Ltd	Promate Solutions Corporation.	Subsidiary	Sale	\$320,874	1.14%	Transaction terms are not significantly different from those for third parties	\$ -	—	Accounts receivable \$ 30,716	0.66%	
	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	"	254,996	0.91%	"	-	—	Accounts receivable 44,826	0.96%	
	Promate Electronic (Shanghai) Co., Ltd	Subsidiary	"	196,489	0.70%	"	-	—	Accounts receivable 25,129	0.54%	

Note: All intercompany transactions have been eliminated from consolidation.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

AS OF DECEMBER 31, 2022

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Promate Electronic Co., Ltd	CT Continental Corporation	Subsidiary	Accounts receivable \$668,764	1.92	-	—	\$ 240,739	\$ -

Note: All intercompany transactions have been eliminated from consolidation.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No. (Note 1)	Investee Company	Counterparty	Flow of Transactions (Note 2)	Transaction Details			
				Financial Statement Account	Amount (Note 4)	Payment Terms	% to Total Sales or Assets (Note 3)
0	Promate Electronic Co., Ltd	Promate Solutions Corporation.	a	Sale	\$320,874	Transaction terms are not significantly different from those for third parties	1.14%
	"	"	a	Accounts receivable	30,716	"	0.21%
	"	CT Continental Corporation	a	Accounts receivable	668,764	Sales to other customers through CTC; transaction terms vary depending on each customer.	4.64%
	"	Happy On Supply Chain Management Ltd.	a	Freight expenses	50,410	Transaction terms are not significantly different from those for third parties	0.18%
	"	Promate Electronic (Shenzhen) Co., Ltd	a	Sale	254,996	"	0.91%
	"	"	a	Accounts receivable	44,826	"	0.31%
	"	"	a	Service expenses	92,972	"	0.33%
	"	Promate Electronic (Shanghai) Co., Ltd	a	Sale	196,849	"	0.70%
	"	"	a	Accounts receivable	25,129	"	0.17%
	"	"	a	Service expenses	53,128	"	0.19%
1	Promate Solutions Corporation.	Promate Japan, Inc.	c	Sales	17,455	"	0.06%

Note 1: The parent company and its subsidiaries are numbered as follows:

- a. "0" for the parent company.
- b. Subsidiaries are numbered from "1".

Note 2: The flow of related-party transactions is as follows:

- a. From the parent company to its subsidiary.
- b. From the subsidiary to its parent company.
- c. Between subsidiaries.

Note 3: For assets and liabilities, amounts are shown as a percentage to consolidated total assets as of December 31, 2022, while revenues, costs and expenses are shown as a percentage to consolidated total operating revenues for the year ended December 31, 2022.

Note 4: All intercompany transactions have been eliminated from consolidation.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES

**INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars/Foreign Currency)**

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December, 2022			Net Income (Loss) of the Investee)	Investment Gain (Loss) (Note)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership	Carrying Value			
Promate Electronic Co., Ltd	<u>With control ability</u> Promate Solutions Corporation.	Taipei, Taiwan	Production and trade of electronic components	\$ 297,527	\$ 297,527	25,328	66.21	\$ 726,636	\$ 194,144	\$ 128,273	Subsidiary
	Promate International Co., Ltd.	Hong Kong	General investment	52,101	52,101	12,360	100.00	57,953	(6,141)	(6,141)	Subsidiary
	Happy On Supply Chain Management Ltd.	Hong Kong	Warehousing and logistics services	12,124	12,124	3,000	100.00	19,087	1,631	1,631	Subsidiary
	Promate Electronics Company USA	USA	General trade of electronic components	606	606	20	100.00	10,159	708	708	Subsidiary
	CT Continental Corporation	Taipei, Taiwan	General trade of electronic components	54,000	54,000	5,400	90.00	54,533	(188)	(169)	Subsidiary
Promate Solutions Corporation	<u>With control ability</u> Promate Japan, Inc.	Japan	General trade of electronic components	2,791	2,791	10	100.00	4,090	925	925	Subsidiary

Note: Refer to Table 7 for information on investment in mainland China

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

**INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022**

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

1. For investments in China, disclose the name of the investee, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss for the period, carrying amount of the investment, repatriated investment gains:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Losses) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Promate Electronic (Shenzhen) Co., Ltd.	International trade, entrepot trade, trade with companies and trading agents in free trade zones	\$ 6,782 (USD200)	100% Indirectly invested through Promate International Co, Ltd. (Note 1)	\$ 6,782 (USD200)	\$ -	\$ -	\$ 6,782 (USD200)	(\$ 2,343) (Note 2)	100	(\$ 2,343) (Note 2)	\$ 18,988	\$ -
Promate Electronic (Shanghai) Co., Ltd	"	32,500 (USD1,000)	Same as above	32,500 (USD1,000)	-	-	32,500 (USD1,000)	(3,826) (Note 2)	100	(3,826) (Note 2)	29,563	-

2. Limit on the amount of investment in China

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 39,282 USD 1,200	\$ 39,282 USD 1,200	\$ 3,315,061

Note 1: Indirect investment in mainland China through holding companies - Promate International co., Ltd.

Note 2: The amount was recognized based on the audited financial statements of the investee company.

Note 3: The upper limit on investment in mainland China is determined by sixty percent (60%) of the Company's consolidated net worth.

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES

FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investee Company	Nature of Transaction	Purchase/ Sale		Unit Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized Gains or Losses
		Amount	Percentage		Payment Terms	Compared to General Transactions	Ending Balance	% of Total	
Promate Electronic (Shenzhen) Co., Ltd.	Sales	\$ 254,996	0.91%	No significant difference	No significant difference	No significant difference	Accounts receivable \$ 44,826	0.96%	\$ 5
Promate Electronic (Shanghai) Co., Ltd	Sales	196,489	0.70%	"	"	"	Accounts receivable \$ 25,129	0.54%	69

1. Endorsements, guarantees or collateral directly and indirectly provided by investee companies in mainland China through businesses in a third area: Table 1.
2. Financial intermediation directly and indirectly provided by investee companies in mainland China through a third area: None.
3. Other transactions that have a material impact on current profit or loss or financial status: None.

TABLE 9**PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS****AS OF DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
None	-	-

Note: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares, preference shares and treasury shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation. In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.

5. Individual Financial Statements of the Company in the Latest Year Audited and Approved by an Accountant

INDEPENDENT AUDITORS REPORT

The Board of Directors and Shareholders
Promate Electronics Co. Ltd.

Opinion

We have audited the accompanying financial statements of Promate Electronics Co. Ltd. (the “Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the Income Statement, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

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

Basis for Opinion

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

Key Audit Matters

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

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

Occurrence of shipment with revenue gained from specific clients

The Company specializes in trading distributed components, liquid crystal display products, and image processing IC. Based on the materiality and auditing standards, revenue recognition is presumed to be a significant risk. Therefore, the engaging partner believes that the existence of sales revenue with specific clients would materially affect the occurrence of the financial statement, which is the reason the audit team listed the occurrence of shipment with sales revenue from certain clients as the key audit matter of 2022 audit process. Refer to note 4(11) for more details of revenue recognition policy.

Our main audit procedures performed in respect of above matter include the following:

1. We understood the internal control procedures for revenue recognition and the relevant approval process followed by the Company's management.
2. We utilized audit sampling on specific clients' shipments, which we would verify the relevant documents and test the receivable collection to confirm the existence of sales transaction.
3. We ascertained sales returns and discounts that occurred after the balance sheet date, to ensure whether there is a material misstatement on sales revenue from specific clients in the Company's financial statement.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw a attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the company audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Po-Jen Weng and Nai-Hua Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 28, 2023

Notice to Readers

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

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

PROMATE ELECTRONIC CO., LTD.

BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 1,605,622	12	\$ 1,134,613	8
Financial assets at fair value through profit or loss - current (Notes 4, 7, 25, and 30)	8,646	-	2,788	-
Financial assets at amortized cost - current (Notes 4, 9, 10, 30 and 32)	2,489	-	2,236	-
Notes receivable (Notes 4, 11, 24 and 30)	25,560	-	16,772	-
Accounts receivable (Notes 4, 10, 11, 24 and 30)	3,535,049	27	4,736,802	34
Accounts receivable from related parties (Notes 4, 11, 30 and 31)	769,471	6	1,863,077	13
Other receivables (Notes 4, 11 and 30)	1,257,865	9	702,503	5
Inventories (Notes 4 and 12)	3,437,348	26	3,130,805	22
Other current assets (Notes 17)	6,079	-	17,976	-
Total current assets	<u>10,648,129</u>	<u>80</u>	<u>11,607,572</u>	<u>82</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 8, 23, 30 and 31)	84,447	1	81,134	1
Investments accounted for using the equity method (Notes 4, and 13)	868,368	7	847,544	6
Property, plant and equipment (Notes 4, 14, 25 and 32)	320,912	2	315,614	2
Right-of-use assets (Notes 4, 15 and 31)	31,637	-	33,530	-
Other intangible assets (Notes 4 and 16)	3,129	-	3,979	-
Deferred tax assets (Notes 4 and 26)	277,134	2	165,795	1
Prepayments for business facilities (Notes 17, 28 and 33)	350	-	-	-
Other non-current assets (Notes 17 and 30)	1,124,351	8	1,166,016	8
Total non-current assets	<u>2,710,328</u>	<u>20</u>	<u>2,613,612</u>	<u>18</u>
TOTAL	<u>\$ 13,358,457</u>	<u>100</u>	<u>\$ 14,221,184</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4, 18, 28, 30 and 33)	\$ 3,248,589	24	\$ 2,569,721	18
Short-term bills payable (Notes 4, 18, 28 and 30)	150,000	1	180,000	1
Contract liabilities - current (Notes 21 and 24)	70,028	1	69,374	1
Notes payable (Notes 20 and 30)	241	-	237	-
Accounts payable (Notes 20 and 30)	2,166,263	16	3,849,089	27
Accounts payable to related parties (Notes 20, 30 and 31)	11,132	-	4,864	-
Other payables (Notes 21 and 30)	565,962	4	426,732	3
Other payables to related parties (Notes 21, 30 and 31)	12,064	-	13,352	-
Current tax liabilities (Notes 4 and 26)	165,681	1	268,884	2
Lease liabilities - current (Notes 4, 15, 28, 30 and 31)	12,605	-	10,590	-
Current portion of bonds payable (Note 4, 19, and 30)	106,985	1	-	-
Other current liabilities (Note 21 and 31)	578,244	5	490,037	3
Total current liabilities	<u>7,087,794</u>	<u>53</u>	<u>7,882,880</u>	<u>55</u>
NON-CURRENT LIABILITIES				
Bonds Payable (Note 4 and 19)	-	-	539,418	4
Long-term borrowings (Notes 4, 18, 28, 30 and 32)	100,000	1	-	-
Deferred tax liabilities (Notes 4 and 26)	9,395	-	53,471	-
Lease liabilities - noncurrent (Notes 4, 15, 28, 30 and 31)	18,512	-	22,292	-
Net defined benefit liabilities - noncurrent (Notes 4 and 22)	28,539	-	32,234	-
Guarantee Deposits (Notes 21 and 30)	967,757	7	1,051,840	8
Total non-current liabilities	<u>1,124,203</u>	<u>8</u>	<u>1,699,255</u>	<u>12</u>
Total liabilities	<u>8,211,997</u>	<u>61</u>	<u>9,582,135</u>	<u>67</u>
EQUITY (Notes 23 and 27)				
Share capital				
Ordinary shares	2,087,964	16	1,934,141	14
Capital surplus	1,290,786	10	1,008,022	7
Retained earnings				
Legal reserve	954,454	7	872,428	6
Unappropriated earnings	829,680	6	821,907	6
Total retained earnings	1,784,134	13	1,694,335	12
Other equity	(16,424)	-	2,551	-
Total equity	<u>5,146,460</u>	<u>39</u>	<u>4,639,049</u>	<u>33</u>
TOTAL	<u>\$ 13,358,457</u>	<u>100</u>	<u>\$ 14,221,184</u>	<u>100</u>

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

PROMATE ELECTRONIC CO., LTD.

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

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 31)				
Sales	\$ 26,361,267	100	\$ 30,995,947	100
OPERATING COSTS (Notes 4, 12, 22, 25 and 31)				
Cost of sales	(24,699,600)	(94)	(29,179,541)	(94)
GROSS PROFIT	1,661,667	6	1,816,406	6
(UNREALIZED) REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(2,659)	-	(832)	-
REALIZED GROSS PROFIT	1,659,008	6	1,815,574	6
OPERATING EXPENSES (Notes 11, 14, 15, 16, 22, 25 and 31)				
Selling and marketing expenses	(829,527)	(3)	(680,228)	(2)
General and administrative expenses	(126,891)	-	(111,184)	(1)
Research and development expenses	(7,918)	-	(2,520)	-
Total operating expenses	(964,336)	(3)	(793,932)	(3)
OPERATING PROFIT	694,672	3	1,021,642	3
NON-OPERATING INCOME AND EXPENSES (Notes 4, 13, 14, 25 and 31)				
Interest income	4,285	-	395	-
Other income- others	19,129	-	18,447	-
Other gains and losses	271,950	1	(128,728)	-
Finance costs	(113,907)	-	(52,811)	-
Share of profit (loss) of associates accounted for using equity method	124,302	-	112,384	-
Total non-operating income and expenses	305,759	1	(50,313)	-
PROFIT BEFORE INCOME TAX	1,000,431	4	971,329	3
INCOME TAX EXPENSE (Notes 4 and 26)	(180,107)	(1)	(177,350)	-
NET PROFIT FOR THE PERIOD	820,324	3	793,979	3
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 22)	3,038	-	(367)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 23)	(12,472)	-	23,164	-

	2022		2021	
	Amount	%	Amount	%
Share of other comprehensive gain of subsidiaries accounted for using the equity method (Notes 4 and 23)	(\$ 7,285)	-	(\$ 1,764)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>666</u>	<u>-</u>	<u>73</u>	<u>-</u>
	(<u>16,053</u>)	<u>-</u>	(<u>21,106</u>)	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 23)	4,525	-	(2,012)	-
Unrealized gain on investments in debt instruments at fair value through other comprehensive income (Notes 4 and 23)	-	-	2,788	-
Share of other comprehensive gain of subsidiaries accounted for using the equity method (Notes 4 and 23)	(46)	-	(226)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>(905)</u>	<u>-</u>	<u>402</u>	<u>-</u>
	<u>3,574</u>	<u>-</u>	<u>952</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	(<u>12,479</u>)	<u>-</u>	(<u>22,058</u>)	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 807,845</u>	<u>3</u>	<u>\$ 816,037</u>	<u>3</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 4.08</u>		<u>\$ 4.31</u>	
Diluted	<u>\$ 3.83</u>		<u>\$ 3.75</u>	

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

(Concluded)

PROMATE ELECTRONIC CO., LTD.

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

	Equity Attributable to Owners of the Company								Total Equity
	Issued Capital			Retained Earnings			Other Equity		
	Shares (Thousands)	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operation	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2021	179,126	\$ 1,791,260	\$ 712,730	\$ 818,510	\$ 15,204	\$ 541,910	(\$ 5,218)	\$ 11,996	\$ 3,886,392
Appropriation of 2020 earnings									
Legal reserve	-	-	-	53,918	-	(53,918)	-	-	-
Special reserve	-	-	-	-	(15,204)	15,204	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(501,553)	-	-	(501,533)
Conversion of convertible bonds to common stock	14,288	142,881	295,292	-	-	-	-	-	438,173
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	24,410	-	(24,410)	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	793,979	-	-	793,979
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	1,875	(1,836)	22,019	22,058
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	795,854	(1,836)	22,019	816,037
BALANCE AT DECEMBER 31, 2021	193,414	1,934,141	1,008,022	872,428	-	821,907	(7,054)	9,605	4,639,049
Appropriation of 2021 earnings									
Special reserve	-	-	-	82,026	-	(82,026)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(737,021)	-	-	(737,021)
Conversion of convertible bonds to common stock	15,382	153,823	282,764	-	-	-	-	-	436,587
Disposal of investments in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	2,940	-	(2,940)	-
Net profit for the year ended December 31, 2022	-	-	-	-	-	820,324	-	-	820,324
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	3,556	3,574	(19,609)	(12,479)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	823,880	3,574	(19,609)	807,845
BALANCE AT DECEMBER 31, 2022	208,796	\$ 2,087,964	\$ 1,290,786	\$ 954,454	\$ -	\$ 829,680	(\$ 3,480)	(\$ 12,944)	\$ 5,146,460

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

PROMATE ELECTRONIC CO., LTD.

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

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,000,431	\$ 971,329
Adjustments for:		
Expected loss (reversal) on credit impairment	10,000	20,000
Depreciation expenses	22,531	18,659
Amortization expenses	1,482	1,193
Finance costs	113,907	52,811
Share of loss(profit) of associates accounted for using the equity method	(124,302)	(112,384)
Interest income	(4,285)	(395)
Dividend income	(1,776)	(2,698)
Loss (gain) on inventory impairment	335,000	147,000
Loss (gain) on disposal of property, plant and equipment	-	(429)
Loss (gain) on lease modification	-	(300)
Loss (gain) on disposal of investments	-	13
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	2,128	(1,622)
Unrealized (realized) gain on transactions with associates and joint ventures	2,659	832
Net loss (gain) on foreign currency exchange	(5,781)	(7,709)
Loss (gain) on scrap of inventories	5,140	3,759
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(7,986)	5,856
Decrease (increase) notes receivable	(8,788)	11,486
Decrease (increase) in accounts receivable	1,191,753	(762,675)
Decrease (increase) in accounts receivable due from related parties	1,093,606	(569,637)
Decrease (increase) in other receivable	(555,362)	5,600
Decrease (increase) in inventories	(646,683)	(1,243,322)
Decrease (increase) in other current assets	11,897	(13,520)
Increase (decrease) in contract liabilities	654	29,781
Increase (decrease) in notes payable	4	213
Increase (decrease) in accounts payable	(1,682,826)	1,264,920
Increase (decrease) in accounts payable to related parties	6,268	(11,549)
Increase (decrease) in other payable	129,682	143,294
Increase (decrease) in other payable to related parties	(1,288)	3,274
Increase (decrease) in net defined benefit liability	(657)	(648)
Increase (decrease) in other current liabilities	<u>88,207</u>	<u>182,180</u>
Cash generated from (used in) operations	975,615	135,312
Interest paid	(99,085)	(41,164)
Income tax paid	<u>(438,964)</u>	<u>(113,538)</u>
Net cash generated from (used in) operating activities	<u>437,566</u>	<u>(19,390)</u>

	<u>2022</u>	<u>2021</u>
		(Continued)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at amortized cost	(5,208)	(19,121)
Acquisition of financial assets at fair value through other comprehensive income	(19,675)	(59,554)
Proceeds from disposal of financial assets at amortized cost	5,179	19,271
Proceeds from disposal of financial assets at fair value through other comprehensive income	3,890	36,410
Interest received	4,285	395
Dividends received from subsidiaries and associates	98,013	144,428
Other dividends received	1,776	2,698
Increase in prepayments for business facilities	(15,463)	(615)
Acquisition of property, plant and equipment	(1,065)	(7,551)
Acquisition of intangible assets	-	(1,908)
Proceeds from disposal of property, plant and equipment	-	429
Refundable deposits paid	-	(764,878)
Refundable deposits refunded	<u>41,665</u>	<u>-</u>
Net cash used in investing activities	<u>113,397</u>	<u>(649,996)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	684,425	172,214
Decrease in short-term loans	(30,000)	(10,000)
Increase of long-term debt	100,000	-
Payments of lease liabilities	(13,275)	(10,548)
Guarantee deposits received	-	767,040
Guarantee deposits refunded	(84,083)	-
Payments of cash dividends	<u>(737,021)</u>	<u>(501,553)</u>
Net cash generated from financing activities	<u>(79,954)</u>	<u>417,153</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	471,009	(252,233)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>1,134,613</u>	<u>1,386,846</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 1,605,622</u>	<u>\$ 1,134,613</u>

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

(Concluded)

PROMATE ELECTRONIC CO., LTD. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. GENERAL INFORMATION

Promate Electronic Co., Ltd. (the “Company”) is a listed company that was established in May, 1986. The Company is mainly engaged in the distribution and sales of electronic/electrical components, sales of computer software and electrical products, and sales of electronic/electrical components.

The Company conducted an IPO on the Taipei Exchange (TPEX) in September 2002, and its common shares were listed on the Taiwan Stock Exchange (TWSE) since May 2004.

After carefully evaluating the opportunities of the business unit as well as Promate Electronic as a whole, the Board of Directors concluded that creating a separate entity is the next reasonable step for the business. With two separate entities, Promate Electronic and Promate Solutions will have the flexibility and agility needed to pursue growth in a concentrated manner. Most importantly, this will enable each entity to serve customers more effectively and deliver values to shareholders.

As of August 1st, 2013, the Company is pleased to announce that this business unit will form a fully-owned subsidiary under Promate Solutions Corporation.

The functional currency of the Company is the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on March 15, 2023.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Company’s accounting policies.

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

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

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

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

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

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

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Company may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

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

- a) The Company changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Company chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Company is required to make significant judgements or assumptions in applying an accounting policy, and the Company discloses those judgements or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

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

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

3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Company will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Company will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.)

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

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

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

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

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

- 1) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (referred to as the "2020 amendments") and "Non-current Liabilities with Covenants" (referred to as the "2022 amendments")

The 2020 amendments clarify that for a liability to be classified as non-current, the Company shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Company must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Company shall disclose information that enables users of financial statements to understand the risk of the Company that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company's own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

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

When preparing its parent company only financial statements, the Company used equity method to account for its investment in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owner of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and consolidated basis were made to investments accounted for by equity method, share of profit or loss of subsidiaries, share of other comprehensive income of subsidiaries and related equity items, as appropriate, in the parent company only financial statements.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after

the reporting period and before the financial statements are authorized for issue; and

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

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

d. Foreign currencies

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

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

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

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

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

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

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

e. Inventories

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

f. Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted

thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of loss of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further loss, if any.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary that constitutes a business over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required had the Company directly disposed of the related assets or liabilities.

Profit or loss resulting from downstream transactions between subsidiaries is eliminated in full in the financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only to the extent of interests in the subsidiaries that are not related to the Company.

g. Property, plant and equipments

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

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

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

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss.

Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

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

i. Impairment of property, plant and equipment, right-of-use asset, intangible assets other than goodwill

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

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, and any dividends on such financial assets are recognized in other income; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

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

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivable and notes receivable (including related party) at amortized cost, contract assets and other receivables (including related party), are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i) The debt instrument is held within a business model whose objective is achieved by both collecting of contractual cash flows and selling of such financial assets; and
- ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI and operating lease receivables.

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

Equity instruments issued by an entity in the Company are recognized at the proceeds received, net of direct issue costs.

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

3) Financial liabilities

a) Subsequent measurement

Financial liabilities are subsequently measured either at amortized cost using effective interest method

b) Derecognition of financial liabilities

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

4) Convertible corporate bonds

The composite financial instruments (convertible corporate bonds) issued by the company are based on the substance of the contractual agreement and the definition of financial liabilities and equity instruments, and their components are classified into financial liabilities and equity at the time of initial recognition.

At the time of initial recognition, the fair value of the liability component is estimated at the prevailing market interest rate of similar non-convertible instruments, and measured at the amortized cost calculated using the effective interest method before the conversion or maturity date. The component of liability embedded in non-equity derivatives is measured at fair value.

The conversion right classified as equity is equal to the remaining amount of the overall fair value of the compound instrument minus the fair value of the separately determined liability component, which is recognized as equity after deducting the impact of income tax, and will not be measured in the future. When the conversion right is executed, the related liability component and the amount of equity will be transferred to equity and capital reserve—issuance premium. If the conversion right of convertible corporate bonds has not been executed on the maturity date, the amount recognized in equity will be transferred to capital reserve—issuance premium.

The transaction costs related to the issuance of convertible corporate bonds are allocated to the liabilities (included in the carrying amount of the liabilities) and equity components (included in equity) of the instrument in proportion to the total apportionment price.

5) Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host

contracts and the host contracts are not measured at FVTPL.

k. Revenue recognition

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

For contracts where the period between the date on which the Company transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Company does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods

The commodity sales revenue comes from the agency distribution of electronic components and the sales of special application display modules, medical touch displays and embedded control system products, which are mainly sold to the computer and peripheral equipment industry and other electronics industries. Since the above products arrive at the customer's designated location or when the shipment is started, the customer has the contractually agreed price and the right to use the product and bears the main responsibility for resale, and bears the risk of obsolescence and obsolescence of the product, the company recognizes at that point in time list income and accounts receivable. Advance receipts from sales are recognized as contract liabilities before the products arrive or depart.

When the material is removed for processing, the control of the ownership of the processed product has not been transferred, so the revenue is not recognized when the material is removed.

l. Leasing

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

1) The Company as lessor

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

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms. Lease modification that resulted from a negotiation with a lessee is accounted for as a new lease from the effective date of modification.

2) The Company as lessee

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

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the balance sheets.

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

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

Subsequently, lease liabilities are measured at amortized cost using the effective interest method,

with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Company remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. For a lease modification that is not accounted for as a separate lease, the Company accounts for the remeasurement of the lease liability by (a) decreasing the carrying amount of the right-of-use asset of lease modifications that decreased the scope of the lease, and recognizing in profit or loss any gain or loss on the partial or full termination of the lease; (b) making a corresponding adjustment to the right-of-use asset of all other lease modifications. Lease liabilities are presented on a separate line in the balance sheets.

m. Borrowing costs

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

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

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

o. Taxation

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

1) Current tax

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

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

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

provision.

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

Key Sources of Estimation Uncertainty

c、 Impairment of financial assets.

The provision for impairment of accounts receivable is based on assumptions on probability of default and loss given default. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key

assumptions and inputs used, see Note 11 to the financial statements. Where the actual future cash inflows are less than expected, a material impairment loss may arise

d、 Impairment of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 544	\$ 1,194
Checking accounts and demand deposits	1,350,185	1,133,419
Cash equivalents (investment with original maturities less than three months)		
Time deposits	<u>254,893</u>	<u>-</u>
	<u>\$ 1,605,622</u>	<u>\$ 1,134,613</u>

The market rate intervals of cash in bank, at the end of the reporting period were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Demand deposits	0.05%~3.7%	0.001%~0.2%
Time deposits	3.6%~4.3%	-

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets at FVTPL - current</u>		
Financial assets mandatorily classified as at FVTPL		
Domestic quoted shares	\$ -	\$ 2,788
Foreign quoted shares	<u>8,646</u>	<u>-</u>
	<u>\$ 8,646</u>	<u>\$ 2,788</u>

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Investments in equity instruments	<u>\$ 84,447</u>	<u>\$ 81,134</u>

Investments in equity instruments at FVTOCI:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Non-current</u>		
Domestic investments		
Listed shares		
HIGGSTEC Inc.	\$ 22,250	\$ 27,931
Medimaging Integrated Solution Inc.	-	4,312
Unlisted shares		
Medimaging Integrated Solution Inc.	-	-
Tricornitech Corp.	438	438
DigiZerocarbon Corp.	500	500
Foreign investments		

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Private Funds		
Esquarre IoT Landing Fund,L.P.	61,259	47,953
	<u>\$ 84,447</u>	<u>\$ 81,134</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes.

9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months	\$ 2,489	\$ 2,236
Less: Allowance for impairment loss	-	-
	<u>\$ 2,489</u>	<u>\$ 2,236</u>

- On December 31, 2022 and 2021, the interest rate intervals of time deposits with original maturity date more than 3 months were 0.22% and 0.3%, respectively.
- Refer to Note 10 for information related to credit risk management and impairment evaluation of financial assets at amortized cost.
- Financial assets at amortized cost as collateral for borrowings are set out in Note 32.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified a at amortized cost.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Gross carrying amount	\$ 2,489	\$ 2,236
Allowance for impairment loss	-	-
Amortized cost	2,489	2,236
Fair value adjustment	-	-
	<u>\$ 2,489</u>	<u>\$ 2,236</u>

In order to minimize credit risk, the Company has tasked its credit management committee with the development and maintenance of a credit risk grading framework for categorizing exposures according to the degree of the risk of default. The credit rating information may be obtained from independent rating agencies, where available, and if not available, the credit management committee uses other publicly available financial information to rate the debtors. The Company's exposure and the external credit ratings are continuously monitored and assessed for whether there has been a significant increase in credit risk since the last period to the reporting date.

The Company considers the historical default rates of each credit rating supplied by external rating agencies to estimate 12-month or lifetime expected credit losses.

The Company's current credit risk grading framework comprises the following categories:

<u>Category</u>	<u>Description</u>	<u>Basis for Recognizing Expected Credit Losses</u>
Normal	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECLs

Gross carrying amount and applicable expected credit loss rate of investments in debt instruments are as

follows:

Category	Expected Loss Rate	Gross carrying amount	
		December 31, 2022	December 31, 2021
Normal	0%-0.01%	\$ 2,489	\$ 2,236

There was no change in the allowance for impairment loss of investments in debt instruments at FVTOCI and at amortized cost for the years ended December 31, 2022 and 2021.

11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2022	December 31, 2021
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 25,560	\$ 16,772
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	\$ 25,560	\$ 16,772
From operation	\$ 25,560	\$ 16,772
<u>Accounts receivables</u>		
At amortized cost		
Gross carrying amount	\$ 3,586,313	\$ 4,778,066
Gross carrying amount- related parties	769,471	1,863,077
Less: Allowance for impairment loss	(51,264)	(41,264)
	\$ 4,304,520	\$ 6,599,879
<u>Overdue receivables</u>		
At amortized cost		
Gross carrying amount	\$ 13,942	\$ 13,942
Less: Allowance for impairment loss	(13,942)	(13,942)
	\$ -	\$ -
<u>Other receivables</u>		
Accounts receivables at FVTOCI	\$ 1,200,308	\$ 596,497
Tax refund receivables	50,812	94,000
Others	6,745	12,006
	\$ 1,257,865	\$ 702,503

Notes Receivable and Accounts Receivables

At amortized cost

The average credit period of the sales of goods was 90-150 days. No interest was charged on accounts receivables. In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual accounts debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts.

The Company measures the loss allowance for all accounts receivables at an amount equal to lifetime ECLs. The expected credit losses on accounts receivables are estimated using an allowance matrix, which takes into consideration the historical credit loss experience with the respective debtor, the current financial position of the debtor, and the current and future economic conditions of the industry

as well as the overall economy. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

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

December 31, 2022

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
Expected credit loss rate	0.50%	1.35%~32.29%	34.62%~52.87%	55.38%~91.41%	62.46%~100%	
Gross carrying amount	\$ 3,832,867	\$ 459,368	\$ 71,208	\$ 3,517	\$ 14,384	\$ 4,381,344
Loss allowance (Lifetime ECL)	(11,813)	(15,236)	(7,477)	(2,692)	(14,046)	(51,264)
Amortized cost	<u>\$ 3,821,054</u>	<u>\$ 444,132</u>	<u>\$ 63,731</u>	<u>\$ 825</u>	<u>\$ 338</u>	<u>\$ 4,330,080</u>

December 31, 2021

	<u>Not Past Due</u>	<u>Less than 30 Days</u>	<u>31 to 60 Days</u>	<u>61 to 90 Days</u>	<u>Over 90 Days</u>	<u>Total</u>
Expected credit loss rate	0.00%~0.04%	0.36%~20.12%	14.29%~30.07%	18.75%~37.18%	22.22%~100%	
Gross carrying amount	\$ 5,732,570	\$ 744,304	\$ 155,480	\$ 14,105	\$ 11,456	\$ 6,657,915
Loss allowance (Lifetime ECL)	(1,219)	(16,335)	(13,897)	(1,270)	(8,543)	(41,264)
Amortized cost	<u>\$ 5,731,351</u>	<u>\$ 727,969</u>	<u>\$ 141,583</u>	<u>\$ 12,835</u>	<u>\$ 2,913</u>	<u>\$ 6,616,651</u>

The movements of the loss allowance of accounts receivables and overdue receivables were as follows:

	For the Year Ended December 31			
	2022		2021	
	Trade Receivables	Overdue Receivables	Trade Receivables	Overdue Receivables
Balance on January 1	\$ 41,264	\$ 13,942	\$ 21,264	\$ 13,942
Add: Amount of expected loss recognized	<u>10,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Balance on December 31	<u>\$ 51,264</u>	<u>\$ 13,942</u>	<u>\$ 41,264</u>	<u>\$ 13,942</u>

12. INVENTORIES

	December 31, 2022	December 31, 2021
Merchandise inventories	<u>\$ 3,437,348</u>	<u>\$ 3,130,805</u>

Operating cost summarized by nature is listed below.

	For the Year Ended December 31	
	2022	2021
Cost of Goods Sold	\$ 24,359,460	\$ 29,028,782
Impairment	335,000	147,000
Write-off	<u>5,140</u>	<u>3,759</u>
	<u>\$ 24,699,600</u>	<u>\$ 29,179,541</u>

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31, 2022	December 31, 2021
Investments in subsidiaries	<u>\$ 868,368</u>	<u>\$ 847,544</u>

a. Investments in subsidiaries

	December 31, 2022	December 31, 2021
Promate Solutions Corporation.	\$ 726,636	\$ 705,833
PROMATE INTERNATIONAL CO., LTD.	57,953	62,373
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	19,087	15,633
PROMATE ELECTRONICS COMPANY USA	10,159	8,501
CT Continental Corporation	<u>54,533</u>	<u>55,204</u>
	<u>\$ 868,368</u>	<u>\$ 847,544</u>

	Proportion of Ownership (%)	
	December 31, 2022	December 31, 2021
Promate Solutions Corporation.	66.21%	66.21%
PROMATE INTERNATIONAL CO., LTD.	100%	100%
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	100%	100%
PROMATE ELECTRONICS COMPANY USA	100%	100%
CT Continental Corporation	90%	90%

Refer to Note 36 and Table 5 for the details of the subsidiaries indirectly held by the Company.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2022 and 2021 was based on the subsidiaries' financial statements which have been audited for the same years.

b. Investments in associates

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates that are not individually material		
Prosperity Venture Capital I, Limited (Note)	\$ _____ -	\$ _____ -

<u>Name of Associate</u>	Proportion of Ownership and Voting Rights Held by the Company	
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Prosperity Venture Capital I, Limited	-	-

(Note) Prosperity Venture Capital I, Limited has discontinued operations. Therefore, the Company recognized loss on disposal of associate of NT\$13 thousand and listed in other gains and losses.

All the associates were accounted for using the equity method.

Summarized financial information in respect of each of the Company's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

	For the Year Ended December 31	
	<u>2022</u>	<u>2021</u>
Revenue	\$ _____ -	\$ _____ -
Net gain (loss)	\$ -	(\$ 2,806)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	\$ _____ -	(\$ 2,806)
Dividend received	\$ _____ -	\$ _____ -

14. PROPERTY, PLANT AND EQUIPMENT

Assets used by the Company

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Miscellaneous Equipment</u>	<u>Total</u>
<u>Cost</u>							
Balance on January 1, 2022	\$ 205,987	\$ 158,942	\$ 10,775	\$ 10,341	\$ 22,517	\$ 19,189	\$ 427,751
Additions	-	-	-	-	-	1,065	1,065
Reclassifications	-	-	799	-	9,140	4,542	14,481
Balance on December 31, 2022	<u>\$ 205,987</u>	<u>\$ 158,942</u>	<u>\$ 11,574</u>	<u>\$ 10,341</u>	<u>\$ 31,657</u>	<u>\$ 24,796</u>	<u>\$ 443,297</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2022	\$ -	\$ 61,872	\$ 10,708	\$ 8,468	\$ 18,158	\$ 12,931	\$ 112,137
Depreciation expense	-	5,118	133	545	2,209	2,243	10,248
Balance on December 31, 2022	<u>\$ -</u>	<u>\$ 66,990</u>	<u>\$ 10,841</u>	<u>\$ 9,013</u>	<u>\$ 20,367</u>	<u>\$ 15,174</u>	<u>\$ 122,385</u>
Carrying amount on December 31, 2022	<u>\$ 205,987</u>	<u>\$ 91,952</u>	<u>\$ 733</u>	<u>\$ 1,328</u>	<u>\$ 11,290</u>	<u>\$ 9,622</u>	<u>\$ 320,912</u>
<u>Cost</u>							
Balance on January 1, 2021	\$ 205,987	\$ 158,942	\$ 10,775	\$ 10,078	\$ 21,996	\$ 13,547	\$ 421,325
Additions	-	-	-	1,388	521	5,642	7,551
Disposals	-	-	-	(1,125)	-	-	(1,125)
Balance on December 31, 2021	<u>\$ 205,987</u>	<u>\$ 158,942</u>	<u>\$ 10,775</u>	<u>\$ 10,341</u>	<u>\$ 22,517</u>	<u>\$ 19,189</u>	<u>\$ 427,751</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2021	\$ -	\$ 56,719	\$ 10,493	\$ 9,326	\$ 16,183	\$ 11,215	\$ 103,936
Depreciation expense	-	5,153	215	267	1,975	1,716	9,326
Disposals	-	-	-	(1,125)	-	-	(1,125)
Balance on December 31, 2021	<u>\$ -</u>	<u>\$ 61,872</u>	<u>\$ 10,708</u>	<u>\$ 8,468</u>	<u>\$ 18,158</u>	<u>\$ 12,931</u>	<u>\$ 112,137</u>

	<u>Freehold Land</u>	<u>Buildings</u>	<u>Machinery Equipment</u>	<u>Transportation Equipment</u>	<u>Office Equipment</u>	<u>Miscellaneous Equipment</u>	<u>Total</u>
Carrying amount on December 31, 2021	<u>\$ 205,987</u>	<u>\$ 97,070</u>	<u>\$ 67</u>	<u>\$ 1,873</u>	<u>\$ 4,359</u>	<u>\$ 6,258</u>	<u>\$ 315,614</u>

There was no indication of an impairment loss in the years ended December 31, 2022 and 2021; therefore, the Company did not perform impairment assessment.

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

Buildings- Office in Taiwan	61 years
Buildings- Plant in Taiwan	25-30 years
Machinery Equipment	3-10 years
Transportation Equipment	5 years
Office Equipment	3-10 years
Miscellaneous Equipment	3-20 years

Property, plant and equipment pledged as collateral for borrowings are set out in Note 32.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Carrying amounts		
Buildings	\$ 26,719	\$ 28,476
Transportation equipment	<u>4,918</u>	<u>5,054</u>
	<u>\$ 31,637</u>	<u>\$ 33,530</u>
	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Additions to right-of-use assets		
Buildings	\$ 7,668	\$ 32,453
Transportation equipment	<u>2,722</u>	<u>5,043</u>
	<u>\$ 10,390</u>	<u>\$ 37,496</u>
Depreciation charge for right-of-use assets		
Buildings	\$ 9,425	\$ 7,473
Transportation equipment	<u>2,858</u>	<u>1,860</u>
	<u>\$ 12,283</u>	<u>\$ 9,333</u>

Due to the early termination of the lease contract during the year ended December 31, 2021, the Company's right-of-use assets and lease liabilities were reduced by NT\$16,070 thousand and NT\$16,370 thousand respectively. Thus, it resulted in a lease modification benefit of NT\$300 thousand.

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets during the year ended December 31, 2022 and 2021.

b. Lease liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Carrying amounts</u>		
Current	\$ 12,605	\$ 10,590
Non-current	\$ 18,512	\$ 22,292

Range of discount rate for lease liabilities was as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Buildings	3%	3%
Transportation equipment	5.69%	5.69%

c. Material lease-in activities and terms

The Company leased a number of cars for use by business personnel or warehouse personnel for 2 to 3 years. The lease contracts for these cars do not contain terms for the right of renewal or the right of purchase.

The Company also leased certain buildings for use as plant and office for a period 3 to 5 years. The lease contracts for offices located in Taiwan specify that the lease payments will be adjusted by customer price index each year. The Company does not have bargain purchase options to acquire the leasehold buildings at the end of the lease terms. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Expenses relating to low-value asset leases	\$ 744	\$ 746
Total cash outflow for lease	(\$ 14,019)	(\$ 11,294)

The Company has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

16. OTHER INTANGIBLE ASSETS

	<u>Computer Software</u>
<u>Cost</u>	
Balance on January 1, 2022	\$ 7,048
Reclassifications	<u>632</u>
Balance on December 31, 2022	\$ 7,680
<u>Accumulated amortization</u>	
Balance on January 1, 2022	(\$ 3,069)
Amortization expense	<u>(1,482)</u>
Balance on December 31, 2022	(\$ 4,551)
Carrying amount on December 31, 2022	<u>\$ 3,129</u>
<u>Cost</u>	
Balance on January 1, 2021	\$ 4,525
Addition	1,908
Reclassifications	<u>615</u>

	<u>Computer Software</u>
Balance on December 31, 2021	<u>\$ 7,048</u>
<u>Accumulated amortization</u>	
Balance on January 1, 2021	(\$ 1,876)
Amortization expense	(1,193)
Balance on December 31, 2021	<u>(\$ 3,069)</u>
Carrying amount on December 31, 2021	<u>\$ 3,979</u>

Besides amortization expense, there was no major addition, disposal or impairment to the intangible assets in the year ended December 31, 2022 and 2021. Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Computer Software 3 ~ 10 years

Amortization expenses summarized by function are as below.

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ -	\$ -
Selling and marketing expenses	-	-
General and administrative expenses	1,462	1,193
Research and development expenses	20	-
	<u>\$ 1,482</u>	<u>\$ 1,193</u>

17. OTHER ASSETS

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
Prepayments	\$ 5,717	\$ 16,088
Others	<u>362</u>	<u>1,888</u>
	<u>\$ 6,079</u>	<u>\$ 17,976</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 350	\$ -
Refundable deposits	1,124,351	1,166,016
Overdue receivables (Note 11)	13,942	13,942
Allowance for impairment loss - Overdue receivables (Note 11)	(13,942)	(13,942)
	<u>\$ 1,124,701</u>	<u>\$ 1,166,016</u>

Refundable deposits

Refundable deposits are mainly paid to suppliers as performance bond.

18. BORROWINGS

a. Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured borrowings (Note 33)		
Bank loans (1)	\$ 2,590,000	\$ 1,765,000
Bank loans - letters of credit (2)	<u>658,589</u>	<u>804,721</u>
	<u>\$ 3,248,589</u>	<u>\$ 2,569,721</u>

- 1) The effective weighted average interest rates for bank loans ranged from 1.30% ~2.08% and 0.577% ~0.83% per annum as of December 31, 2022 and 2021, respectively.
- 2) The effective weighted average interest rate for letters of credit loans was 1.441%~5.8139% and 0.51~0.7729% per annum as of S December 31, 2022 and 2021, respectively.

b. Short-term bills payable

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Commercial paper	\$ 150,000	\$ 180,000
Less: Unamortized discount on bills payable	<u>-</u>	<u>-</u>
	<u>\$ 150,000</u>	<u>\$ 180,000</u>

The effective weighted average interest rates for commercial papers ranged from 1.918%~2.068% and 0.828% per annum as of December 31, 2022 and 2021, respectively.

19. Convertible Bond

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Domestic unsecured convertible bonds	\$ 107,500	\$ 549,200
Less : Discounts on bonds payable	(515)	(9,782)
Less: Current portion	<u>(106,975)</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 539,418</u>

Unsecured Domestic Convertible Bonds - Third Issue

On June 8, 2020, the Company issued 10 thousand NTD-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of \$1,000,000 thousand. In addition, the bond is publicly underwritten by bidding auction, the issue price is \$101, and the actual total issue amount is \$1,020,987 thousand. The annual interest rate of the issuance coupon is 0%, the issuance period is three years, and the maturity date is June 8, 2023.

The major terms are as follows:

- g. In the period of circulation from three months after the issuance of the convertible corporate bonds to forty business days before the maturity of the bonds, the Company may notify the bondholders under the conversion measures and redeem all bonds in cash at the nominal amount when the agreed conditions are met.
- h. When this convertible bond expires, it will be repaid in cash based on the denomination of the bond.
- i. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be reset based on the pricing model in the terms of the bonds on each effective date regulated by the terms. The conversion price at issuance was NT\$ 34.50.
- j. The conversion price after the issuance of convertible corporate bonds will be adjusted according to the anti-dilution clause of the third Unsecured Convertible Bonds Issuance and Conversion Rules of the Company. The conversion price was adjusted from NT\$34.50 per share to NT\$32.16 per share since July 29, 2020, i.e. the ex-dividend date.
- k. The conversion price after the issuance of convertible corporate bonds will be adjusted according to the anti-dilution clause of the third Unsecured Convertible Bonds Issuance and Conversion Rules of the Company. The conversion price was adjusted from NT\$32.16 per share to NT\$30.16 per share since August 29, 2021, i.e. the ex-dividend date.
- l. The conversion price after the issuance of convertible corporate bonds will be adjusted according to the anti-dilution clause of the third Unsecured Convertible Bonds Issuance and Conversion Rules of the Company. The conversion price was adjusted from NT\$30.16 per share to NT\$27.51 per share since July 25, 2022, i.e. the ex-dividend date.

The convertible bonds contain both liability and equity components. The equity component was presented in equity under the heading of capital surplus - option. The effective interest rate of the liability component was 1.28% per annum on initial recognition.

Proceeds from issuance (less transaction costs of \$5,100 thousand)	\$ 1,015,887
Equity component (less transaction costs allocated to the equity component of \$255 thousand)	(53,332)
Redemption right	<u>100</u>
Liability component on the date of issuance (less transaction costs allocated to the liability component of \$4,845 thousand)	962,655
Interest charged at an effective interest rate of 1.28%	17,452
Conversion of corporate bond payable into common shares	(440,689)
Liability component on December 31, 2021	\$ 539,418
Interest charged at an effective interest rate of 1.28%	4,154

Conversion of corporate bond payable into common shares	(<u>436,587</u>)
Liability component on December 31, 2022	<u>\$ 106,985</u>

20. NOTES AND ACCOUNTS PAYABLE

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Notes payable</u>		
Non-trade	<u>\$ 241</u>	<u>\$ 237</u>
<u>Accounts payable</u>		
Accounts payable	<u>\$ 2,166,263</u>	<u>\$ 3,849,089</u>
Accounts payable - related parties	<u>\$ 11,132</u>	<u>\$ 4,864</u>

The average credit period for purchases of goods was between 30-120 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

21. OTHER LIABILITIES

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Current</u>		
<u>Other payables</u>		
Accrued commissions	\$ 12,719	\$ 22,641
Payables for salaries or bonuses	160,811	97,470
Payables for compensation of employees and remuneration of directors	100,000	97,000
Payables for annual leave s	14,700	10,700
Accrued freights	34,221	48,649
Payables for dividends	519	519
Accrued Interests	12,981	3,433
Others	<u>230,011</u>	<u>146,320</u>
	<u>\$ 565,962</u>	<u>\$ 426,732</u>
Other payables - related parties s (Note 31)		
Accrued freights	<u>\$ 12,604</u>	<u>\$ 13,352</u>
Contract liability (Note 24)	<u>\$ 70,028</u>	<u>\$ 69,374</u>
Others		
Refund liability (1)	\$ 561,506	\$ 486,610
Others	<u>16,738</u>	<u>3,427</u>
	<u>\$ 578,244</u>	<u>\$ 490,037</u>
<u>Non-current</u>		
<u>Other liabilities</u>		
Guarantee deposits(2)	<u>\$ 967,757</u>	<u>\$ 1,051,840</u>

1) Refund liabilities is based on historical experience, management's judgments and other known reasons for which estimated product returns and rebates may occur in the reporting period. Refund liabilities are recognized as a reduction of operating income in the periods in which the related goods are sold.

2) Guarantee deposits.

Guarantee deposits are mainly collected from customers

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law are operated by the government of the Republic of China (ROC). Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 53,329	\$ 54,567
Fair value of plan assets	(24,790)	(22,333)
Net defined benefit liabilities (assets)	<u>\$ 28,539</u>	<u>\$ 32,234</u>

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Fair Value of the Plan Assets
Balance on January 1, 2022	<u>\$ 54,567</u>	<u>(\$ 22,333)</u>	<u>\$ 32,234</u>
Service cost			
Service cost of current period	156	-	156
Net interest expense (income)	<u>273</u>	<u>(114)</u>	<u>159</u>
Recognized in loss (profit)	<u>429</u>	<u>(114)</u>	<u>315</u>
Remeasurement			
Return on plan assets (other than amounts included in net interest)	-	(1,800)	(1,800)
Actuarial loss – change in demographic assumptions	125	-	125
Actuarial loss – changes in financial assumptions	(2,988)	-	(2,988)
Actuarial loss – experience adjustments	<u>1,625</u>	<u>-</u>	<u>1,625</u>
Recognized in other comprehensive loss (gain)	<u>(1,238)</u>	<u>(1,800)</u>	<u>(3,038)</u>
Contributions from employer	<u>-</u>	<u>(972)</u>	<u>(972)</u>
Benefits paid	<u>(429)</u>	<u>429</u>	<u>-</u>
Balance on December 31, 2022	<u>\$ 53,329</u>	<u>(\$ 24,790)</u>	<u>\$ 28,539</u>
Balance on January 1, 2021	<u>\$ 54,425</u>	<u>(\$ 21,910)</u>	<u>\$ 32,515</u>
Service cost			
Service cost of current period	153	-	153

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Fair Value of the Plan Assets
Net interest expense (income)	<u>272</u>	<u>(112)</u>	<u>160</u>
Recognized in loss (profit)	<u>425</u>	<u>(112)</u>	<u>313</u>
Remeasurement			
Return on plan assets (other than amounts included in net interest)	-	(274)	(274)
Actuarial loss – change in demographic assumptions	1,375	-	1,375
Actuarial loss – experience adjustments	<u>(734)</u>	<u>-</u>	<u>(734)</u>
Recognized in other comprehensive loss (gain)	<u>641</u>	<u>(274)</u>	<u>367</u>
Contributions from employer	<u>-</u>	<u>(961)</u>	<u>(961)</u>
Benefits paid	<u>(924)</u>	<u>924</u>	<u>-</u>
Balance on December 31, 2021	<u>\$ 54,567</u>	<u>(\$ 22,333)</u>	<u>\$ 32,234</u>

The amount recognized as profit or loss for the defined benefit plan is summarized by function as follows:

	For the Year Ended December 31	
	2022	2021
Operating cost	\$ -	\$ -
Selling and marketing expenses	226	241
General and administrative expenses	89	72
Research and development expenses	<u>-</u>	<u>-</u>
	<u>\$ 315</u>	<u>\$ 313</u>

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

- 4) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 5) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 6) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31, 2022	December 31, 2021
Discount rate(s)	1.375%	0.50%
Expected rate(s) of salary increase	2.25%	2.00%
Death rate	According to the sixth mortality experience table of Taiwan life	According to the sixth mortality experience table of Taiwan life

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	insurance industry	insurance industry
Disability rate	According to 10% of expected mortality rate	According to 10% of expected mortality rate

Employee turnover rate

<u>Age</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
20 years old ~ 30 years old	5.5%~8%	7%~10%
35 years old ~ 60 years old	0%~3%	0%~4%

Based on the empirical data of the turnover rate of the Company in the past and the future trend, the revised data were adopted.

The turnover rate under 20 years old shall be calculated as 20 years old; the turnover rate of each age Company shall be calculated in the way of internal difference.

Voluntary retirement rate

Assuming that Z is the earliest retirement age for individual employees

<u>Age</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Z	15%	15%
Z+1~64	3%	3%
65	100%	100%

However, the voluntary retirement rate of individual employees shall not be less than 1.5 times of the turnover rate for the same age adopted by the Company.

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate(s)		
0.25% increase	(\$ 1,114)	(\$ 1,298)
0.25% decrease	\$ 1,152	\$ 1,347
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Expected rate(s) of salary increase		
0.25% increase	\$ 1,123	\$ 1,304
0.25% decrease	(\$ 1,091)	(\$ 1,264)

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The expected contributions to the plan for the next year	\$ 969	\$ 981
The average duration of the defined benefit obligation	8.5	9.6

23. Equity

- a. Share capital

Common stock

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Number of shares authorized (in thousands)	<u>250,000</u>	<u>250,000</u>
Shares authorized	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>208,796</u>	<u>193,414</u>
Shares issued	<u>\$ 2,087,964</u>	<u>\$ 1,934,141</u>

Fully paid ordinary shares, with a par value of NT\$10, each of which carries one vote per share and carry a right to receive dividends

Of the Company's authorized shares, 10,000 thousand shares had been reserved for the issuance of convertible bonds and employee share options.

As of December 31, 2022, 1,745 thousand of common shares issued from convertible bonds has yet to complete the registration process.

b. Capital surplus

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Issuance of ordinary shares	\$ 291,960	\$ 291,960
Conversion of employee stock options	66,208	66,208
Conversion of bonds	1,016,208	733,444
The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal of acquisition	45,604	45,604
Less: transfer to capital	(267,199)	(267,199)
Less: cash dividends paid	(73,408)	(73,408)
Less: Treasury stock cancellation	(9,461)	(9,461)
	<u>1,069,912</u>	<u>787,148</u>
<u>May be used to offset a deficit only</u>		
Changes in percentage of ownership interest in subsidiaries (2)	<u>166,292</u>	<u>166,292</u>
<u>May not be used for any purpose</u>		
Employee share options	1,250	1,250
Share options on Convertible Bond	<u>53,332</u>	<u>53,332</u>
	<u>54,582</u>	<u>54,582</u>
	<u>\$ 1,290,786</u>	<u>\$ 1,008,022</u>

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

2) Such capital surplus arises from the effect of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall

be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors after amendment, refer to employees' compensation and remuneration of directors in Note 25, g.

The Company's dividend policy is formulated according to the Company's capital budget, mid- and long-term operational planning and financial status, as well as by reference to the general level of dividends in the industry and capital markets as the basis for dividend policy. Related earnings can be distributed in the form of stock dividends or cash dividends. However, the percentage of cash dividends shall not be less than 20% of the total dividends. The percentage of cash dividends will be increased when future earnings and funds are more abundant.

A legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Company's shareholders' meeting resolved in June 15, 2022 to amend the Articles to appropriate special reserve from the balance of retained earnings of the prior period against "the cumulative net decrease of other equity in the prior period". If the amount of retained earnings of the prior period is not enough for such appropriation, the Company should further make up the gap by the net profit after tax and the balances of other equity items of current period. Before amending the Articles, the Company appropriated by law from retained earnings of the prior period.

The appropriations of earnings for 2021 and 2020, which have been approved in the shareholders' meetings on June 15, 2022 and July 26, 2021, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2021	2020
Legal reserve	<u>\$ 82,026</u>	<u>\$ 53,918</u>
Special reserve (Reversal)	<u>\$ -</u>	<u>(\$ 15,204)</u>
Cash dividends	<u>\$ 737,021</u>	<u>\$ 501,553</u>
Cash dividends per share (NT\$)	\$ 3.78	\$ 2.80

The appropriation of earnings for 2022 was proposed by the Company's board of directors on March 15, 2023. The appropriation and dividends per share were as follows:

Legal reserve	<u>\$ 82,682</u>
Special reserves	<u>\$ 16,424</u>
Cash dividends	<u>\$ 728,687</u>
Cash dividends per share (NT\$)	3.45

The above appropriation for cash dividends had been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on June 14, 2023.

d. Special reserves

	For the Year Ended December 31	
	2022	2021
Beginning on January 1	\$ -	\$ 15,204
Appropriations (reversal) of special reserves In respect of debits to other equity items	<u>-</u>	<u>(15,204)</u>
Balance on December 31	<u>\$ -</u>	<u>\$ -</u>

e. Other equity items

3) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2022	2021
Balance on January 1	(\$ 7,054)	(\$ 5,218)
Recognized for the period		
Exchange differences arising on translating the financial statements of foreign operations	3,620	(1,610)
Share from associates accounted for using the equity method	(46)	(226)
Other comprehensive income recognized for the period	<u>3,574</u>	<u>(1,836)</u>
Balance on December 31	<u>(\$ 3,480)</u>	<u>(\$ 7,054)</u>

4) Unrealized gain or loss on Financial Assets at FVTOCI

	For the Year Ended December 31	
	2022	2021
Balance on January 1	\$ 9,605	\$ 11,996
Recognized for the period		
Unrealized gain (loss) - equity instruments	(11,198)	23,164
Net remeasurement of loss allowance	-	2,788
Share from associates accounted for using the equity method	(8,411)	(3,933)
Other comprehensive income recognized for the period	<u>(19,609)</u>	<u>22,019</u>
Cumulative unrealized gain (loss) of equity instruments transferred to retained earnings due to disposal	<u>(2,940)</u>	<u>(24,410)</u>
Balance on S December 31	<u>(\$ 12,944)</u>	<u>\$ 9,605</u>

24. REVENUE

	For the Year Ended December 31	
	2022	2021
Revenue from contracts with customers		
Revenue from sale of goods	\$ 26,353,945	\$ 30,988,693
Revenue from NRE and repair service	<u>449</u>	<u>1,496</u>
	<u>26,354,394</u>	<u>30,990,189</u>
Other operating income		
Service revenue	<u>6,873</u>	<u>5,758</u>
	<u>\$ 26,361,267</u>	<u>\$ 30,995,947</u>

d. Revenue from contracts with customers

Revenue from the sale of goods

Revenue from the sale of goods mainly comes from the distribution of electronic components and the sale and manufacture of industrial computer monitors and customized products. Goods are categorized into electronic components (application-specific and LCD display products, linear/distributed components, application-specific and image processing ICs) as well as embedded control systems, medical displays, and application-specific display modules (e.g., medical, factory automation, military, outdoor use, and sports equipment). The Company sells goods at the agreed prices stipulated in contracts, quotations or orders.

Service revenue

Service revenue mainly comprises revenue from the design of embedded, medical, and application specific display modules during product development; revenue from customers' request for repair when defects occur in products that exceed the warranty period; and revenue recognized at the agreed prices stipulated in contracts.

e. Contract balances

	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>January 1, 2021</u>
Notes receivables (Note 11)	\$ 25,560	\$ 16,772	\$ 28,258
Accounts receivables (Note 11)	\$ 3,535,049	\$ 4,736,802	\$ 3,994,127
Accounts receivables from related parties (Note 11)	\$ 769,471	\$ 1,863,077	\$ 1,293,440
Contract liabilities (Note 21)			
Sale of goods	\$ 70,028	\$ 69,374	\$ 39,593

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's performance and the respective customer's payment.

f. Disaggregation of revenue

For the year ended December 31, 2022

	<u>Reportable Segment</u>					<u>Total</u>
	<u>Application-specific and LCD Display Products</u>	<u>Linear/Distributed Components</u>	<u>Image Processing ICs</u>	<u>Application-specific ICs</u>	<u>Others</u>	
<u>Types of goods or services</u>						
Revenue from the sale of goods	<u>\$ 4,043,784</u>	<u>\$12,264,619</u>	<u>\$ 6,114,581</u>	<u>\$ 2,168,068</u>	<u>\$ 1,770,215</u>	<u>\$26,361,267</u>

For the year ended December 31, 2021

	<u>Reportable Segment</u>					<u>Total</u>
	<u>Application-specific and LCD Display Products</u>	<u>Linear/Distributed Components</u>	<u>Image Processing ICs</u>	<u>Application-specific ICs</u>	<u>Others</u>	
<u>Types of goods or services</u>						
Revenue from the sale of goods	<u>\$ 5,129,047</u>	<u>\$14,168,437</u>	<u>\$ 6,793,639</u>	<u>\$ 2,639,621</u>	<u>\$ 2,265,203</u>	<u>\$30,995,947</u>

25. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)

a. Interest income

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Interest Income		
Bank deposits	\$ 4,201	\$ 319
Financial assets at amortized cost	59	60
Imputed interest of deposit	25	16
	<u>\$ 4,285</u>	<u>\$ 395</u>

b. Other income

For the Year Ended December 31

	<u>2022</u>	<u>2021</u>
Rental income		
Other operating lease	\$ 12,535	\$ 11,552
Dividend Income		
Financial assets at FVTPL	40	206
Financial assets at FVTOCI	<u>1,736</u>	<u>2,492</u>
	<u>1,776</u>	<u>2,698</u>
IT service revenue	2,440	2,440
Directors and supervisors' remuneration	<u>2,378</u>	<u>1,757</u>
	<u>\$ 19,129</u>	<u>\$ 18,447</u>

c. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain (loss) on financial instruments		
Mandatorily measured at FVTPL	(\$ 2,128)	\$ 1,622
Gain (loss) on disposal of investment in associations (Note 13)	-	(13)
Net foreign exchange gains (losses)	287,216	(113,941)
Gain (loss) on disposal of property, plant and equipment	-	429
Gain on lease modification	-	300
Bank charge	(13,746)	(17,657)
Other	608	532
	<u>\$ 271,950</u>	<u>(\$ 128,728)</u>

d. Finance costs

	For the Year Ended December 31	
	2022	2021
Interest on bank loans	\$ 108,633	\$ 41,594
Interest on convertible corporate bond	4,154	10,307
Interest on lease liabilities	1,120	910
	<u>\$ 113,907</u>	<u>\$ 52,811</u>

There was no interest capitalization in the Company for the year ended December 31, 2022 and 2021.

e. Depreciation and amortization

	For the Year Ended December 31	
	2022	2021
An analysis of deprecation by function		
Operating costs	\$ -	\$ -
Operating expenses	22,531	18,659
	<u>\$ 22,531</u>	<u>\$ 18,659</u>
An analysis of amortization by function		
Operating costs	\$ -	\$ -
Operating expenses	1,482	1,193
	<u>\$ 1,482</u>	<u>\$ 1,193</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2022	2021
Short-term benefits	\$ 415,646	\$ 356,802
Post-employment benefits (Note 22)		
Defined contribution plans	8,209	7,405
Defined benefit plans	315	313
	<u>8,524</u>	<u>7,718</u>
Other employee benefits	26,288	26,672
Total employee benefits expense	<u>\$ 450,458</u>	<u>\$ 391,192</u>

An analysis of employee benefits expense by function

	For the Year Ended December 31	
	2022	2021
Operating costs	\$ -	\$ -
Operating expenses	<u>450,458</u>	<u>391,192</u>
	<u>\$ 450,458</u>	<u>\$ 391,192</u>

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors at the rates 7.5%-10% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors.

The compensation to employees and remuneration to the directors of 2022 and 2021 were approved by the Company's board of directors on March 15, 2023 and March 16, 2022, respectively.

Accrual rate

	For the Year ended December 31	
	2022	2021
Employees' compensation	7.5%	7.5%
Remuneration of directors	1.5%	1.5%

Amount

	For the Year Ended December 31	
	2022	2021
	Cash	Cash
Employees' compensation	\$ 83,000	\$ 80,500
Remuneration of directors	17,000	16,500

If there is a change in the amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2022	2021
Foreign exchange gains	\$ 1,906,851	\$ 591,805
Foreign exchange losses	(<u>1,619,635</u>)	(<u>705,746</u>)
Net foreign exchange gains and losses	<u>\$ 287,216</u>	<u>(\$ 113,941)</u>

26. INCOME TAXES RELATING TO CONTINUING OPERATION

甲、Income tax recognized in profit or loss

Major components of tax expense (income) recognized in profit or loss are as follows:

For the Year Ended December 31

	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current period	\$ 329,641	\$ 325,225
Income tax on unappropriated earnings	61	-
Adjustment for prior years	<u>6,059</u>	<u>6,760</u>
	<u>335,761</u>	<u>331,985</u>
Deferred tax		
In respect of the current period	(155,654)	(154,635)
Income tax expense recognized in profit or loss	<u>\$ 180,107</u>	<u>\$ 177,350</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Income before income tax	<u>\$ 1,000,431</u>	<u>\$ 971,329</u>
Income tax expense calculated at the statutory rate	\$ 200,086	\$ 194,266
Tax-exempt income	(26,024)	(22,556)
Income tax on unappropriated earnings	61	-
Unrecognized deductible temporary differences	(75)	(1,120)
Adjustments for prior year	<u>6,059</u>	<u>6,760</u>
Income tax expense recognized in profit or loss	<u>\$ 180,107</u>	<u>\$ 177,350</u>

乙、 Income tax expense recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Deferred tax</u>		
In respect of current period		
Translating the financial statements of foreign operations	(\$ 905)	\$ 402
Unrealized gain on FVTOCI financial assets	1,274	-
Actuarial profit and loss of defined benefit plans	(608)	73
Income tax recognized in other comprehensive income (loss)	<u>(\$ 239)</u>	<u>\$ 475</u>

丙、 Current tax assets and liabilities

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current tax liabilities		
Income tax payable	<u>\$ 165,681</u>	<u>\$ 268,884</u>

丁、 Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows

For the year ended December 31, 2022

	<u>Opening Balance</u>	<u>Recognized in Profit (Loss)</u>	<u>Recognized in Other Comprehensive Income (Loss)</u>	<u>Closing Balance</u>
<u>Deferred tax assets</u>				
Temporary differences				
Impairment loss	\$ 2,975	\$ -	\$ -	\$ 2,975
Allowance for impairment loss	-	4,251	-	4,251
Allowance for write-down of inventories	46,242	67,000	-	113,242

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Unrealized sales return and allowance	99,779	4,544	-	104,323
Unrealized gross profit	301	530	-	831
Unrealized foreign exchange loss	4,101	14,586	-	18,687
Defined benefit obligation	4,799	(131)	(608)	4,060
Exchange differences on translating foreign operations	1,699	-	(905)	794
Convertible bonds payable	3,490	831	-	4,321
Payable for annual leave	2,140	800	-	2,940
Valuation on financial assets-current	-	483	-	483
Unrealized purchase allowance	-	18,684	-	18,684
Financial instruments at FVTOCI	-	-	1,274	1,274
Others	269	-	-	269
	<u>\$ 165,795</u>	<u>\$ 111,578</u>	<u>(\$ 239)</u>	<u>\$ 277,134</u>
Deferred tax liabilities				
Temporary differences				
Unappropriated Earnings from subsidiaries	(\$ 10,156)	\$ 761	\$ -	(\$ 9,395)
Unrealized purchase allowance	(<u>43,315</u>)	<u>43,315</u>	<u>-</u>	<u>-</u>
	<u>(\$ 53,471)</u>	<u>\$ 44,076</u>	<u>\$ -</u>	<u>(\$ 9,395)</u>

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Impairment loss	\$ 5,993	(\$ 3,018)	\$ -	\$ 2,975
Allowance for impairment loss	272	(272)	-	-
Allowance for write-down of inventories	16,842	29,400	-	46,242
Unrealized sales return and allowance	58,276	41,503	-	99,779
Unrealized gross profit	143	158	-	301
Unrealized foreign exchange loss	15,723	(11,622)	-	4,101
Defined benefit obligation	4,855	(129)	73	4,799
Exchange differences on translating foreign operations	1,297	-	402	1,699
Convertible bonds payable	-	3,490	-	3,490
Payable for annual leave	-	2,140	-	2,140
Others	269	-	-	269
	<u>\$ 103,670</u>	<u>\$ 61,650</u>	<u>\$ 475</u>	<u>\$ 165,795</u>
Deferred tax liabilities				
Temporary differences				
Unappropriated Earnings from subsidiaries	(\$ 10,921)	\$ 765	\$ -	(\$ 10,156)
Unrealized purchase allowance	(<u>135,535</u>)	<u>92,220</u>	<u>-</u>	<u>(43,315)</u>
	<u>(\$ 146,456)</u>	<u>\$ 92,985</u>	<u>\$ -</u>	<u>(\$ 53,471)</u>

戊、Income tax assessments

The tax returns of the Company through 2020 have been assessed by the tax authorities.

27. EARNINGS PER SHARE

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2022	2021
Basic earnings per share total	<u>\$ 4.08</u>	<u>\$ 4.31</u>
Diluted earnings per share total	<u>\$ 3.83</u>	<u>\$ 3.75</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Year Ended December 31	
	2022	2021
Income for the period attributable to owners of the Company	<u>\$ 820,324</u>	<u>\$ 793,979</u>
Earnings used in the computation of basic earnings per share	\$ 820,324	\$ 793,979
Effect of potentially dilutive ordinary shares:		
The after-tax interest of convertible bonds	<u>3,323</u>	<u>8,245</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 823,647</u>	<u>\$ 802,224</u>

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2022	2021
Weighted average number of ordinary shares in computation of basic earnings per share	200,851	184,310
Effect of potentially dilutive ordinary shares:		
Employees' compensation	2,569	2,261
Corporate bond	<u>11,812</u>	<u>27,271</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>215,232</u>	<u>213,842</u>

If the Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company assumed the entire amount of the compensation or bonus would be settled in shares, and if the resulting potential shares have a dilutive effect, these shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

28. CASH FLOW INFORMATION

a. Non-cash transaction

For the year ended December 31, 2022 and 2021, the Company entered into the following non-cash investing activities which were not reflected in the consolidated statements of cash flows:

- 1) The Company reclassified prepayments for equipment amounting to NT\$14,481 thousand to

property, plant and equipment for the year ended December 31, 2022.

- 2) The Company reclassified prepayments for equipment amounting to NT\$632 thousand and 615 thousand to intangible assets for the year ended December 31, 2022 and 2021, respectively.
- 3) The Company p reclassified convertible bonds payable amounting to NT\$106,985 thousand to the current portion of convertible bonds payable for the year ended December 31, 2022.

b. Reconciliation of liabilities arising from financing activities

For the year ended December 31, 2022

	Balance as of January 1, 2022	Cash Flows	Non-cash Changes				Balance as of December 31, 2022
			New Lease	Lease Modified	Interest Amortized	Foreign Currency Exchange Rates	
Short-term borrowings	\$ 2,569,721	\$ 684,425	\$ -	\$ -	\$ -	(\$ 5,557)	\$ 3,248,589
Short-term bills payable	180,000	(30,000)	-	-	-	-	150,000
Long-term borrowings	-	100,000	-	-	-	-	100,000
Guarantee deposits received	1,051,840	(84,083)	-	-	-	-	967,757
Lease liabilities	32,882	(13,275)	10,390	-	1,120	-	31,117
	<u>\$ 3,834,443</u>	<u>\$ 657,067</u>	<u>\$ 10,390</u>	<u>\$ -</u>	<u>\$ 1,120</u>	<u>(\$ 5,557)</u>	<u>\$ 4,497,463</u>

For the year ended December 31, 2021

	Balance as of January 1, 2021	Cash Flows	Non-cash Changes				Balance as of December 31, 2021
			New Lease	Lease Modified	Interest Amortized	Foreign Currency Exchange Rates	
Short-term borrowings	\$ 2,405,108	\$ 172,214	\$ -	\$ -	\$ -	(\$ 7,601)	\$ 2,569,721
Short-term bills payable	190,000	(10,000)	-	-	-	-	180,000
Guarantee deposits received	284,800	767,040	-	-	-	-	1,051,840
Lease liabilities	21,394	(10,548)	21,426	(300)	910	-	32,882
	<u>\$ 2,901,302</u>	<u>\$ 918,706</u>	<u>\$ 21,426</u>	<u>(\$ 300)</u>	<u>\$ 910</u>	<u>(\$ 7,601)</u>	<u>\$ 3,834,443</u>

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance.

Adopting a prudent risk management strategy and regularly reviewing the strategy, the Company engages in overall planning based on business development strategies and operational needs, in order to determine the appropriate capital structure of the Company.

The Company is not subject to any externally imposed capital requirements.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

December 31, 2022

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial Liabilities</u>					
Financial liabilities at amortized cost:					
– Bond payable	\$ 106,985	\$ 107,500	\$ -	\$ -	\$ 107,500

December 31, 2021

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial Liabilities</u>					
Financial liabilities at amortized cost:					
– Bond payable	\$ 539,418	\$ 549,200	\$ -	\$ -	\$ 549,200

The Level 2 and Level 3 fair value measurements above are determined by discounted cash flow analysis based on the income approach. The significant unobservable inputs used in Level 3 fair value measurements reflect the discount rates of counterparty credit risk.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2022

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Foreign listed shares	\$ 8,646	\$ -	\$ -	\$ 8,646
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares and emerging market shares	\$ 22,250	\$ -	\$ -	\$ 22,250
Domestic unlisted shares	-	-	938	938
Foreign Private Funds	-	-	61,259	61,259
	\$ 22,250	\$ -	\$ 62,197	\$ 84,447

December 31, 2021

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Domestic listed shares and emerging market shares	\$ 2,788	\$ -	\$ -	\$ 2,788
<u>Financial assets at FVTOCI</u>				
Investments in equity				
Domestic listed shares and emerging market shares	\$ 32,243	\$ -	\$ -	\$ 32,243
Domestic unlisted shares	-	-	938	938
Foreign Private Funds	-	-	47,953	47,953
	\$ 32,243	\$ -	\$ 48,891	\$ 81,134

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

Financial Assets at Fair Value Through Other Comprehensive Income	For the year ended December 31	
	2022	2021
Equity Instrument Balance at January 1	\$ 48,891	\$ 2,398

Recognized in other comprehensive income	(6,369)	-
Purchase	19,675	48,453
Transfer out from Level 3	-	(1,960)
Balance at December 31	<u>\$ 62,197</u>	<u>\$ 48,891</u>

3) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

The Company measures the fair value of its investments on domestic unlisted shares by using the market approach. The judgment is based on the industry type, the evaluation of the same type of company and the company's operating situation.

c. Categories of financial instruments

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
<u>Financial assets</u>		
Financial assets at FVTPL		
Mandatorily classified as at FVTPL	\$ 8,646	\$ 2,788
Financial assets at amortized cost (Note 1)	8,320,407	9,622,019
Financial assets at FVTOCI		
Equity instruments	84,447	81,134
<u>Financial liabilities</u>		
Measured at amortized cost (Note 2)	7,328,993	8,635,523

Note 1: The balances included financial assets measured at amortized cost, which comprise cash and cash equivalents, debt investments, notes and accounts receivables, other receivables and refundable deposits.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term loans, short-term bills payable, notes and accounts payable, other payables, convertible bonds payable, long-term loans and guarantee deposits.

d. Financial risk management objectives and policies

The Company's major financial instruments included equity and debit investments, accounts receivables, accounts payables, borrowings and lease liabilities. The Company's Corporate Treasury monitors and manages the financial risks relating to the operations of the Company. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price risk (see (c) below).

a) Foreign currency risk

The Company and its subsidiaries had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The Company manages the risk that fluctuations in foreign currency could have on foreign-currency denominated assets and future cash flow by using forward exchange contracts, which was governed by the Company's policies.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposed to foreign currency risk at the end of the year are set out in Note 35.

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar

The following table details the Company's sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. The 1% sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted their translation at the end of the reporting period for a 1% change in foreign currency rates.

A positive number below indicates an increase in pretax profit and other equity associated with the 1% strengthening of the New Taiwan dollar against the relevant currency. For a 1% weakening of New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	U.S. Dollar Impact	
	For the Year Ended December 31	
	2022	2021
Profit or loss	<u>\$ 35,982</u> (i)	<u>\$ 31,341</u> (i)

(i) This was mainly attributable to the exposure outstanding on U.S. dollar-denominated accounts receivables, accounts payables and loans, which were not hedged at the end of the reporting period

The Company's sensitivity to foreign currency increased during the current year mainly due to the increase of accounts receivable balance in the USD.

In management's opinion, the sensitivity analysis did not reflect the inherent exchange rate risk because the exposure at the end of the year did not reflect the exposure during the period.

b) Interest rate risk

The Company evaluates hedging activities regularly to align with interest rate views and defined risk appetite and ensures that the most cost-effective hedging strategies are applied.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	December 31, 2022	December 31, 2021
Fair value interest rate risk		
Financial assets	<u>\$ 257,382</u>	<u>\$ 2,236</u>
Financial liabilities	<u>\$ 256,985</u>	<u>\$ 719,418</u>
Cash flow interest rate risk		
Financial assets	<u>\$ 1,350,185</u>	<u>\$ 1,133,419</u>
Financial liabilities	<u>\$ 3,348,589</u>	<u>\$ 2,569,721</u>

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for nonderivative instruments at the end of the year. For floating-rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the year was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates been 50 basis points higher/lower and all other variables were held constant, the

Company's pre-tax profits for the year ended December 31, 2022 and 2021 would decrease/increase by NT\$9,992 thousand and NT\$7,182 thousand, respectively, mainly attributable to the Company's exposure to the floating-interest rates on bank borrowings and bank deposits

The increase in the Company's sensitivity to interest rates during the current period was mainly due to the increasing use of floating-rate debt instruments

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities and beneficiary certificates. The Company manages this exposure by maintaining a portfolio of investments with different risks. In addition, the Company has appointed a special team to monitor the price risk and evaluate when it is necessary to increase the risk aversion position.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had fluctuated by 3%, the pre-tax profit for the year ended December 31, 2022 and 2021 would have increased/decreased by \$259 thousand and \$84 thousand as a result of the changes in fair value of financial assets at FVTPL, and the pre-tax other comprehensive income of or the year ended December 31, 2022 and 2021 would have increase/decreased by \$2,533 thousand and \$2,434 thousand as a result of the changes in fair value of financial assets at FVTOCI.

The Company's sensitivity to equity prices increased mainly because of its increase in financial assets investment in 2022.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to the failure of the counterparty to discharge its obligation and due to the financial guarantees provided by the Company, could be mainly from the following:

- a) The carrying amount of the financial assets recognized in the balance sheets; and
- b) The maximum amount payable by the Company due to financial guarantees provided by the Company, regardless of possibility.

Financial assets are potentially affected by the failure of the Company's counterparties to fulfill their contractual obligations. The Company's credit risk is evaluated based on contracts whose fair value at the end of the financial reporting period is positive. The Company's counterparties are financial institutions and companies with sound credit ratings. The Company has a dedicated unit that regularly monitors counterparty credit exposure levels every year, so no significant credit risk is expected.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

As of December 31, 2022 and 2021, the total accounts receivable of customers accounting for 5% and above of the total accounts receivable accounted for 0% and 5.1% of its total accounts receivable, respectively. The Company considers the concentration of credit risk for the remaining accounts receivable not material.

The Company did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

The maximum credit exposure of the Company is the net carrying amount of financial assets after deducting the amount that can be offset against each other and the impairment loss recognized in accordance with the regulations without considering collateral and other credit enhancement policies.

3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2022 and 2021, the Company's available unutilized bank loan facilities set out in section (b) below.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on agreed repayment dates.

To the extent that interest flows are floating, the undiscounted amount was derived from the yield curve at the end of the year.

	December 31, 2022			
	Less than 1 year	2-3 years	4-5 years	Over 5 years
<u>Non-derivative financial liabilities</u>				
Short-term borrowings	\$ 3,313,040	\$ -	\$ -	\$ -
Short-term bills payable	150,000	-	-	-
Notes payables	241	-	-	-
Accounts payables	2,166,263	-	-	-
Accounts payables to related parties	11,132	-	-	-
Other payables	565,962	-	-	-
Other payables to related parties	12,064	-	-	-
Lease liabilities-current	13,235	-	-	-
Lease liabilities-non current	-	16,294	2,989	-
Refund liability	561,506	-	-	-
Bond payable	107,500	-	-	-
Long-term borrowings	1,670	100,579	-	-
	<u>\$ 6,902,613</u>	<u>\$ 116,873</u>	<u>\$ 2,989</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Lease liabilities	<u>\$ 13,235</u>	<u>\$ 19,283</u>	<u>\$ -</u>

	December 31, 2021			
	Less than 1 year	2-3 years	4-5 years	Over 5 years
<u>Non-derivative</u>				

<u>financial liabilities</u>				
Short-term borrowings	\$ 2,588,517	\$ -	\$ -	\$ -
Short-term bills payable	180,000	-	-	-
Notes payables	237	-	-	-
Accounts payables	3,849,089	-	-	-
Accounts payables to related parties	4,864	-	-	-
Other payables	426,732	-	-	-
Other payables to related parties	13,352	-	-	-
Lease liabilities- current	11,286	-	-	-
Lease liabilities- non current	-	17,900	5,490	-
Refund liability	486,610	-	-	-
Bond payable	-	549,200	-	-
	<u>\$ 7,560,687</u>	<u>\$ 567,100</u>	<u>\$ 5,490</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Lease liabilities	<u>\$ 11,286</u>	<u>\$ 23,390</u>	<u>\$ -</u>

b) Financing facilities

	December 31, 2022	December 31, 2021
Unsecured bank overdraft facilities		
Amount used	\$ 4,000,838	\$ 3,958,283
Amount unused	<u>4,752,762</u>	<u>3,610,277</u>
	<u>\$ 8,753,600</u>	<u>\$ 7,568,560</u>
Secured bank borrowings facility		
Amount used	\$ 100,000	\$ -
Amount unused	<u>300,000</u>	<u>-</u>
	<u>\$ 400,000</u>	<u>\$ -</u>

e. Transfers of financial assets

Factored accounts receivables that are not yet overdue at the end of the year were as follows:

December 31, 2022

Counter-parties	Balance at January 1	Receivables Factoring Proceeds	Cash Received	Advances Received - Used	Balance at December 31	Credit Lines
Bank SinoPac	\$ 126,696	\$ 3,680,591	(\$ 368,640)	(\$ 2,933,851)	\$ 504,796	<u>USD 54,000</u>
	USD 4,577	USD 124,411	(USD 13,846)	(USD 98,705)	USD 16,437	
Taishin International Bank	282,794	2,365,755	(272,443)	(2,149,367)	226,739	<u>USD 60,000</u>
	USD 10,217	USD 81,099	(USD 11,427)	(USD 72,506)	USD 7,383	
Chang Hwa Bank	14,929	251,768	(31,359)	(127,914)	107,424	<u>USD 4,000</u>
	USD 539	USD 8,428	(USD 1,149)	(USD 4,320)	USD 3,498	
E.Sun Bank	53,701	1,932,802	(223,645)	(1,569,543)	193,315	<u>USD 26,300</u>
	USD 1,940	USD 66,226	(USD 8,656)	(USD 53,215)	USD 6,295	
HSBC Bank	118,377	1,009,289	4,367	(963,999)	168,034	<u>USD 20,000</u>
	<u>USD 4,277</u>	<u>USD 34,348</u>	<u>(USD 599)</u>	<u>(USD 32,554)</u>	<u>USD 5,472</u>	
	<u>\$ 596,497</u>	<u>\$ 9,240,205</u>	<u>(\$ 891,720)</u>	<u>(\$ 7,744,674)</u>	<u>\$ 1,200,308</u>	
	<u>USD 21,550</u>	<u>USD 314,512</u>	<u>(USD 35,677)</u>	<u>(USD 261,300)</u>	<u>USD 39,085</u>	

December 31, 2021

Counter-parties	Balance at January 1	Receivables Factoring Proceeds	Cash Received	Advances Received - Used	Balance at December 31	Credit Lines
Bank SinoPac	\$ 252,365	\$ 3,888,646	(\$ 432,873)	(\$ 3,581,442)	\$ 126,696	<u>USD 54,000</u>
	USD 8,902	USD 138,597	(USD 14,503)	(USD 128,419)	USD 4,577	
Taishin International Bank	116,069	3,330,490	(419,709)	(2,744,056)	282,794	<u>USD 50,000</u>
	USD 4,095	USD 118,687	(USD 14,110)	(USD 98,455)	USD 10,217	
Chang Hwa Bank	16,537	603,486	(66,914)	(538,180)	14,929	<u>USD 6,000</u>
	USD 582	USD 21,488	(USD 2,229)	(USD 19,302)	USD 539	
E.Sun Bank	80,672	1,971,780	(284,908)	(1,713,843)	53,701	<u>USD 24,800</u>
	USD 2,846	USD 70,193	(USD 9,732)	(USD 61,367)	USD 1,940	
HSBC Bank	157,640	1,860,510	(272,523)	(1,627,250)	118,377	<u>USD 20,000</u>
	<u>USD 5,557</u>	<u>USD 66,210</u>	<u>(USD 9,317)</u>	<u>(USD 58,173)</u>	<u>USD 4,277</u>	
	<u>\$ 623,283</u>	<u>\$ 11,654,912</u>	<u>(\$ 1,476,927)</u>	<u>(\$ 10,204,771)</u>	<u>\$ 596,497</u>	
	<u>USD 21,982</u>	<u>USD 415,175</u>	<u>(USD 49,891)</u>	<u>(USD 365,716)</u>	<u>USD 21,550</u>	

The above credit lines may be used on a revolving basis.

The effective weighted average interest rates for factoring ranged from 0.80% ~6.45% for the year ended December 31, 2022, and 0.66% ~1.09254% for the year ended December 31, 2021.

Pursuant to the factoring agreements, losses from commercial disputes (such as sales returns and

discounts) are borne by the Company, while losses from credit risk are borne by banks. Refer to Note 33 for information on the use of promissory notes provided by the Company as collateral for the sale of accounts receivable.

31. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows.

a. Names and categories of related parties

Name	Related Party Categories
Promate Solutions Corporation.	Subsidiary
Promate Electronic (Shenzhen) Co., Ltd	Subsidiary
Promate Electronic (Shanghai) Co., Ltd	Subsidiary
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Subsidiary
CT Continental Corp.	Subsidiary
Weikeng Industrial Co., Ltd.	Substantive related party
Weikeng International Co., Ltd.	Substantive related party
HIGGSTEC Inc.	The management – The company is a corporate director of the entity.

b. Sales of goods

Line Items	Related Party Categories/Name	For the Year ended December 31	
		2022	2021
Sales	Subsidiaries	\$ 772,719	\$ 1,272,673
	The management	122	132
	Substantive related parties	<u>31,109</u>	<u>5,228</u>
		<u>\$ 803,950</u>	<u>\$ 1,278,033</u>
Other revenue	Promate Solutions Corporation	\$ 4,154	\$ 4,197
	The management	663	-
		<u>\$ 4,817</u>	<u>\$ 4,197</u>

c. Purchases of goods

Related Party Categories/Name	For the Year ended December 31	
	2022	2021
Subsidiaries	\$ 19,414	\$ 29,582
Substantive related parties	<u>45,486</u>	<u>19,121</u>
	<u>\$ 64,900</u>	<u>\$ 48,703</u>

The related-party transactions were conducted under normal terms.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31, 2022	December 31, 2021
Accounts receivable	Subsidiaries		
	CT Continental Corp.	\$ 668,764	\$ 1,516,015
	Other	100,671	346,014
	The management	10	-
	Substantive related parties	<u>26</u>	<u>1,048</u>

\$ 769,471 \$ 1,863,077

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2022 and 2021, no impairment losses were recognized for trade receivables from subsidiaries.

The revenue from sales to other customers through CT Continental Corp. for the years ended December 31, 2022 and 2021 were NT\$2,094,969 thousand, and NT\$2,817,167 thousand respectively.

Its accounts receivable as of December 31, 2022 and 2021 was NT\$668,764 thousand, and NT\$1,516,015 thousand respectively.

e. Payables to related parties (excluding loans from related parties)

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payables	Subsidiaries	\$ 3,228	\$ 3,568
	Substantive related parties	<u>7,904</u>	<u>1,296</u>
		<u>\$ 11,132</u>	<u>\$ 4,864</u>
Other payables	Subsidiaries	<u>\$ 12,064</u>	<u>\$ 13,352</u>

The outstanding accounts payables to related parties are unsecured.

f. Advances received

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Advances received	Subsidiaries	<u>\$ 725</u>	<u>\$ 725</u>

g. Lease arrangements - the Company is lessee

<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Acquisition of right-of-use assets</u>		
Substantive related parties	<u>\$ -</u>	<u>\$ 9,085</u>

<u>Line Item</u>	<u>Related Party Category/Name</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Lease liabilities	Substantive related party Weikeng Industrial Co., Ltd.	<u>\$ 4,678</u>	<u>\$ 6,915</u>

<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Interest expense</u>		
Substantive related parties	<u>\$ 155</u>	<u>\$ 221</u>
<u>Gain on lease modification</u>		
Substantive related parties	<u>\$ -</u>	<u>\$ 186</u>

<u>Lessor</u>	<u>Location</u>	<u>Lease term and Payment Method</u>
Weikeng Industrial Co., Ltd.	Office building on Huanshan Road,	The lease term begins on January 1, 2021 and ends on December 31, 2025. Rent is paid every six months,

Neihu District where the monthly rent is NT\$199,000.

h. Lease arrangements - the Company is lessor

Operating leases

Rental income is summarized as below.

<u>Lessor</u>	<u>Location</u>	<u>Lease Term and Payment Method</u>	<u>For the Year ended December 31</u>	
			<u>2022</u>	<u>2021</u>
Promate Solutions Corporation.	QingPu Factory	The lease term begins on August 1, 2018 and ends on July 30, 2023. Rent is paid every six months.	<u>\$ 11,148</u>	<u>\$ 11,148</u>

i. Other transactions with related parties

1) Rental expense

<u>Lessee</u>	<u>Location</u>	<u>Lease Term and Payment Method</u>	<u>For the Year ended December 31</u>	
			<u>2022</u>	<u>2021</u>
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Warehouse and office in HK	The monthly rent is HK\$10,000, and the warehouse is calculated based on the monthly usage area. Since February 2006, the rent has been rented and the rent is paid monthly.	<u>\$ 7,532</u>	<u>\$ 6,555</u>

2) Others.

<u>Line Items</u>	<u>Related Party Categories/Name</u>	<u>For the Year ended December 31</u>	
		<u>2022</u>	<u>2021</u>
Freight	Subsidiaries	<u>\$ 42,878</u>	<u>\$ 44,345</u>
Repair and maintenance	Subsidiaries	<u>\$ 102</u>	<u>\$ 97</u>
Professional service fees	Subsidiaries	<u>\$ 146,100</u>	<u>\$ 39,410</u>
Other operating expenses	Subsidiaries	<u>\$ 3,399</u>	<u>\$ 5,357</u>

j. Compensation of key management personnel

<u>Line Items</u>	<u>For the Year ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Short-term employee benefits	<u>\$ 80,972</u>	<u>\$ 61,838</u>
Other long-term employee benefits	<u>338</u>	<u>299</u>
	<u>\$ 81,310</u>	<u>\$ 62,137</u>

The remuneration of directors and key executives is determined by the remuneration committee based on the performance of individuals and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

<u>December 31, 2022</u>	<u>December 31, 2021</u>
--------------------------	--------------------------

	December 31, 2022	December 31, 2021
Land	\$ 205,987	\$ 205,987
Buildings	90,448	95,456
Time Deposits (Recognized as Financial assets at amortized cost)	2,489	2,236
	<u>\$ 298,924</u>	<u>\$ 303,679</u>

The land and buildings above have been pledged as collateral for bank loans. The Company may not use the pledged assets as collateral for other loans or sell them to other companies.

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company were as follows:

a. Significant commitments

- 1) As of December 31, 2022 and 2021, unused letters of credit for purchases of inventories were as follows:

	December 31, 2022	December 31, 2021
USD	\$ -	\$ 7,955
NTD	187,961	290,319

- 2) As of December 31, 2022 and 2021, the Company had issued promissory notes for the facilities of bank loans, the facilities of accounts receivables factoring and for purchase of inventories amounted to \$950,000 thousand and \$953,000 thousand, respectively.

- 3) As of December 31, 2022 and 2021, the Company has issued letters of guarantee for purchase of inventories amounted to \$236,684 and \$187,784 thousand, respectively.

- 4) As of December 31, 2022 and 2021, the Company has all issued letters of guarantee for tariff guarantee amounted to \$12,000 thousand.

- 5) As of December 31, 2022 and 2021, commitment for acquisition of property, plant and equipment were as follows:

	December 31, 2022	December 31, 2021
Contract amount	\$ 400	\$ -
Paid amount	(350)	-
Unpaid amount	<u>\$ 50</u>	<u>\$ -</u>

b. Contingent liabilities: None

34. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE: NONE

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2022

<u>Financial assets</u>	<u>Foreign Currencies</u>	<u>Exchange Rate</u>	<u>Carrying Amount</u>

	Foreign Currencies	Exchange Rate		Carrying Amount
Monetary items				
USD	\$ 249,154	30.71	USD:NTD	\$ 7,651,524
CNY	1,824	4.408	CNY:NTD	8,042
HKD	1,230	3.938	HKD:NTD	4,845
EUR	2	32.72	EUR:NTD	52
				<u>\$ 7,664,463</u>
Nonmonetary items				
Investments accounted for using the equity method				
USD	2,220	30.71	USD:NTD	\$ 68,185
HKD	4,973	3.938	HKD:NTD	19,584
				<u>\$ 87,769</u>
<u>Financial liabilities</u>				
Monetary items				
USD	131,988	30.71	USD:NTD	\$ 4,053,338
CNY	207	4.408	CNY:NTD	912
HKD	2,051	3.938	HKD:NTD	8,077
				<u>\$ 4,062,327</u>

December 31, 2021

	Foreign Currencies	Exchange Rate		Carrying Amount
<u>Financial assets</u>				
Monetary items				
USD	\$ 298,470	27.68	USD:NTD	\$ 8,261,662
CNY	2,970	4.344	CNY:NTD	12,900
HKD	5,054	3.549	HKD:NTD	17,935
EUR	2	31.52	EUR:NTD	55
				<u>\$ 8,292,552</u>
Nonmonetary items				
Investments accounted for using the equity method				
USD	2,562	27.68	USD:NTD	\$ 70,916
HKD	4,545	3.549	HKD:NTD	16,131
				<u>\$ 87,047</u>
<u>Financial liabilities</u>				
Monetary items				
USD	185,245	27.68	USD:NTD	\$ 5,127,590
CNY	332	4.344	CNY:NTD	1,440
HKD	2,507	3.549	HKD:NTD	8,897
				<u>\$ 5,137,927</u>

The Company is mainly exposed to the USD and CNY. The following information was aggregated by the functional currencies of the entities of the Company, and the exchange rates between respective functional currencies and the presentation currency were disclosed. For the years ended December 31, 2022 and 2021, realized net foreign exchange (losses) gains were NT\$380,647 thousand and NT\$(94,938) thousand, respectively, and unrealized net foreign exchange (losses) gains were NT\$(93,431) thousand and

NT\$(20,503) thousand, respectively.

36. SEPARATELY DISCLOSED ITEMS

- a. Information about significant transactions and b. information on investees:
 - 1) Financing provided to others. (None)
 - 2) Endorsement/guarantee provided. (Table 1)
 - 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (Table 2)
 - 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
 - 9) Trading in derivative instruments. (None)
- b. Information of investees. (Table 5)
- c. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (Table 7)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- d. Information of major shareholders (Table 8)

TABLE 1**PROMATE ELECTRONIC CO., LTD.****ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/Guarantee Given on Behalf of Each Party (Note 2)	Maximum Amount Endorsed/Guaranteed During the Period	Outstanding Endorsement/Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/Guaranteed by Collaterals	Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%)	Maximum Collateral/Guarantee Amounts Allowable (Note 2)	Endorsement/Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/Guarantee Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 1)										
0	Promate Electronic Co., Ltd.	Promate Electronic (Shanghai) Co., Ltd	(1)	\$1,801,261	\$ 27,036	\$ -	\$ -	\$ -	-	\$2,573,230	Y	N	Y
		Promate Electronic (Shenzhen) Co., Ltd.	(1)	1,801,261	36,048	35,264	8,816	-	0.69	2,573,230	Y	N	Y
1	Promate Electronic (Shanghai) Co., Ltd	Promate Electronic (Shenzhen) Co., Ltd.	(2)	1,801,261	27,036	26,448	-	26,448	0.51	2,573,230	N	N	Y

Note 1 : The 2 types of relationship between a guarantor and a guarantee are set out as follows:

- (1) Companies in which the Company directly and indirectly holds more than 50 percent of the voting shares.
- (2) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares

Note 2 : The endorsement/guarantee limit is determined by the Company in accordance with Articles 36 and 38 of the Securities and Exchange Act and Operational Procedures for

Endorsements/Guarantees resolved by the shareholders' meeting: the total amount of endorsement/guarantee provided by the Company shall not exceed 50% of the net worth of the current period. The endorsement/guarantee provided to a single entity shall not exceed 35% of the net worth of the current period.

(1)According to the above regulations, aggregate Endorsement/Guarantee Limit: shall not exceed forty percent (50%) of net worth NT\$5,146,460 (in thousands) \times 50% = \$2,573,230 (in thousands).

(2)According to the above regulations, limits on Endorsement/Guarantee Given on Behalf of Each Party: Shall not exceed thirty percent (35%) of net worth NT\$5,146,460 (in thousands) \times 35% = \$1,801,261 (in thousands).

PROMATE ELECTRONIC CO., LTD.

MARKETABLE SECURITIES HELD

AS OF DECEMBER 31, 2022

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

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 30, 2022				Note
				Shares	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Promate Electronic Co., Ltd.	<u>Ordinary shares</u>							
	Higgstec Inc.	The management	Financial assets at fair value through profit or loss - noncurrent	789,000	\$ 22,250	-	\$ 22,250	Domestic listed company
	TricornTech Taiwan Corporation	None	"	48,645	438	-	438	Non-publicly traded equity investments
	DigiZerocarbon Corp.	"	"	50,000	500	-	500	"
	Private Fund Esquarre IoT Landing Fund	"	"	USD 2,375,651	<u>61,259</u> <u>\$ 84,447</u>	-	<u>61,259</u> <u>\$ 84,447</u>	Foreign private funds
Promate Electronic Co., Ltd.	<u>Ordinary shares</u>							
	Adobe Inc.	None	Financial assets at fair value through profit or loss - current	150	\$ 1,550	-	\$ 1,550	Foreign listed company
	Apple Inc.	"	"	200	798	-	798	"
	Home Depot, Inc.	"	"	50	485	-	485	"
	Intuitive Surgical, Inc.	"	"	50	407	-	407	"
	Microsoft Corporation	"	"	50	368	-	368	"
	Micron Technology, Inc.	"	"	150	230	-	230	"
	NVIDIA Corporation	"	"	240	1,077	-	1,077	"
	Taiwan Semiconductor Manufacturing Company Limited	"	"	350	801	-	801	"
	Tesla, Inc.	"	"	90	341	-	341	"
	Unity Software Inc.	"	"	150	132	-	132	"
	ASML Holding N.V.	"	"	100	1,678	-	1,678	"
	Meta Platforms, Inc.	"	"	100	370	-	370	"
	Invesco QQQ Trust, Series 1	"	"	50	<u>409</u> <u>\$ 8,646</u>	-	<u>409</u> <u>\$ 8,646</u>	"

Note 1 : Refer to Tables 5 and 6 for information on interests in subsidiaries, associates, and joint ventures.

PROMATE ELECTRONIC CO., LTD.

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Promate Electronic Co., Ltd	Promate Solutions Corporation.	Subsidiary	Sale	\$320,874	1.22%	Transaction terms are not significantly different from those for third parties	\$ -	—	Accounts receivable \$ 30,716	0.70%	
	Promate Electronic (Shenzhen) Co., Ltd.	Subsidiary	"	254,996	0.97%	"	-	—	Accounts receivable 44,826	1.02%	
	Promate Electronic (Shanghai) Co., Ltd	Subsidiary	"	196,489	0.75%	"	-	—	Accounts receivable 25,129	0.57%	

PROMATE ELECTRONIC CO., LTD.

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

AS OF DECEMBER 31, 2022

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Promate Electronic Co., Ltd	CT Continental Corporation	Subsidiary	Accounts receivable \$668,764	1.92	-	—	\$ 240,739	\$ -

PROMATE ELECTRONIC CO., LTD.

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars/Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December, 2022			Net Income (Loss) of the Investee)	Investment Gain (Loss) (Note)	Note
				December 31, 2022	December 31, 2021	Shares	Percentage of Ownership %	Carrying Value			
Promate Electronic Co., Ltd	With control ability Promate Solutions Corporation.	Taipei, Taiwan	Production and trade of electronic components	\$ 297,527	\$ 297,527	25,328	66.21	\$ 726,636	\$ 194,144	\$ 128,273	Subsidiary
	Promate International Co., Ltd.	Hong Kong	General investment	52,101	52,101	12,360	100.00	57,953	(6,141)	(6,141)	Subsidiary
	Happy On Supply Chain Management Ltd.	Hong Kong	Warehousing and logistics services	12,124	12,124	3,000	100.00	19,087	1,631	1,631	Subsidiary
	Promate Electronics Company USA	USA	General trade of electronic components	606	606	20	100.00	10,159	708	708	Subsidiary
	CT Continental Corporation	Taipei, Taiwan	General trade of electronic components	54,000	54,000	5,400	90.00	54,533	(188)	(169)	Subsidiary

Note: Refer to Table 6 for information on investment in mainland China.

PROMATE ELECTRONIC CO., LTD.

**INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

1. For investments in China, disclose the name of the investee, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, gain or loss for the period, carrying amount of the investment, repatriated investment gains:

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2022	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2022	Net Income (Losses) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2022	Accumulated Repatriation of Investment Income as of December 31, 2022
					Outward	Inward						
Promate Electronic (Shenzhen) Co., Ltd.	International trade, entrepot trade, trade with companies and trading agents in free trade zones	\$ 6,782 (USD200)	100% Indirectly invested through Promate International Co, Ltd. (Note 1)	\$ 6,782 (USD200)	\$ -	\$ -	\$ 6,782 (USD200)	(\$ 2,343) (Note 2)	100	(\$ 2,343) (Note 2)	\$ 18,988	\$ -
Promate Electronic (Shanghai) Co., Ltd	"	32,500 (USD1,000)	Same as above	32,500 (USD1,000)	-	-	32,500 (USD1,000)	(3,826) (Note 2)	100	(3,826) (Note 2)	29,563	-

2. Limit on the amount of investment in China

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
\$ 39,282 USD 1,200	\$ 39,282 USD 1,200	\$ 3,315,061

Note 1: Indirect investment in mainland China through holding companies - Promate International co., Ltd.

Note 2: The amount was recognized based on the audited financial statements of the investee company.

Note 3: The upper limit on investment in mainland China is determined by sixty percent (60%) of the Company's consolidated net worth.

PROMATE ELECTRONIC CO., LTD.**INFORMATION ON INVESTMENTS IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES FOR THE YEAR ENDED DECEMBER 31, 2022**

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

Investee Company	Nature of Transaction	Purchase/ Sale		Unit Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized Gains or Losses
		Amount	Percentage		Payment Terms	Compared to General Transactions	Ending Balance	% of Total	
Promate Electronic (Shenzhen) Co., Ltd.	Sales	\$ 254,996	0.97%	No significant difference	No significant difference	No significant difference	Accounts receivable \$ 44,826	1.02%	\$ 5
Promate Electronic (Shanghai) Co., Ltd	Sales	196,489	0.75%	"	"	"	Accounts receivable \$ 25,129	0.57%	69

2. Endorsements, guarantees or collateral directly and indirectly provided by investee companies in mainland China through businesses in a third area: Table 1.
2. Financial intermediation directly and indirectly provided by investee companies in mainland China through a third area: None.
3. Other transactions that have a material impact on current profit or loss or financial status: None.

TABLE 8**PROMATE ELECTRONIC CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS****AS OF DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
None	-	-

Note: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares, preference shares and treasury shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation. In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.

6. The impact of the financial difficulties of the Company and the affiliated companies, if any, on the Company's financial position in the past year and as of the printing date of annual report : None.

VII. Review analysis and risk management of financial situation and financial performance:

1. Financial position

Unit: NT\$1,000

Item \ Year	2022/12/31	2021/12/31	Difference	
			Amount	%
Current assets	12,347,254	13,196,559	(849,305)	(6.44)
Property, plant and equipment	393,410	382,717	10,693	2.79
Intangible assets	7,091	9,837	(2,746)	(27.92)
Non-current assets	1,676,572	1,623,486	53,086	3.27
Total Assets	14,424,327	15,212,599	(788,272)	(5.18)
Current liabilities	7,739,045	8,449,224	(710,179)	(8.41)
Non-current liabilities	1,160,181	1,757,704	(597,523)	(33.99)
Total liabilities	8,899,226	10,206,928	(1,307,702)	(12.81)
Capital	2,087,964	1,934,141	153,823	7.95
Capital surplus	1,290,786	1,008,022	282,764	28.05
Retained earnings	1,784,134	1,694,335	89,799	5.30
Total amount of Equity	5,525,101	5,005,671	519,430	10.38

Analysis standard

The change of each item reaches more than 20%, and the amount of change is more than 10 million.

Description

Non-current liabilities: It was mainly resulted from the decrease of corporate bonds payable since the convertible corporate bonds were converted to ordinary shares and the balance was converted to be due within one year.

2. Financial performance analysis

Unit: NT\$1,000

Item \ Year	2022	2021	Increase (decrease) amount	Difference %
Operating Revenue	28,073,205	32,469,053	(4,395,848)	(13.54)
Operating cost	(25,891,565)	(30,102,015)	4,210,450	(13.99)
Operating margin	2,181,640	2,367,038	(185,398)	(7.83)
Operating expenses	(1,245,280)	(1,132,221)	(113,059)	9.99
Operating Profit	936,360	1,234,817	(298,457)	(24.17)
Non-operating income and expense	196,739	(175,360)	372,099	(212.19)
Pre-tax profit	1,133,099	1,059,457	73,642	6.95
Income tax expense	(247,192)	(210,553)	(36,639)	17.40
Current period net profit	885,907	848,904	37,003	4.36

Analysis standard

Each item has changed more than 20% in the current period, and the amount of change has reached more than NT\$ 10 million.

Description:

Net operating profit: It was mainly caused due to the following reasons: The Russia-Ukraine war broke out; the new mutant virus caused China to lock down cities frequently, which influenced the economy, and later the mainland China suddenly lift the lockdown at the end of 2022 to result in massive virus infections, and consequently the factories were lack of workers to add uncertain factors and customers ordered goods in a conservative manner. Therefore, the operating revenue was significantly reduced to result in the decrease of gross profit.

Non-operating revenue and expense: It was mainly resulted from the increase of USD interest rate, and the change of the depreciation of USD against TWD to appreciation. Therefore, it was caused due to the conversion of the net foreign currency exchange loss of the Company in 2021 to the net foreign currency exchange profit in 2022.

3. Cash flows

(1) Liquidity analysis of the last two years

Item \ Year	2022	2021	Increase (decrease) %
Cash Flow Ratio (%)	10.19	1.97	417.26
Cash Flow Adequacy Ratio (%)	29.05	24.06	20.74
Cash Flow Reinvestment Ratio (%)	0.80	(5.10)	(115.69)

Analysis of changes in ratios:

1. The difference in the cash flow ratio was mainly resulted from the substantial increase of net cash flows from operating activities.
2. The difference in the cash flow adequacy ratio was mainly resulted from the substantial increase of net cash flows from operating activities.
3. The difference in the cash flow reinvestment ratio was mainly resulted from the substantial increase of net cash flows from operating activities.

(2) Cash liquidity analysis for the coming year

Unit: NT\$1,000

Beginning Cash Balance	Net cash inflow from operating activities	Annual cash inflow	Cash surplus (insufficiency) + -	Remedial measures for cash deficit	
				Investment plan	Financial plan
2,536,276	945,676	(75,292)	2,460,984	-	-

4. Effect of major capital spending on financial position and business operations

The Company has no significant capital expenditure in the most recent year and no significant capital expenditure is planned for the next five years, which will have no impact on the financial affairs.

5. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

The purpose of the Company's investment transfer is mainly for business needs or to obtain the agent product strategy application; the company with poor investment performance has allocated the permanent loss from falling price in years; in the past, there are also some companies have been sold to take back the capital; there is no major investment plan in the next year.

6. Risk management analysis

(1) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures:

Changes in interest rates and inflation have no significant impact on the Company. The impact of exchange rate changes on the Company is explained as follows:

1) Impact of exchange rate fluctuations on the Company's revenue and profit

Unit: NT\$1,000

Item	Year	2022	2021
	Net exchange profits (losses)		310,273	(118,609)
Operating Revenue		28,073,205	32,469,053
Net exchange profits (losses) to operating revenues(%)		1.11	(0.37)
Operating Profit		936,360	1,234,817
Net exchange profits (losses) to operating Profit (%)		33.14	(9.61)

Since most of the inbound and outbound transactions of the Company are denominated in US dollars, the exchange rate fluctuations have a direct impact on the Company's profits, resulting in higher exchange losses due to the market exchange rate fluctuations over the past year.

2) The Company's specific measures in response to exchange rate fluctuations are as follows:

- a. The Finance Department compiles the "Statistical Table of Foreign Exchange Positions" derived from US dollar assets and liabilities on each business day, which will be used as the basis for hedging foreign exchange deficiency positions.

- b. The Finance Department regularly prepares the "Foreign Exchange Hedge List" and "Statistical Analysis Table of Foreign Exchange Positions" to evaluate the profit and loss caused by foreign exchange rate and provide reference for future foreign exchange hedging.
 - c. The Company's foreign exchange hedging operation adopts the forward purchase of foreign exchange to lock in the exchange rate cost of incoming goods, and reduce the impact of exchange rate fluctuations on the Company.
 - d. To connect closely with financial institutions to collect relevant information, and acquire the exchange rate of NTD to USD and other international currencies through the financial market online service, so as to provide the Company to carry on the judgment of foreign exchange hedging, reduce the impact on the normal operation caused by exchange loss of dramatic changes in foreign exchange, and plan the responding measures in a timely manner.
- (2) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:
- 1) Derivative commodity trading of the Company engaged in
 - a. For the purpose of trading: none.
 - b. For non-trading purposes:
The Company's forward foreign exchange contracts are primarily designed to protect against the foreign currency claims, liabilities and commitments arising from exchange rate fluctuations. The Company's hedging strategy is designed to evade a large portion of the market price risk. The Company uses the derivatives which are highly negatively correlated with the fair price changes of hedged items as the hedging tools, and conducts the periodic evaluations.
 - c. Change of destination of derivative trading due to changes in objective environment: the Company is not engaged in the derivative trading with the change of destination of derivative trading due to changes in objective environment.
 - 2) The company has no funds lent to others.
 - 3) The endorsement warranties are all to the subsidiaries
- (3) Research and development work to be carried out in the future, and further expenditures expected for research and development work:
The Company is a professional electronic component distributor, mainly engaged in the sale of agent business; therefore, the research and development is mainly to match the customer's product design and import. It is estimated that the research and development cost of this year is about NT\$14,648,000.
- (4) Major changes in government policies and laws at home and broad and the impact on the Group's financial position and business activities: None
 - (5) Effects of changes in technology and industry on the Group's financial position and business activities, and response measures: None.
 - (6) Impact of corporate image change on risk management and response measures: None.
 - (7) Expected benefits and potential risks of merger and acquisition: None
 - (8) Expected benefits and potential risks of capacity expansion: None
 - (9) Risks associated with over-concentration in purchase or sale and response measures:
The reasons for our purchase of LCD panels mainly from AUO are as follows:
In general, the distributor is in the capital and technology intensive industry; based on the resource allocation benefit maximization, most of the distributor is to concentrate its resources in a few star product lines, and has the situation of concentrated stock; for example, the main products of Promate are related products for LCD module, so the purchase is concentrated in AU Optronics; other peers, such as: Yosun, Wintech, Zenitron, WPG and

Ultra Source Technology, also have their main star products, which make them have the situation of concentrated stock; Yosun's memory active components are its main product, so its purchase focuses on Samsung; Freescale, Systech, ST, ON and other ICs are the main sales of Wintech; Zenitron is mainly engaged in selling the diodes and transistors, so Rohm, IR and Fuji International are its main suppliers; the main force of WPG is the core components and standard general components, and its purchase concentrates on Intel, TI, HYNIX; Ultra Source Technology focuses on purchasing from INTERSIL, FAIRCHILD, N.S and AAA, Sunplus, MediaTek and so on, because of its focus on analog IC, distributed components, specific application IC and memory. According to the situation of the industry, the situation of Promate Electronic' purchase concentrating on AU Optronics is not unique in the industry, but a characteristic of the industry. Therefore, the risks should be reasonable and manageable.

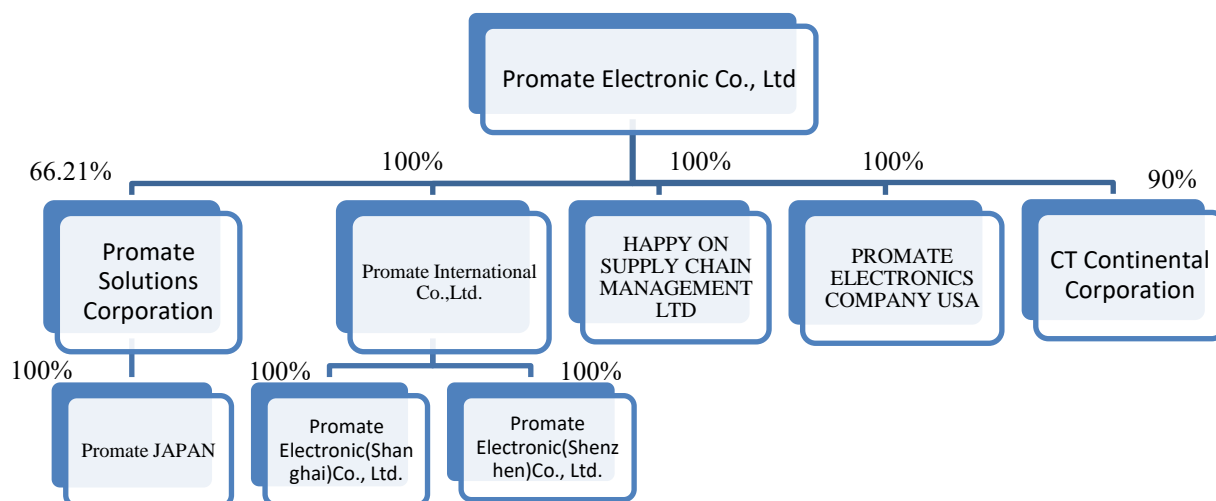
- (10) Effects and risk of large-scale share transfer or changes in directors, supervisors, or major shareholders with more than 10% shares on the Group, and the response measures: None.
- (11) Impact of change in management rights on the Company, associated risk and response measures: None.
- (12) For litigious or non-litigious matters, state the major litigation, non-litigation or administrative litigation proceedings that has been determined or is still in litigation of the Group and the Group's directors, supervisors, presidents, de facto responsible person, major shareholders with more than 10% shares, and subordinate companies. If the result may have material impacts on shareholders' equity or stock price, disclose the facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the parties involved in the proceedings, and the handling as of the printing date of the annual report: None.
- (13) Other major risks and response measures: None.

7. Other important matters: None.

VIII. Special notes

1. Profiles of affiliates enterprises

(1) Organization chart of affiliated enterprises:



Dec. 31, 2022
Unit: NT\$1,000

Name of Related Parties	Relationship	Percentage of Ownership	Shares	Investment Amount
Promate Solutions Corporation	Equity method investee	66.21%	25,327,500	297,527
PROMATE INTERNATIONAL CO., LTD.	Equity method investee	100.00%	12,360,000	52,101
Promate Electronic(Shanghai)Co., Ltd.	As the Company's sub-subsidiary	100.00%	-	32,500 (USD1,000,000)
Promate Electronic(Shenzhen)Co., Ltd.	As the Company's sub-subsidiary	100.00%	-	6,782 (USD200,000)
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Equity method investee	100.00%	3,000,000	12,124
PROMATE ELECTRONICS COMPANY USA	Equity method investee	100.00%	20,000	606
CT Continental Corporation	Equity method investee	90.00%	5,400,000	54,000
PROMATE JAPAN	Invested company evaluated by Promate Solutions in equity method	100.00%	100,000	2,791

(2) Information on the shareholders of the companies shall be concluded as the existence of the controlling and subordinate relation in accordance with Article 369-3 of the Company Act: None.

(3) In accordance with Paragraph 2 of Item 2 of Article 369 of the Company Act, subsidiary company directly or indirectly controlled by the Company in personnel, finance or business: none

(4) Information on affiliated enterprises:

Dec. 31, 2022

Name of enterprise	Date of Establishment	Address	Paid-in capital (NT\$1,000)	Main business and products
Promate Solutions Corporation	2000.06.05	1F, No. 30, Section 1, Huanshan Road Neihu District, Taipei, 11442 Taiwan	382,549	Production and trade of electronic components
PROMATE INTERNATIONAL CO., LTD.	2000.08.02	Unit 1306 13/F, Landmark North ,39 Lung Sum Avenue, Sheung Shui. N.T	52,101	General investment
Promate Electronic(Shanghai)Co., Ltd.	2009.11.03	Room 126, 1/F, No.393, Lane 1555, Jinshajiang Road West, Jiangqiao Town, Jiading District, Shanghai	32,500	International trade, entrepot trade, trade with companies and trading agents in free trade zones
Promate Electronic(Shenzhen)Co., Ltd.	2009.02.10	Room 1409, 1415, 14/F, Fuchun Oriental Building, No.7006, Shennan Avenue, Futian District, Shenzhen	6,782	International trade, entrepot trade, trade with companies and trading agents in free trade zones
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	2006.01.04	Unit 1, 3/F, Cheung Fung Industrial Building, No. 23-29, Pak Tin Pah Street, Tsuen Wan, New Territories, Hong Kong	12,539	Warehousing and logistics services
PROMATE ELECTRONICS COMPANY USA	2011.11.01	14712 Franklink Avenue Suite H Tustin, CA 92780	606	General trade of electronic components
CT Continental Corporation	1990.03.12	Unit 1, 3/F, No. 27, Lane 169, Kangning Street, Xizhi District, New Taipei City	60,000	General trade of electronic components
PROMATE JAPAN	2017.03	Tokyo, Japan	2,791	General trade of electronic components

(5) Information of the same shareholders in companies that are presumed to have a relationship of control and subordination: None.

(6) Industries covered by the operations of all affiliates: Including the purchase and sale of electrical materials and electronic components manufacturing as well as international trade industries.

(7) Information on Directors, Supervisors, and Presidents of affiliates:

Apr. 14, 2023

Name of enterprise	Title	Name or Representative	Shares held	
			Number of shares	Shareholding percentage
Promate Solutions Corporation	Chairperson	Cheer Du	403,981	1.06%
	Director	Promate Electronic Co., Ltd. (Representative: Eric Chen)	25,327,500	66.21%
	Director	Promate Electronic Co., Ltd. (Representative: Ciou-Jiang HU)	25,327,500	66.21%
	Director	Liu-Ping Chen	-	-
	Independent Director	Ying-Min Zhong	-	-
	Independent Director	Mau-Shiung Chen	-	-
	Independent Director	Yue-Xiu Liu	-	-
	Independent Director	Han-Liang Hu	-	-

PROMATE INTERNATIONAL CO., LTD.	Chairperson	Promate Electronic Co., Ltd. (Representative: Eric Chen)	12,360,000	100%
Promate Electronic (Shanghai) Co., Ltd.	Owner	Yi-Lin Sung	-	100%
Promate Electronic (Shenzhen) Co., Ltd.	Owner	Yi-Lin Sung	-	100%
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	Owner	Zih-Ying Wu	3,000,000	100%
PROMATE ELECTRONICS COMPANY USA	Owner	Ting-Cong Chen	20,000	100%
CT Continental Corporation	Chairperson	Ya-Shu Guo	581,550	10%
	Director	Promate Electronic Co., Ltd. (Representative: Eric Chen)	5,400,000	90%
	Director	Promate Electronic Co., Ltd. (Representative: Yu-Fong Chen)	5,400,000	90%
	Supervisor	Yi-Jyun Chen	4,800	-
PROMATE JAPAN	Owner	Andy Chen	100,000	100%

(8) Affiliated enterprises' operational review

Dec. 31, 2022 Unit: NT\$1,000 ,Except EPS: NT\$

Name of enterprise	Capital	Total Assets	Total liabilities	Net worth	Operating Revenue	Operating Profit	Current profit and loss (After tax)	Earnings Per Share (NT\$) (After tax)
Promate Solutions Corporation	382,549	1,738,673	636,035	1,102,638	1,885,962	193,951	194,144	5.08
PROMATE INTERNATIONAL CO., LTD.	52,101	58,125	98	58,027	-	(127)	(6,141)	Note
Promate Electronic(Shanghai)Co., Ltd.	32,500	73,947	44,384	29,563	288,823	11,169	(3,826)	Note
Promate Electronic(Shenzhen)Co., Ltd.	6,782	134,250	115,262	18,988	467,303	20,978	(2,343)	Note
HAPPY ON SUPPLY CHAIN MANAGEMENT LTD.	12,124	32,558	12,974	19,584	50,493	657	1,631	Note
PROMATEELECTRONICS COMPANY USA	606	11,677	1,518	10,159	8,380	1,055	708	Note
CT Continental Corporation	60,000	66,783	5,593	61,190	56,780	(599)	(188)	Note
PROMATE JAPAN	2,791	7,170	3,080	4,090	23,902	1,211	925	Note

Note: The limited company has not issued shares and is not applicable.

(9) Consolidated financial declaration statement of affiliated enterprises and consolidated financial statement: Please refer to the consolidated financial statements of the parent-subsidiary company for the latest year audited by an accountant.

(10)Affiliation report: None.

2. Private placement of securities in the most recent year and as of the printing date of the annual report: None.
3. Holding or disposal of stocks of the Company by subsidiaries in the past year and as of the date of report: None.
4. Other supplemental information: None.

IX. Matters, if any, that may affect shareholders' equity or securities price as defined in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act in the most recent year and as of the printing date of the annual report: None.

Promate Electronic Co., Ltd.



Chairperson: Eric Chen

