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2022 Annual Report

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Web address used by the Corporation to disclose information relating to the annual report: same as above.

This is a translation of the 2022 annual report (The “annual report”) of Nichidenbo Corporation. (The “Company”). This translation is intended for reference only and nothing else, The Company hereby disclaims any and all liabilities whatsoever for the translation. The Chinese text of the annual report shall govern any and all matters related to the interpretation of the subject matter stated herein.

I. Names, titles, telephone numbers and e-mail addresses of the Corporation's spokesperson and deputy spokesperson:

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Title: General Manager

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Title: Senior Assistant Vice President

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II. Address and telephone number of headquarters, branches and factories:

1. Headquarters

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2. Branches: none.

3. Factories: none.

III. Name, address, website, and telephone number of the agency handling shares transfer:

Name: Stock Agency Department of Yuanta Securities Co., Ltd.

Address: B1, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City

Website: <http://www.yuanta.com.tw>

Tel.: (02)2586-5859

IV. Names of the CPAs who duly audited the annual financial report for the latest year, and name, address, website and telephone number of the CPA firm to which they belong:

CPA: Mr. SHAO CHIH MING AND Ms. WENG YA LING

CPA firm: Deloitte & Touche

Address: 20F., No. 100, Songren Rd., Xinyi Dist., Taipei City

Website: <http://www.deloitte.com.tw>

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

VI. The Corporation's website: <http://www.ndb.com.tw>

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One. Report to shareholders

Dear Shareholders:

Between January and March 2022, the Company invested in KOHO (Taiwan) Co., Ltd. and acquired 85.00% of its shares and gained control over the company. To increase product sales opportunities and enhance competitiveness, the Company has introduced advantageous product complement distribution lines to align with the Group's existing sales platforms and has taken a proactive approach to integrate the Group's sales resources in various markets. In August 2022, the Company participated in the public acquisition and sales of 10,710,000 shares of Sentelic Corporation, an investee of Weltrend Semiconductor, Inc., reducing its shareholding ratio to 9.68% from 46.00%, resulting in the loss of control over Sentelic Corporation. Not only did this disposal realize the Company's long-term investment income to increase the shareholder's equity, but the future development of Sentelic Company will be more diverse in terms of collaboration, boosting its competitiveness and creating higher interests for its shareholders

(I) The Annual operating results for 2022:

1. Implementation results of operating plan

Unit: NT\$ thousand

| Item | 2022 | | 2021 | | Increase (decrease) | |
|-----------------------|------------|--------|------------|--------|---------------------|---------|
| | Amount | % | Amount | % | Amount | % |
| Operating revenue | 10,440,729 | 100.00 | 10,359,963 | 100.00 | 80,766 | 0.78 |
| Gross profit | 1,780,241 | 17.05 | 1,748,334 | 16.88 | 31,907 | 1.82 |
| Operating income | 892,421 | 8.55 | 1,021,215 | 9.86 | (128,794) | (12.61) |
| Net income before tax | 1,020,343 | 9.77 | 1,022,644 | 9.87 | (2,301) | (0.23) |

2. Budget execution for 2022

Since the Corporation budget for 2022 are not disclosed to the public, there is no requirement to disclose the budget execution. Nevertheless, the actual operating conditions and performance are generally in line with the Corporation's internal operating plan.

3. Financial income/expenses and profitability analyses

Unit: NT\$ thousand

| Item | | 2022 | 2021 | Increase (decrease) ratio (%) | |
|-----------------|----------------------------|------------------|------------|-------------------------------|---------|
| Income/expenses | Operating revenue | 10,440,729 | 10,359,963 | 0.78 | |
| | Gross profit | 1,780,241 | 1,748,334 | 1.82 | |
| | Net income before tax | 1,020,343 | 1,022,644 | (0.23) | |
| Profitability | Return on assets (%) | 17.35 | 10.67 | 62.61 | |
| | Return on equity (%) | 26.92 | 18.70 | 43.96 | |
| | As a percentage of paid-in | Operating income | 41.96 | 57.16 | (26.59) |
| | | Net income | 47.98 | 57.24 | (16.18) |

| | | | | | |
|--|-------------------------|------------|-------|------|-------|
| | capital (%) | before tax | | | |
| | Net profit margin (%) | | 14.85 | 8.47 | 75.32 |
| | Earnings per share (\$) | | 8.02 | 4.59 | 74.73 |

4. Market development (research and development) status

To increase the scale of operations, The Corporation and its subsidiaries have established companies in Hong Kong, Shenzhen, Suzhou and business bases in Wuhan. By doing so, we are able to provide services to existing customers, develop new customers, and grasp market information promptly and easily. Therefore, the effectiveness is becoming increasingly obvious.

Taking into account the increasing demand in and importance of the European and Asian markets, in addition to increasing our deployment in China regions, we have also moved southbound to proactively expand our product sales through our sales personnel in other countries. Starting from Vietnam as a stepping stone, we have expanded into other Asian regions, such as Singapore, Thailand, Malaysia, the Philippines, Indonesia and India, and have also developed some European markets in order to keep abreast of customer development trends. In recent years, we have been proactively expanding our sales business, with the fruits of our efforts gradually materializing. In the future, in order to meet the continuous growth of demand in the market, we will increase the number of marketing personnel in different regions to constantly develop our customer base and increase the market share so as to provide more timely and comprehensive services to our customers.

To provide our customers with diverse choices, we will expand the range of our products through internal integration of the Group. It is our ongoing intention to develop new product lines in a bid to provide the latest and best products and technical support to our customers, becoming the best choice for future one-stop services.

(II) Summary of business plan for 2023

In addition to expanding the sales of various components in various existing markets, the Corporation is also competitive in expanding new markets and adding new products. Furthermore, the Corporation is proactively developing local markets in China and oversea countries in order to increase business opportunities for its products and enhance the competitiveness.

The following is a description of the operating policies, expected sales volumes and their basis, and important production and sale policies:

(I) Operating policies

1. Operational plans

- (1) We shall strengthen our core competitiveness through internal resource integration.
- (2) We shall train and recruit business professionals and management talents on a long-term basis.
- (3) We shall integrate the resources of our investee companies through long-term investment in upstream and downstream, so that the organization can be operated more efficiently, thereby promoting the steady growth of the Corporation.
- (4) We shall adjust the agent product mix to match the development trend of the product line, thereby increasing business opportunities in niche markets.
- (5) We shall continue to develop new markets and introduce new agency business for components so as to promote product diversification and reduce the risk of over-concentration of customers.

(6) We shall expand our market share by expanding our presence in China and other overseas markets and strengthening our overseas operating models and logistics management.

(II) Expected sales volumes and their basis

The sales information for 2023 is estimated based on the Corporation's forecasted industry environment and market supply/demand conditions; also, the Corporation's future business development is taken into consideration.

(III) Important production and sale policies

1. We shall proactively plan for new markets and strengthen the quality of our services for customers in order to increase the market share of our products.
2. We shall increase our overseas operation sites and logistics warehouses, strengthen our efficiency in customer service, and penetrate deeply into overseas and Chinese markets.
3. We shall expand the product agency business for components, and take a group operation model to meet the customers' demand of one-stop procurement, thus achieving the Corporation's business philosophy of Total Solution.
4. As our products cover a wide range of electronic industries, spanning consumer electronics and industrial electronics industries, and medical electronics industries, the Company continues to increase its market share through a sales network, thereby gaining access to more customers.
5. In terms of product strategy, the Company and its subsidiaries are currently the agents of electronic components of NIPPON CHEMI-CON, Panasonic, AIC tech, KEMET, KYOCERA AVX, SAMSUNG and EVERLIGHT, and they will use their market development experience to acquire more agency rights for other products.
6. Through the expertise of the management team and the business units of the Company, in line with the needs of customers, we shall integrate various product designs of our customers and introduce related products of the Company to expand the Company's sales market and enhance the competitive niche.

(III) The Corporation's future development strategy, and the effect of external competition, the legal environment, and the overall business environment

(I) Future development strategy

The Company increases product diversification through internal integration withing the Group. In response to the component needs from the customers who set up factories overseas, and to improve the flexibility of inventory management, the Company has set up a widespread distribution bases, coupled with a complete sales system, to form strong sales channels. In addition to setting up a sales office in Taiwan, we have also established subsidiaries overseas, overseeing the development of Hong Kong and China markets. Taking into account the increasing demand and importance of the European and Asian markets, we have also moved southbound to proactively expand our product sales through our sales personnel in various parts of Asia. By doing so, we are able to keep abreast of customer development trends and provide timely services. As the scale of the service market has expanded, it at the same time has increased our ability to compete with foreign suppliers for new product line distributorship. In doing so, we provide more comprehensive choices and services to customers.

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

1. External competition aspect

As competitors continue to launch new products and lower prices; the market demand changes rapidly; and the NTD exchange rate fluctuates sharply, the Corporation not only provides the best service for customers to win orders, but also improve the development in new markets and provide agency services for more new products so as to cope the fierce global competition. Moreover, coupled with foreign currency hedging operations, the Corporation has reached consensus with its suppliers to use USD as the main currency for purchase to achieve a natural hedge effect in order to respond to changes in the external competitive environment and reduce the impact of exchange rate fluctuations.

2. Legal environment aspect

The Corporation has been proactively developing various internal policies to strengthen its corporate governance and internal management in order to comply with various laws and regulations set by the competent authorities and to enhance the effectiveness of its internal operations.

3. Overall business environment aspect

The continuous development of new electronic products has led to a strong demand for electronic components. The Corporation upholds the business philosophy of "Integrity, Service, Growth, and Mutual Prosperity," insists on selling more products in niche markets and providing high quality customer services, and strengthens the corporate governance environment of the Corporation so as to create a better return on investment for the shareholders.

We are grateful to the efforts of the management team and employees as well as the support of our shareholders. We will continue to work hard to expand the market and increase operating income and reduce expenses, while at the same time continuing to strengthen corporate governance, implement our corporate culture and fulfill our social responsibilities. Moreover, we will uphold the business philosophy of “integrity, service, growth and mutual prosperity” in the hope of creating a better return on investment for our shareholders as our way of saying thank you for their support

I wish you all good health and all the best!

Chairperson: CHOU WEI LIN

Two. Corporation profile

I. Date of establishment: January 4, 1993

II. Corporate history

Unit: NT\$

| Year | Description |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1993 | Established on Zhuangjing Road, Taipei City with a capital of NT\$10,000,000, the Corporation's main business is processing of electronic components and trading of materials thereof, and it is also the sales agent for NipponChemi-con's electrolytic capacitors. |
| 1994 | The Corporation relocated to Roosevelt Road, Taipei City. |
| 1995 | (1) The Corporation was officially granted by DENSEI, Japan (IPO branch in the authorized area). (2) The Corporation acquired the distributorship from Panasonic, Japan for electronic components. (3) In August 1995, the Corporation purchased the first floor of the factory in the Xindian Industrial Park. |
| 1996 | (1) The Corporation relocated to Xindian City, Taipei County. (2) In September 1996, the capital increased by \$10,000,000 in cash, and the paid-in capital amounted to \$20,000,000. |
| 1997 | (1) The business office in Section 6 of Roosevelt Road was purchased. (2) In December 1997, the capital increased by \$5,000,000 from earnings, and the paid-in capital amounted to \$25,000,000. |
| 1998 | In December 1998, the capital increased by \$3,000,000 from earnings, and the paid-in capital amounted to \$28,000,000. |
| 1999 | In April 1999, the Corporation merged with Densai (Hong Kong) Co., Ltd., and the paid-in capital amounted to \$38,000,000. |
| 2000 | (1) In June 2000, property—2F., No. 4, Aly. 1, Siwei Ln., Zhongzheng Rd., Xindian Dist. was purchased to expand the business premises. (2) In September 2000, the capital increased by \$12,000,000 in cash, and the paid-in capital amounted to \$50,000,000. |
| 2001 | (1) In May 2001, the capital increased by \$100,000,000 from earnings and capital surplus, and the paid-in capital amounted to \$150,000,000. (2) In December 2001, the capital increased by \$26,500,000 in cash, and the paid-in capital amounted to \$176,500,000. (3) In December 2001, the Corporation reinvested in Zindenbo Corporation. |
| 2002 | (1) In April 2002, the capital increased by \$8,825,000 from capital surplus, and the paid-in capital amounted to \$185,325,000. (2) On April 16, 2002, The Corporation reapplied to the Securities and Futures Institute for public offering, and it became effective. (3) On June 12, 2002, the Corporation applied to Taipei Exchange for share registration and listing in the emerging stock market. The shares were approved to be registered and available for trade on June 25, 2002. (4) In July 2002, the Corporation invested to establish Nichidenbo (Shanghai) Trading Co., Ltd. through a company in the third region—Nichidenbo (Mauritius) Ltd. (5) In October 2002, the capital increased by \$24,675,000 in cash, and the paid-in capital amounted to \$210,000,000. (6) In December 2002, property—2F., No. 3, Aly. 1, Siwei Ln., Zhongzheng Rd., Xindian Dist. was purchased to expand the business premises. (7) In December 2002, the Corporation invested to establish Nichidenbo (Shenzhen) Trading Co., Ltd. through a company in the third region—Nichidenbo (Mauritius) Ltd. |
| 2003 | (1) In May 2003, the Corporation applied to Taipei Exchange to list its shares on the Taipei Exchange. Further, in September 2003, the shares are approved to be listed on Taipei Exchange by the Securities and Futures Bureau. (2) In June 2003, the Corporation acquired the distributorship of System General's semiconductor products. (3) In August 2003, the capital increased by \$34,210,000 from earnings, and the paid-in capital amounted to \$244,210,000. (4) On November 10, 2003, the Corporation's shares are officially listed on Taipei Exchange. |

| Year | Description |
|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2004 | <p>(1) On May 17, 2004, the Corporation issued its first domestic unsecured convertible corporate bond in the amount of \$200,000,000.</p> <p>(2) In July 2004, the Corporation acquired the distributorship of Litemax's semiconductor products.</p> <p>(3) In September 2004, the capital increased by \$40,538,500 from earnings and capital surplus, and the paid-in capital amounted to \$284,748,500.</p> |
| 2005 | <p>(1) On March 31, 2005, \$13,185,680 of the convertible corporate bonds converted to new shares, and the paid-in capital amounted to \$297,934,180.</p> <p>(2) On June 30, 2005, \$70,928,670 of the convertible corporate bonds converted to new shares, and the paid-in capital amounted to \$368,862,850.</p> <p>(3) In August 2005, the capital increased by \$33,537,050 from earnings, and the paid-in capital amounted to \$402,399,900.</p> <p>(4) In August 2005, \$4,685,070 of the convertible corporate bonds converted to new shares, and the paid-in capital amounted to \$407,084,970.</p> <p>(5) In October 2005, property—4F., No. 2, Aly. 1, Siwei Ln., Zhongzheng Rd., Xindian Dist. was purchased to expand the business premises.</p> |
| 2006 | <p>(1) In September 2006, the capital increased by \$71,919,000 from earnings, and the paid-in capital amounted to \$479,003,970.</p> <p>(2) In October 2006, the capital increased by \$80,000,000 in cash, and the paid-in capital amounted to \$559,003,970.</p> |
| 2007 | <p>(1) In July 2007, the capital increased by \$129,192,000 from earnings, and the paid-in capital amounted to \$688,195,970.</p> <p>(2) From May to December 2007, the Corporation had been continuously purchasing shares of VIC-DAWN Enterprise Co., Ltd. In total, 15,265,000 shares of VIC-DAWN Enterprise Co., Ltd. were held by the Corporation, accounting for 90% of such company's shares.</p> <p>(3) On December 31, 2007, the Corporation's shares are officially listed on Taiwan Stock Exchange.</p> |
| 2008 | <p>(1) In June 2008, property—3F., No. 2, Aly. 1, Siwei Ln., Zhongzheng Rd., Xindian Dist. was purchased to expand the business premises.</p> <p>(2) In August 2008, the capital increased by \$64,232,000 from earnings, and the paid-in capital amounted to \$752,427,970.</p> |
| 2009 | In January 2009, property—2F., No. 2, Aly. 1, and 3F., No. 4, Aly. 1, Siwei Ln., Zhongzheng Rd., Xindian Dist. was purchased to expand the business premises. |
| 2010 | <p>(1) In March 2010, \$4,600,000 of new shares were issued due to exercise of employee stock options, and the paid-in capital amounted to \$757,027,970.</p> <p>(2) In June 2010, \$190,000 of new shares were issued due to exercise of employee stock options, and the paid-in capital amounted to \$757,217,970.</p> <p>(3) In August 2010, the capital increased by \$125,294,760 from earnings and capital surplus; \$520,000 of new shares were issued due to exercise of employee stock options; and the paid-in capital amounted to \$883,032,730.</p> |
| 2011 | <p>(1) In March 2011, \$2,250,000 of new shares were issued due to exercise of employee stock options, and the paid-in capital amounted to \$885,282,730.</p> <p>(2) In July 2011, the capital increased by \$154,924,480 from earnings and capital surplus, and the paid-in capital amounted to \$1,040,207,210.</p> <p>(3) In August 2011, \$680,000 of new shares were issued due to exercise of employee stock options, and the paid-in capital amounted to \$1,040,887,210.</p> |
| 2012 | <p>(1) In March 2012, \$2,190,000 of new shares were issued due to exercise of employee stock options, and the paid-in capital amounted to \$1,043,077,210.</p> <p>(2) In July 2012, the capital increased by \$102,007,730 from earnings, and the paid-in capital amounted to \$1,145,084,940.</p> <p>(3) In August 2012, the Corporation invested to establish Nichidenbo Suzhou Trading CO., LTD. through a company in the third region—Nichidenbo (Mauritius) Ltd.</p> <p>(4) In December 2012, \$930,000 of new shares were issued due to exercise of employee stock options, and the paid-in capital amounted to \$1,146,014,940.</p> |
| 2013 | (1) In January and March 2013, the Corporation invested to acquire 24,362 thousand shares of Lipers Enterprise Co., Ltd., accounting for 51.93% of such company's shares. |

| Year | Description |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>(2) In May 2013, \$5,980,000 of new shares were issued due to exercise of employee stock options, and the paid-in capital amounted to \$1,151,994,940.</p> <p>(3) In May 2013, VIC-DAWN Enterprise Co., Ltd. and Zindenbo Corporation were merged by stock swap. VIC-DAWN Enterprise Co., Ltd. is the surviving company, and Zindenbo Corporation is the extinct company.</p> <p>(4) In July 2013, the capital increased by \$135,479,400 from earnings, and the paid-in capital amounted to \$1,287,474,340.</p> <p>(5) In November 2013, \$4,060,000 of new shares were issued due to exercise of employee stock options, and the paid-in capital amounted to \$1,291,534,340.</p> <p>(6) In December 2013, the Corporation increased its equity investment in Lipers Enterprise Co., Ltd. by 20,372 thousand shares by cash. In total, the Corporation held 44,734 thousand shares in Lipers Enterprise Co., Ltd., accounting for 63.92% of such company's shares.</p> |
| 2014 | <p>(1) Up to January 2014, VIC-DAWN Enterprise Co., Ltd. had invested to acquire 10,751 thousand shares in E-COM TECHNOLOGY CORP., accounting for 62.31% of such company's shares.</p> <p>(2) In July 2014, the Corporation received a stock dividend of 1,879 thousand shares from Lipers Enterprise Co., Ltd. and thus held a total of 46,613 thousand shares of Lipers Enterprise Co., Ltd., accounting for 63.92% of such company's shares.</p> <p>(3) In August 2014, the capital increased by \$154,984,130 from earnings, and the paid-in capital amounted to \$1,446,518,470.</p> <p>(4) In October 2014, the Corporation increased its equity by issuing \$143,665,330 of new shares. Lipers Enterprise Co., Ltd. received 22,986 thousand of the shares, and the Corporation's paid-in capital amounted to \$1,590,183,800. In total, the Corporation held 69,599 thousand shares in Lipers Enterprise Co., Ltd., accounting for 95.44% of such company's shares.</p> |
| 2015 | <p>(1) In June 2015, the Corporation increased its investment by acquiring 2,842 thousand shares from Lipers Enterprise Co., Ltd. In total, the Corporation held 72,441 thousand shares of Lipers Enterprise Co., Ltd., accounting for 99.34% of such company's shares.</p> <p>(2) In order to improve the efficiency of the Group's operations and to restructure and flatten the organization, the Corporation acquired 100% shares of Scope Technology Co., Ltd. and 100% shares of Advance Electronic Supply Inc. from Lipers Enterprise Co., Ltd. in June 2015.</p> <p>(3) In August 2015, the capital increased by \$79,509,190 from earnings, and the paid-in capital amounted to \$1,669,692,990.</p> <p>(4) The Corporation had been continuously purchasing shares of VIC-DAWN Enterprise Co., Ltd. In total, 25,909 thousand of the shares of VIC-DAWN Enterprise Co., Ltd. were held by the Corporation, accounting for 95.31% of such company's shares.</p> |
| 2016 | <p>(1) In July 2016, the Corporation invested to acquire 15,000 thousand shares of TONSAM Corporation, accounting for 100.00% of such company's shares.</p> <p>(2) In July 2016, Lipers Enterprise Co., Ltd. reduced its capital by 40,653 thousand shares in cash. After the reduction of capital, the Corporation held 31,789 thousand shares of Lipers Enterprise Co., Ltd., accounting for 99.34% of such company's shares.</p> |
| 2017 | <p>(1) In July and August 2017, the Corporation acquired 2.44% of the shares of Sentelic Corporation. Since E-COM TECHNOLOGY CORP. and Sentelic Corporation merged on October 1, 2017, and Sentelic Corporation is the surviving company, the Corporation and VIC-DAWN Enterprise Co., Ltd. collectively held 51.28% of the shares of Sentelic Corporation after the merger.</p> <p>(2) In December 2017, the Corporation acquired 48.84% of shares of Sentelic Corporation from VIC-DAWN Enterprise Co., Ltd., accounting for 51.28% of the shares of such company.</p> |
| 2018 | <p>(1) In August 2018, the capital increased by \$116,878,510 from earnings, and the paid-in capital amounted to \$1,786,571,500.</p> <p>(2) In June 2018, the Corporation increased its equity investment in Sentelic Corporation by 1,742 thousand shares by cash. In total, the Corporation held 13,323 thousand shares in Sentelic Corporation, accounting for 51.24% of such company's shares.</p> <p>(3) In October 2018, the Corporation increased its equity investment in Sentelic Corporation</p> |

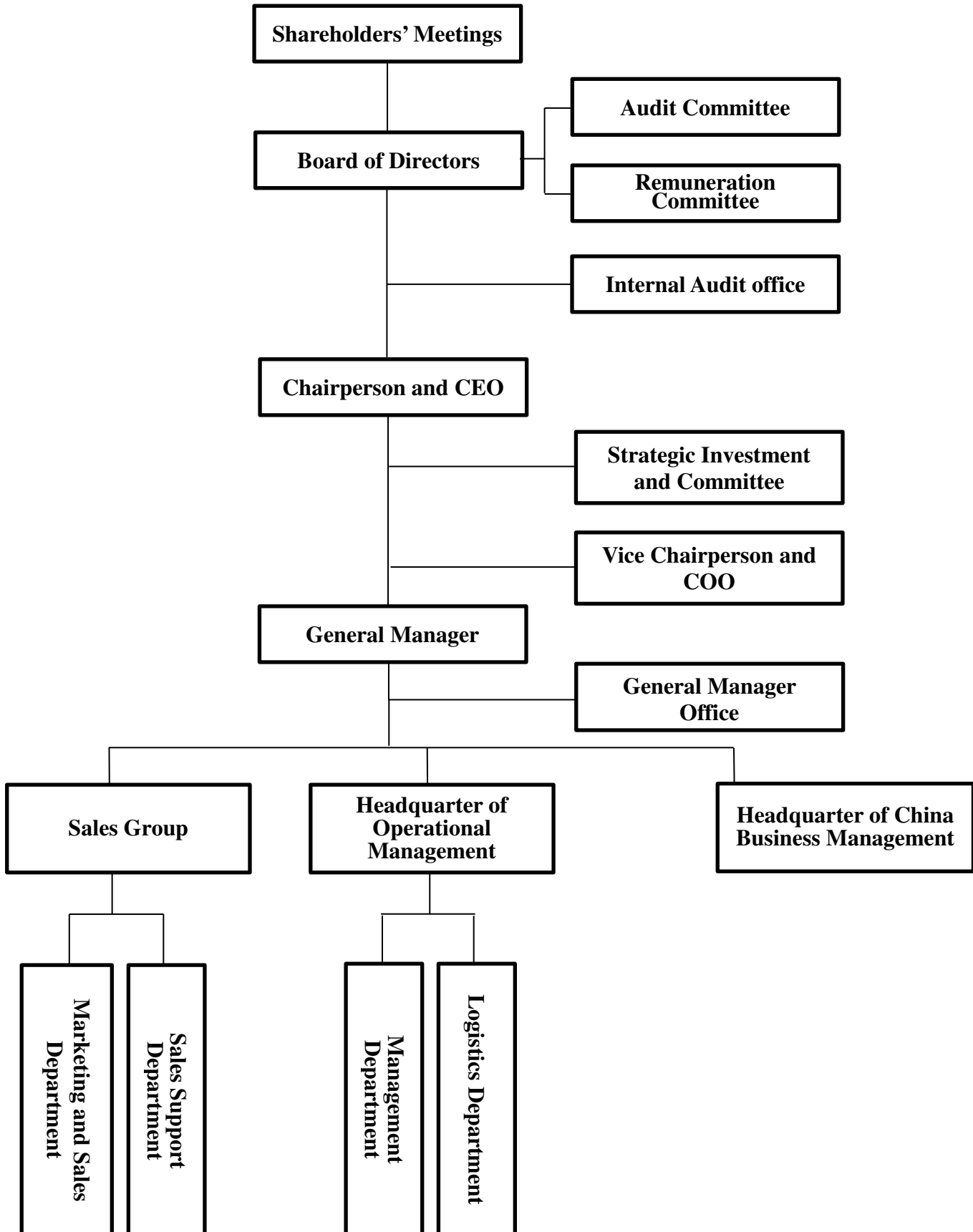
| Year | Description |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>by 1,197 thousand shares by cash. In total, the Corporation held 14,520 thousand shares in Sentelic Corporation, accounting for 55.85% of such company's shares.</p> <p>(4) In November 2018, the Corporation acquired 100% shares of Lipers (Hong Kong) Enterprise Co., Ltd. from Lipers Enterprise Co., Ltd for \$216,454 thousand.</p> |
| 2019 | <p>(1) Nichidenbo (Shanghai) Trading Co., Ltd., a company established by the Corporation's investment through a company in the third region—Nichidenbo (Mauritius) Ltd. has completed its dissolution and deregistration in March 2019.</p> <p>(2) In June 2019, Taipei Exchange agreed to register the shares of Sentelic Corporation as emerging shares.</p> <p>(3) In June 2019, the Corporation sold 781 thousand shares of Sentelic Corporation. After the sale, the Corporation held 13,739 thousand shares of Sentelic Corporation, accounting for 52.84% of such company's shares.</p> <p>(4) In August 2019, Advance Electronic Supply Co., Ltd., which was established by the Corporation's investment through Lipers Enterprise Co., Ltd. has completed its dissolution and deregistration.</p> <p>(5) In October 2019, ADVANCE ELECTRONIC SUPPLY CO., LTD., which was established by the Corporation's investment through Lipers Enterprise Co., Ltd. has completed its dissolution and deregistration.</p> |
| 2020 | <p>(1) In November 2020, Taipei Exchange agreed to register the shares of Sentelic Corporation as OTC shares.</p> <p>(2) In November 2020, the Corporation sold 120 thousand shares of Sentelic Corporation. Sentelic Corporation issued 800 thousand new restricted employee shares in August 2010 and issued 3,300 thousand new shares for cash in November 2010. After the disposals of shares, the Corporation held 13,619 thousand shares of Sentelic Corporation, accounting for 45.29% of such company's shares.</p> |
| 2021 | <p>In August 2021, the Corporation increased its equity investment in Scope Technology Co., Ltd. by 20,000 thousand shares by cash. In total, the Corporation held 53,016 thousand shares in Scope Technology Co., Ltd., accounting for 100% of such company's shares.</p> |
| 2022 | <p>(1) In January 2022, the Corporation invested to acquire 2,440 thousand shares of KOHO (Taiwan) Co., Ltd. accounting for 81.33% of such company's shares.</p> <p>(2) In March 2022, the Corporation increased its investment by acquiring 110 thousand shares from KOHO (Taiwan) Co., Ltd. In total, the Corporation held 2,550 thousand shares of KOHO (Taiwan) Co., Ltd., accounting for 85% of such company's shares.</p> <p>(3) In July 2022, the Corporation issued \$40,000 thousand of new restricted employee shares, and the paid-in capital amounted to \$1,826,572 thousand.</p> <p>(4) In August 2022, the Corporation sold 10,710 thousand shares of Sentelic Corporation. After the sale, the Corporation held 2,909 thousand shares of Sentelic Corporation, accounting for 9.68% of such company's shares.</p> <p>(5) In October 2022, the Corporation increased its capital by \$300,000 thousand through a private placement of common share in cash, and the paid-in capital amounted to \$2,126,572 thousand.</p> |

Three. Corporate Governance Report

I. Organizational system

(I) Organizational structure

April 17, 2023



(II) Duties of each major department

1. Internal Audit Office: The Internal Audit Office inspects and reviews the soundness, reasonableness and effectiveness of the internal control system, and it measures the effectiveness and efficiency of the operations, as well as the reliability, timeliness and transparency of reporting, and the compliance of applicable regulations and laws. It also provides prompt improvement suggestions to ensure that internal controls are continuously and effectively implemented.
2. Strategic Investment Committee: The Strategic Investment Committee collectively manages the Group's investment and merger-related businesses.
3. General Manager's Office
 - (1) The General Manager's Office assists the general manager and the chairperson of the board of directors in supervisory and management work, and it is responsible for the completion of projects, strategic plans assigned by the senior management, as well as the formulation and promotion of business guidelines and goals.
 - (2) The General Manager's Office is responsible for the management of human resources related affairs, such as employee appointment and dismissal, employee development, attendance management, payroll management, employee benefits and employee relations.
4. Sales Group
 - (1) Marketing and Sales Department
 - ① Customer development, credit, payment collection, and correspondence duties
 - ② Development of sales plans and execution of sales activities
 - ③ Illustrating products for customers and keeping track of commodity prices by survey
 - ④ Directing the overall sales process
 - ⑤ Seeking new products for agency and promotion.
 - ⑥ Collecting, analyzing and managing marketing and sales information.
 - ⑦ Analyzing and planning for integrated product distribution and product planning
 - ⑧ Promoting customer value-added services and supporting customer product design and applied technology
 - (2) Sales Support Department
 - ① Sales statistics and logistics management support for Marketing and Sales Department
 - ② Handling shipment matters for customers
 - ③ Market survey
 - ④ Responding to customer needs, and using them as a reference for product development.
 - ⑤ Handling domestic and international procurement procedures
 - ⑥ Liaising with domestic and international product vendors, and acting as an agent to handle matters for them
 - ⑦ Evaluating product vendors and purchasing records management
 - ⑧ Controlling and coordinating procurement and shipment progress
5. Headquarters of Operational Management—Management Department
 - (1) Accounting Department
 - ① Coordinating the Corporation's overall accounting operations, collecting and analyzing cost data
 - ② Preparing financial statements, and establishing, analyzing and interpreting managerial financial data
 - ③ Reviewing monthly operating results and providing managerial accounting information
 - ④ Preparing consolidated financial statements of the Group, transfer pricing reports, and reviewing the accounting operations of affiliated companies and their financial reports
 - ⑤ Planning for the overall corporate taxation, enforcing and complying with tax laws and regulations
 - ⑥ Compiling budget and controlling monthly budget execution status
 - (2) IT Department
 - ① Planning, building and managing the Corporation's network system
 - ② Evaluating, developing, launching and training for information systems
 - ③ Maintaining, managing and securing the information system
 - (3) Finance Department
 - ① Integrating and planning the Group's resources to utilize the capital effectively
 - ② Evaluating and executing the Group's investment or financing activities in compliance with applicable laws and regulations.
 - ③ Coordinating the Group's overall financial strategy and shareholders' equity related operations

- ④Executing verification and crediting related operations for customers' check deposits or note exchanges.
- (4) Shareholder Service Department
 - ①Handling matters related to the shareholders' meetings, meetings of the board of directors and functional committees of the Group.
 - ②Handling the group share affairs and shareholders' dividend affairs, shareholders' tax filing and supplementary health insurance premium payment
 - ③Complying with applicable laws and amending related internal regulations
 - ④Conducting the evaluation for corporate governance
 - ⑤Maintaining investor relations
- (5) Administrative Department
 - ①Public safety maintenance
 - ②GHG inventory
 - ③Handling of donation-related affairs
 - ④On-site service of contracted medical staff
 - ⑤Training of qualified occupational safety personnel
 - ⑥Epidemic prevention and environmental disinfection
 - ⑦Firefighting courses and disaster prevention inspections
 - ⑧Application for procurement, management and insurance of assets
- (6) Legal Department:
 - ①Contract review and management
 - ②Handling of litigation cases and non-litigation matters
 - ③Management of intellectual property rights (trademarks, patents)
 - ④Legal consultation
 - ⑤Holding annual Group education training
 - ⑥Legal compliance.
- (7) Sales Management Department
 - ①Accounts receivable insurance
 - ②Vendor and customer data review and maintenance
 - ③Controlling sales credit limit and overdue payment release
- (8) Quality Control Department
 - ①Approving products of the Corporation and reviewing environmental document
 - ②Customer complaint handling
 - ③Quality control for purchase/shipment
- 6. Total Operation Management Special Team—Logistics Department: The department is responsible for the management of inbound/outbound logistics, storage, receiving/shipping and stocktaking.
- 7. China Operation Management Special Team: The team is responsible for handling, controlling and managing affairs related to the Corporation's investee companies in Mainland China.

II. Information on Directors, Supervisors, General Manager, Vice President , Assistant Vice President, and the manager of each department and branch institution

(I) Information on directors:

1. Information on directors:

April 17, 2023

| Title | Nationality or place of registration. | Name | Gender and age | Appointment date | Term | Date of initial appointment | Number of shares held at the time of appointment | | Number of shares currently held | | Shares held by the spouse and minor children | | Shares held through nominees | | Principal educational and work experiences | Positions concurrently held in this and other companies | Spouse of, or related within the second degree of kinship to, another officer, director, or supervisor | | | Remarks |
|------------------|---------------------------------------|-------------------------------|------------------------|------------------|---------|-----------------------------|--------------------------------------------------|------------------|---------------------------------|------------------|----------------------------------------------|------------------|------------------------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| | | | | | | | Shares | Shareholding (%) | Shares | Shareholding (%) | Shares | Shareholding (%) | Shares | Shareholding (%) | | | Title | Name | Relation | |
| Chairperson | R.O.C. | CHOU WEI LIN | Male 60-65 years old | 2021.7.22 | 3 years | 1993.2.25 | 1,599,867 | 0.90 | 3,220,000 (Note 1) | 1.51 | 630,000 (Note 1) | 0.3 | 0 | 0 | Master of Business Administration, European University, Switzerland Purchasing Assistant of Arvin Industries Inc (USA) Business Section Chief of Taiwan Chemi-Con Corporation COO and General Manager of Nichidenbo Corporation | CEO of Nichidenbo Corporation Representative of Institutional Director and Chairperson of Lipers Enterprise Co., Ltd Chairperson and Representative of Institutional Director of Lipers (Hong Kong) Enterprise Co., Ltd. Representative of Institutional Director and Chairperson of Scope Technology Co., Ltd. Representative of Institutional Director and Chairperson of Advance Electronic Supply Inc. Director of Nichidenbo (Mauritius) Ltd. | None | None | None | (Note 2) |
| Vice Chairperson | R.O.C. | LEE KUN CHAN | Male 55-60 years old | 2021.7.22 | 3 years | 2012.6.21 | 1,730,532 | 0.97 | 1,730,532 | 0.81 | 260,000 | 0.12 | 0 | 0 | Department of Applied Foreign Language, Taichung Institute of Technology Executive Assistant to Chairperson of Cygnus Inc. Sales Executive of Taiwan Chemi-Con Corporation General Manager of Nichidenbo Corporation | COO of Nichidenbo Corporation Representative of Institutional Director and Chairperson of VIC-DAWN Enterprise Co., Ltd. Representative of Institutional Director and Chairperson of TONSAM Corporation Representative of Institutional Director and Chairperson of KOHO (Taiwan) Co., Ltd. | None | None | None | |
| Director | R.O.C. | Zong Xin Investment Co., Ltd. | N/A | 2021.7.22 | 3 years | 2018.6.20 | 5,500,000 | 3.08 | 5,630,000 | 2.65 | N/A | N/A | N/A | N/A | N/A | None | None | None | | |
| | | Representative: HUANG JEN HU | Male 70-75 years old | | | 1993.1.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Department of Management & Law, Kindai University, Japan Sales Assistant Vice President of Taiwan Chemi-Con Corporation Chairperson, CEO and General Manager of Nichidenbo Corporation | Chairperson of Strategic Investment Committee of Nichidenbo Corporation Director of Zong Xin Investment Co., Ltd. Director of JSW Pacific Corporation | None |
| Director | R.O.C. | YU YAO KUO | Male 50-55 years old | 2021.7.22 | 3 years | 2015.6.11 | 319,548 | 0.18 | 319,548 | 0.15 | 2,247 | 0.00 | 0 | 0 | Master of Business Administration, Taiwan University Director of Acer Incorporated Senior Vice President of Sertek Incorporated Senior Vice President of Yosun Industrial Corp. | General Manager of Nichidenbo Corporation General Manager of Lipers Enterprise Co., Ltd General Manager of Advance Electronic Supply Inc. General Manager of Lipers Electronic (SZ) Co., Ltd. General Manager of Nichidenbo (Shenzhen) Trading Co., Ltd. General Manager of Nichidenbo Suzhou Trading Co., Ltd. | None | None | None | |
| Director | R.O.C. | HOU CHIN HWA | Female 50-55 years old | 2021.7.22 | 3 years | 2017.6.14 | 428,215 | 0.24 | 428,215 | 0.20 | 0 | 0 | 0 | 0 | Department of Accounting, Fu Jen University Assistant Manager of Accounting Department Haotai Construction Co.,Ltd. | Vice President and Controller of Nichidenbo Corporation Supervisor of Lipers Enterprise Co., Ltd | None | None | None | |
| Director | R.O.C. | HUNG CHIN HAN | Male 55-60 years old | 2021.7.22 | 3 years | 2017.6.14 | 600,674 | 0.34 | 505,674 | 0.24 | 236 | 0.00 | 0 | 0 | Department of Human Sciences at Osaka University Sales Executive of Taiwan Chemi-Con Corporation General Manager of VIC-DAWN Enterprise Co., Ltd. | Senior Vice President of Nichidenbo Corporation | None | None | None | |
| Director | R.O.C. | Civic Textile Co., Ltd. | N/A | 2021.7.22 | 3 years | 2021.7.22 | 85,000 | 0.05 | 197,000 | 0.09 | N/A | N/A | N/A | N/A | N/A | None | None | None | | |
| | | Representative: TSAI YU CHIN | Female 55-60 years old | | | 2002.3.25 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | PhD. of Accounting, Shanghai University of Finance and Economics Auditmanager at KPMG Certified Public Accountant Assistant Professor of Accounting Department at China University of | Assistant Professor of Accounting Department at China University of Technology Independent Director, Chairperson of Audit Committee and Member of Remuneration Committee of Chlitina Holding Limited Independent Director, Chairperson of Audit Committee | None | None |

| Title | Nationality or place of registration, | Name | Gender and age | Appointment date | Term | Date of initial appointment | Number of shares held at the time of appointment | | Number of shares currently held | | Shares held by the spouse and minor children | | Shares held through nominees | | Principal educational and work experiences | Positions concurrently held in this and other companies | Spouse of, or related within the second degree of kinship to, another officer, director, or supervisor | | | Remarks |
|----------------------|---------------------------------------|---------------|----------------------|------------------|---------|-----------------------------|--------------------------------------------------|------------------|---------------------------------|------------------|----------------------------------------------|------------------|------------------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|------|----------|---------|
| | | | | | | | Shares | Shareholding (%) | Shares | Shareholding (%) | Shares | Shareholding (%) | Shares | Shareholding (%) | | | Title | Name | Relation | |
| | | | | | | | | | | | | | | Technology | and Member of Remuneration Committee of Jiu Han System Technology Co., Ltd. | | | | | |
| Independent Director | R.O.C. | YEN KUO LUNG | Male 60-65 years old | 2021.7.22 | 3 years | 2008.9.15 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master of Public Finance, Chengchi University CPA at Answer CPAs Firm Supervisor of Center Laboratories Inc. Supervisor of Da Han Construction Co., Ltd. Member of Remuneration committee of TAI-SAW Technology Co., Ltd. Supervisor of Glory Biotech Co., Ltd. Supervisor of Glac Biotech Co., Ltd. Independent Director, Chairperson of Audit Committee and Member of Remuneration Committee of Sentelic Corporation | Convener of Remuneration Committee and Audit Committee of Nichidenbo Corporation CPA at Answer CPAs Firm Independent Director, Member of Remuneration Committee and Audit Committee of Win Win Precision Technology Co., Ltd. | None | None | None | |
| Independent Director | R.O.C. | SU MING YANG | Male 65-70 years old | 2021.7.22 | 3 years | 2021.7.22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Department of Electrical Engineering, National Taiwan University Executive Director of Panasonic Industrial Devices Sales Taiwan Co., Ltd. Chairperson and General Manager of eGALAX_eMPIA Technology Inc. | Member of Remuneration Committee and Audit Committee of Nichidenbo Corporation | None | None | None | |
| Independent Director | R.O.C. | HSU HSOU CHUN | Male 50-55 years old | 2021.7.22 | 3 years | 2021.7.22 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master of Business Administration, Taiwan University Vice President of Finance of Cirocomm Technology Corporation Executive Assistant to General Manager of Tailyn Technologies, Inc. CFO of Siltrontechnics Corporation | Member of Remuneration Committee and Audit Committee of Nichidenbo Corporation Chairperson of Moneypool Consultant Ltd. Independent Director and Member of Remuneration Committee of E-Life Mall Corporation Supervisor of Jet One Technology Co., Ltd. Director of InnoGreat Technology Co., Ltd. | None | None | None | |

Data source: The shareholding ratio at the time of appointment is calculated based on the 178,657,150 issued shares as of July 22, 2021. The current shareholding ratio is based on the shareholding data as of April 17, 2023, the latest closing date, and is calculated based on the total 212,657,150 shares issued.

Note 1: The Chairperson, CHOU WEI LIN, and his spouse, CHENG, TENG YUN, have retained the power to decide on the use of 1,500,000 and 630,000 shares, respectively, entrusted to a trust account with a financial institution, and those shares have been added up.

Note 2: Where the Chairperson of the Board of Directors and the highest level manager are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

In order to enhance operational efficiency and decision making, the Chairperson of the Corporation doubles as the CEO. As such, the Chairperson thoroughly communicates with the Directors directly on the operational overview and strategic objectives. In addition, the current two Independent Directors and two Directors have financial and accounting expertise to effectively perform their supervisory duties. Besides, annual training is arranged for Directors to enhance their professional knowledge and strengthen the operational performance of the Board of Directors.

The Corporation's responsive measures for the future are as follows:

In response to the need for diversification of the Corporation's operational model and business development in the future, whether to increase diverse board members will be considered. If the Chairperson and the highest level manager are the same person, the number of Independent Directors shall be no less than four by the end of 2023, and the majority of Directors shall not be also serve as employees or managers in order to strengthen the corporate governance.

2. Disclosure of information on professional qualifications of directors and supervisors and independence of independent directors

April 17, 2023

| Name\Qualification | Professional Qualification and Experience | Independence | Number of other public companies concurrently serving as a independent Director |
|----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| <p>Director CHOU WEI LIN</p> | <p>(1) The Director has at least 5 years work experience in the area of commerce and otherwise necessary for the business of the Corporation. (2) The Director was the Sales Manager of Taiwan Chemi-Con Corporation, and he is currently the CEO of the Corporation and Chairperson and director of various subsidiaries thereof. For details, please refer to page 12. (3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act;</p> | <p>(1) The Director is not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation. (2) The Director is not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Corporation or any affiliate of the Corporation, or that provides commercial, legal, financial, accounting or related services to the Corporation or any affiliate of the Corporation for which the provider in the past 2 years has received compensation, or a spouse thereof. (3) The Director is not a relative within the second degree of kinship of other Directors (4) The Director is not appointed as the government, a legal person or a representative thereof as specified in article 27 of the Company Act.</p> | <p>None</p> |
| <p>Director LEE KUN CHAN</p> | <p>(1) The Director has at least 5 years work experience in the area of commerce and otherwise necessary for the business of the Corporation. (2) The Director was a Sales Executive of Taiwan Chemi-Con Corporation and is currently the COO of the Corporation and Chairperson and director of various subsidiaries thereof. For details, please refer to page 12. (3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act;</p> | <p>(1) The Director does not directly hold more than 5% of the total issued shares of the Corporation, nor is he is one of the 5 largest shareholder nor a director, supervisor or employee of a institutional shareholder that designates its representative as a director or supervisor of the Corporation in accordance with Paragraph 1 or Paragraph 2 of article 27 of the Company Act. (2) The Director is not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation. (3) The Director is not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Corporation or any affiliate of the Corporation, or that provides commercial, legal, financial, accounting or related services to the Corporation or any affiliate of the Corporation for which the provider in the past 2 years has received</p> | <p>None</p> |

| Name\Qualification | Professional Qualification and Experience | Independence | Number of other public companies concurrently serving as a independent Director |
|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| | | <p>compensation, or a spouse thereof.</p> <p>(4) The Director is not a relative within the second degree of kinship of other Directors</p> <p>(5) The Director is not appointed as the government, a legal person or a representative thereof as specified in article 27 of the Company Act.</p> | |
| <p>Director Zong Xin Investment Co., Ltd. Representative: HUANG JEN HU</p> | <p>(1) The Director has at least 5 years work experience in the area of commerce and otherwise necessary for the business of the Corporation.</p> <p>(2) The Director was the Sales Assistant Vice President of Taiwan Chemi-Con Corporation and is currently the Chairperson of Strategic Investment Committee of the Corporation. For details, please refer to page 12.</p> <p>(3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act;</p> | <p>(1) The Director is not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation.</p> <p>(2) The Director is not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Corporation or any affiliate of the Corporation, or that provides commercial, legal, financial, accounting or related services to the Corporation or any affiliate of the Corporation for which the provider in the past 2 years has received compensation, or a spouse thereof.</p> <p>(3) The Director is not a relative within the second degree of kinship of other Directors</p> | <p>None</p> |

| Name\Qualification | Professional Qualification and Experience | Independence | Number of other public companies concurrently serving as a independent Director |
|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| <p style="text-align: center;">Director YU YAO KUO</p> | <p>(1) The Director has at least 5 years work experience in the area of commerce and otherwise necessary for the business of the Corporation.</p> <p>(2) The Director was a Department Chief of Acer Incorporated and Senior Vice President of Yosun Industrial Corp., and he is currently the General Manager of the Corporation and numerous subsidiaries thereof. For details, please refer to page 12.</p> <p>(3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act;</p> | <p>(1) The Director is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Corporation or ranking in the top 10 in holdings.</p> <p>(2) The Director does not directly hold more than 5% of the total issued shares of the Corporation, nor is he one of the 5 largest shareholder nor a director, supervisor or employee of a institutional shareholder that designates its representative as a director or supervisor of the Corporation in accordance with Paragraph 1 or Paragraph 2 of article 27 of the Company Act.</p> <p>(3) The Director is not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation.</p> <p>(4) The Director is not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Corporation or any affiliate of the Corporation, or that provides commercial, legal, financial, accounting or related services to the Corporation or any affiliate of the Corporation for which the provider in the past 2 years has received compensation, or a spouse thereof.</p> <p>(5) The Director is not a relative within the second degree of kinship of other Directors.</p> <p>(6) The Director is not appointed as the government, a legal person or representative thereof as specified in article 27 of the Company Act.</p> | <p style="text-align: center;">None</p> |

| Name\Qualification | Professional Qualification and Experience | Independence | Number of other public companies concurrently serving as a independent Director |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| <p style="text-align: center;">Director HOU CHIN HWA</p> | <p>(1) The Director has at least 5 years work experience in the area of accounting and otherwise necessary for the business of the Corporation.</p> <p>(2) The Director was the Assistant Manager of Accounting Department Haotai Construction Co.,Ltd. and is currently the Vice President and Controller of the Corporation. For details, please refer to page 12.</p> <p>(3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act;</p> | <p>(1) The Director is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Corporation or ranking in the top 10 in holdings.</p> <p>(2) The Director does not directly hold more than 5% of the total issued shares of the Corporation, nor is he one of the 5 largest shareholder nor a director, supervisor or employee of a institutional shareholder that designates its representative as a director or supervisor of the Corporation in accordance with Paragraph 1 or Paragraph 2 of article 27 of the Company Act.</p> <p>(3) The Director is not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation.</p> <p>(4) The Director is not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Corporation or any affiliate of the Corporation, or that provides commercial, legal, financial, accounting or related services to the Corporation or any affiliate of the Corporation for which the provider in the past 2 years has received compensation, or a spouse thereof.</p> <p>(5) The Director is not a relative within the second degree of kinship of other Directors.</p> <p>(6) The Director is not appointed as the government, a legal person or representative thereof as specified in article 27 of the Company Act.</p> | <p style="text-align: center;">None</p> |

| Name\Qualification | Professional Qualification and Experience | Independence | Number of other public companies concurrently serving as a independent Director |
|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| <p style="text-align: center;">Director HUNG CHIN HAN</p> | <p>(1) The Director has at least 5 years work experience in the area of commerce and otherwise necessary for the business of the Corporation.</p> <p>(2) The Director was a Sales Executive of Taiwan Chemi-Con Corporation and is currently working for the Corporation as a Senior Vice President etc. For details, please refer to page 12.</p> <p>(3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act;</p> | <p>(1) The Director is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Corporation or ranking in the top 10 in holdings.</p> <p>(2) The Director does not directly hold more than 5% of the total issued shares of the Corporation, nor is he one of the 5 largest shareholder nor a director, supervisor or employee of a institutional shareholder that designates its representative as a director or supervisor of the Corporation in accordance with Paragraph 1 or Paragraph 2 of article 27 of the Company Act.</p> <p>(3) The Director is not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation.</p> <p>(4) The Director is not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Corporation or any affiliate of the Corporation, or that provides commercial, legal, financial, accounting or related services to the Corporation or any affiliate of the Corporation for which the provider in the past 2 years has received compensation, or a spouse thereof.</p> <p>(5) The Director is not a relative within the second degree of kinship of other Directors.</p> <p>(6) The Director is not appointed as the government, a legal person or representative thereof as specified in article 27 of the Company Act.</p> | <p style="text-align: center;">None</p> |
| <p style="text-align: center;">Director Civic Textile Co., Ltd. Representative: TSAI YU CHIN</p> | <p>(1) The Director has at least 5 years work experience in the area of accounting and otherwise necessary for the business of the Corporation.</p> <p>(2) The Director was a Audit Supervisor at KPMG, and she is currently working for other companies. For details, please refer to page 12.</p> <p>(3) The Director does not meet the disqualification criteria</p> | <p>(1) The Director is not an employee of the Corporation or its affiliates.</p> <p>(2) The Director is not a manager of the Corporation or its affiliates, nor is she a Director or Supervisor of the Corporation or its affiliates. Besides, she is not a shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Corporation, nor is she a spouse, relative within the second degree or third degree of kinship of the ten largest</p> | <p style="text-align: center;">2 companies</p> |

| Name\Qualification | Professional Qualification and Experience | Independence | Number of other public companies concurrently serving as a independent Director |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| | <p>of managers specified in any subparagraph of Article 30 of the Company Act;</p> | <p>natural-person shareholders.</p> <p>(3) The Director does not directly hold more than 5% of the total issued shares of the Corporation, and she is not one of the 5 largest shareholder nor a director, supervisor or employee of a institutional shareholder that designates its representative as a director or supervisor of the Corporation in accordance with Paragraph 1 or Paragraph 2 of article 27 of the Company Act.</p> <p>(4) If a majority of the Corporation's director seats or voting shares and those of any other company are controlled by the same person, the Director is not a director, supervisor, or employee of that other company.</p> <p>(5) If the chairperson, general manager, or person holding an equivalent position of the Corporation and a person in any of those positions at another company or institution are the same person or are spouses, the Director is not a director (or governor), supervisor, or employee of that other company or institution.</p> <p>(6) The Director is not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation.</p> <p>(7) The Director is not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Corporation or any affiliate of the Corporation, or that provides commercial, legal, financial, accounting or related services to the Corporation or any affiliate of the Corporation for which the provider in the past 2 years has received compensation, or a spouse thereof.</p> <p>(8) The Director is not a relative within the second degree of kinship of other Directors.</p> | |
| <p>Independent Director YEN KUO LUNG</p> | <p>(1) The Director has at least 5 years work experience in the area of accounting and otherwise necessary for the business of the Corporation.</p> <p>(2) The Director was a Supervisor of Center Laboratories Inc. He is currently a CPA and</p> | <p>(1) The Director is not an employee of the Corporation or its affiliates.</p> <p>(2) The Director is not a Director or Supervisor of the Corporation or its affiliates.</p> <p>(3) The Director is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of</p> | <p>1 company</p> |

| Name\Qualification | Professional Qualification and Experience | Independence | Number of other public companies concurrently serving as a independent Director |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|
| | <p>working for another company. For details, please refer to page 13.</p> <p>(3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act;</p> | <p>one percent or more of the total number of issued shares of the Corporation or ranking in the top 10 in holdings.</p> <p>(4) The Director is not a manager listed in (1) or a spouse, a relative within the second degree or third degree of kinship of the person listed in (2) or (3).</p> <p>(5) The Director does not directly hold more than 5% of the total issued shares of the Corporation, nor is she one of the 5 largest shareholder nor a director, supervisor or employee of a institutional shareholder that designates its representative as a director or supervisor of the Corporation in accordance with Paragraph 1 or Paragraph 2 of article 27 of the Company Act.</p> | |
| <p>Independent Director SU MING YANG</p> | <p>(1) The Director has work experience in the area of commerce and otherwise necessary for the business of the Corporation.</p> <p>(2) The Director was the Chairperson of eGALAX_eMPIA technology inc. and is currently working for other companies. For details, please refer to page 13.</p> <p>(3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act;</p> | <p>(6) If a majority of the Corporation's director seats or voting shares and those of any other company are controlled by the same person, the Director is not a director, supervisor, or employee of that other company.</p> <p>(7) If the chairperson, general manager, or person holding an equivalent position of the Corporation and a person in any of those positions at another company or institution are the same person or are spouses, the Director is not a director (or governor), supervisor, or employee of that other company or institution.</p> | <p>None</p> |
| <p>Independent Director HSU HSOU CHUN</p> | <p>(1) The Director has at least 5 years work experience in the area of accounting and otherwise necessary for the business of the Corporation.</p> <p>(2) The Director was the CFO of Siltrontech Electronics Corporation and is currently working for other companies. For details, please refer to page 13.</p> <p>(3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act;</p> | <p>(8) The Director is not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation.</p> <p>(9) The Director is not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Corporation or any affiliate of the Corporation, or that provides commercial, legal, financial, accounting or related services to the Corporation or any affiliate of the Corporation for which the provider in the past 2 years has received compensation, or a spouse thereof.</p> <p>(10) The Director is not a relative within the second degree of kinship of other Directors.</p> <p>(11) The Director is not appointed as the government, a legal person or representative thereof as specified in article 27 of the Company Act.</p> | <p>1 company</p> |

3. Diversification and independence of the Board of Directors:

(1) Diversification of the Board of Directors:

According to Article 20 of the Corporation's "Corporate Governance Principles," the composition of the Board of Directors shall be determined by taking diversity into consideration. Besides, an appropriate policy on diversity based on the Corporation's business operations, operating dynamics, and development needs are formulated, including, without being limited to, the following two general standards:

A. Basic requirements and values: Gender, age, nationality, culture, etc.

B. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities:

A. Ability to make operational judgments.

B. Ability to perform accounting and financial analysis.

C. Ability to conduct management administration.

D. Ability to conduct crisis management.

E. Knowledge of the industry.

F. An international market perspective.

G. Ability to lead.

H. Ability to make policy decisions.

The Company continues to plan for the succession of directors so as to cultivate senior managers and introduce them to the Board of Directors. In addition, the Company emphasizes gender equality in the composition of the Board of Directors and has appointed at least one female director. After the election of directors at the shareholders' meeting in July 2021, 10 directors were elected, including 3 independent directors and 2 female directors. The female directors of the current Board of Directors account for 20% of all the directors.

The board of directors consists of one member aged over 70, one member aged 65–70, two members aged 60–65, three members aged 55–60, and three members aged 50–55. All the directors are Taiwanese citizens. The Company's Board of Directors is aiming to become younger. For director elections in the future, appropriate candidates will be invited to join the Board of Directors in response to changes in the Company's development strategy and internal/external environment, thereby improving the balance of the board's operation.

(2) Implementation of diversification of members of the Board of Directors

| Title | Name | Gender | Age | Operational judgments. | Accounting and financial analysis | Management administration | Crisis management | Industry knowledge | International market perspective | Leadership and decision making |
|------------------------------------------|---------------|--------|-----------------|------------------------|-----------------------------------|---------------------------|-------------------|--------------------|----------------------------------|--------------------------------|
| Chairperson | CHOU WEI LIN | Male | 60–65 years old | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Deputy Chairperson | LEE KUN CHAN | Male | 55-60 years old | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Representative of Institutional Director | HUANG JEN HU | Male | 70–75 years old | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Director | YU YAO KUO | Male | 50–55 years old | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Director | HOU CHIN HWA | Female | 50–55 years old | | ✓ | ✓ | ✓ | | | |
| Director | HUNG CHIN HAN | Male | 55-60 years old | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Representative of Institutional Director | TSAI YU CHIN | Female | 55-60 years old | | ✓ | | ✓ | | | |
| Independent Director | YEN KUO LUNG | Male | 60–65 years | | ✓ | | ✓ | | | |

| | | | | | | | | | | |
|----------------------|---------------|------|-----------------|---|---|---|---|---|---|---|
| | | | old | | | | | | | |
| Independent Director | SU MING YANG | Male | 65–70 years old | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Independent Director | HSU HSOU CHUN | Male | 50–55 years old | | ✓ | ✓ | ✓ | | ✓ | |

(3) Independence of Board of Directors:

After the director election in July 2021, there are 10 directors at the Corporation. The board of directors includes 3 independent directors, and the independent director to all the board members ratio is 30%; the current board of directors has 2 female directors, and the proportion of female directors to all the board members is 20%; there are 6 directors who are employees of the Corporation, and the proportion of directors who are employees to the total board members is 60%. Up to the end of 2022, all the independent directors have been in compliance with the regulations concerning independent directors established by the Securities and Futures Bureau of the Financial Supervisory Commission. Besides, there were no circumstances as prescribed in Paragraph 3 and 4 of Article 26-3 of the Securities and Exchange Act between each of the directors and the independent directors. Consequently, the Corporation's Board of Directors is independent (please refer to the disclosure of information on professional qualifications of directors and supervisors and independence of independent directors).

Among directors of the Corporation, there is no director who is other directors' spouse or relative within the second degree of kinship (please refer to page 12 for details).

4. Directors and supervisors acting as the representatives of institutional shareholders

April 17, 2023

| Name of institutional shareholder | Major shareholders of institutional shareholder |
|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Zong Xin Investment Co., Ltd. | HUANG PEI QING (45.50%), HUANG PEI WEN (45.50%), HUANG JEN HU(9.00%) |
| Civic Textile Co., Ltd. | Tian-teng Industry Co., Ltd. (45.00%), Guang Yuan Xing Investment Co., Ltd. (15.00%), Yong Zhen Investment Co., Ltd. (19.00%) |

5. If the major shareholders in the above table are juridical persons, their major shareholders

April 17, 2023

| Name of juridical person | Major shareholders of juridical persons |
|--------------------------------------|-----------------------------------------|
| Tian-teng Industry Co., Ltd. | Yong Zhen Investment Co., Ltd. (19.00%) |
| Guang Yuan Xing Investment Co., Ltd. | Yong Zhen Investment Co., Ltd. (17.30%) |
| Yong Zhen Investment Co., Ltd. | TSAI MAO CHEN (80.22%) |

(II) Information on general manager, deputy general managers, associates, and the manager of each department and branch institution

April 17, 2023

| Title | Nationality | Name | Gender | Date elected | Shares held | | Shares held by spouse and minor children | | Shares held through nominees | | Principal educational and work experiences | Positions concurrently held in other companies | Spouse or relative within the second degree of kinship holding a position as manager | | | Remarks |
|------------------------------------------------------------------|-------------|---------------|--------|--------------|-----------------------|------------------|------------------------------------------|------------------|------------------------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|------|----------|----------|
| | | | | | Shares | Shareholding (%) | Shares | Shareholding (%) | Shares | Shareholding (%) | | | Title | Name | Relation | |
| Chief Executive Officer | R.O.C. | CHOU WEI LIN | Male | 2016.10.1 | 3,220,000 (Note 1) | 1.51 | 630,000 (Note 1) | 0.30 | 0 | 0 | Master of Business Administration, European University, Switzerland Purchasing Assistant of Arvin Industries Inc (USA) Business Manager of Taiwan Chemi-Con Corporation COO and General Manager of Nichidenbo Corporation | Representative of Institutional Director and Chairperson of Lipers Enterprise Co., Ltd Chairperson and Representative of Institutional Director of Lipers (Hong Kong) Enterprise Co., Ltd. Representative of Institutional Director and Chairperson of Scope Technology Co., Ltd. Representative of Institutional Director and Chairperson of Advance Electronic Supply Inc. Director of Nichidenbo (Mauritius) Ltd. | None | None | None | (Note 2) |
| Chairman of Strategic Investment Committee | R.O.C. | HUANG JEN HU | Male | 2018.6.20 | 0 | 0 | 0 | 0 | 0 | 0 | Department of Management & Law, Kindai University, Japan Business Assistant Vice President of Taiwan Chemi-Con Corporation Chairperson, CEO and General Manager of Nichidenbo Corporation | Director of Zong Xin Investment Co., Ltd. Director of JSW Pacific Corporation | None | None | None | |
| Chief Operating Officer | R.O.C. | LEE KUN CHAN | Male | 2019.9.1 | 1,730,532 | 0.81 | 260,000 | 0.12 | 0 | 0 | Department of Applied Foreign Language, Taichung Institute of Technology Executive Assistant to Chairperson of Cygnus Inc. Sales Executive of Taiwan Chemi-Con Corporation General Manager of Nichidenbo Corporation | Representative of Institutional Director and Chairperson of VIC-DAWN Enterprise Co., Ltd. Representative of Institutional Director and Chairperson of TONSAM Corporation Representative of Institutional Director and Chairperson of KOHO (Taiwan) Co., Ltd. | None | None | None | |
| General Manager | R.O.C. | YU YAO KUO | Male | 2019.9.1 | 319,548 | 0.15 | 2,247 | 0.00 | 0 | 0 | Master of Business Administration, Taiwan University Department Chief of Acer Incorporated Senior Vice President of Sertek Incorporated Senior Vice President of Yosun Industrial Corp. | General Manager of Lipers Enterprise Co., Ltd General Manager of Advance Electronic Supply Inc. General Manager of Lipers Electronic (SZ) Co., Ltd. General Manager of Nichidenbo (Shenzhen) Trading Co., Ltd. General Manager of Nichidenbo Suzhou Trading Co., Ltd. | None | None | None | |
| Vice President | R.O.C. | LIAO LI SHU | Female | 2013.9.1 | 208,000 | 0.10 | 0 | 0 | 0 | 0 | Master of Finance and International Business, Fu Jen University Assistant Project Manager of Security Underwriting Department, Yuanta Securities Co., Ltd. | Supervisor of VIC-DAWN Enterprise Co., Ltd. Supervisor of KOHO (Taiwan) Co., Ltd. | None | None | None | |
| Vice President and Controller | R.O.C. | HOU CHIN HWA | Female | 2013.9.1 | 428,215 | 0.20 | 0 | 0 | 0 | 0 | Department of Accounting, Fu Jen University Assistant Manager of Accounting Department Haotai Construction Co.,Ltd. | Supervisor of Lipers Enterprise Co., Ltd | None | None | None | |
| Senior Vice President | R.O.C. | HUNG CHIN HAN | Male | 2022.7.1 | 505,674 | 0.24 | 236 | 0.00 | 0 | 0 | School of Human Sciences at Osaka University Sales Executive of Taiwan Chemi-Con Corporation General Manager of VIC-DAWN Enterprise Co., Ltd. | None | None | None | None | |
| Senior Assistant Vice President and Corporate Governance Officer | R.O.C. | LAI NAN CHUN | Female | 2017.9.1 | 295,372 | 0.14 | 5,000 | 0.00 | 0 | 0 | Department of Business Administration, Shih Chien University Auditor of KPMG Security Underwriting Counseling of Capital Securities Corporation Chief Internal Auditor of Nichidenbo Corporation | None | None | None | None | |
| Financial officer | R.O.C. | HSU SHU HUI | Female | 2015.8.11 | 39,669 | 0.02 | 2,388 | 0.00 | 0 | 0 | Department of Accounting, Providence University Candor Taiwan CPAs Andante Co.,Ltd. Assistant Manager of Accounting of YOSUN INDUSTRIAL CORP. | Supervisor of General Manager of Lipers Electronic (SZ) Co., Ltd. Executive Director of Nichidenbo Suzhou Trading CO., LTD. | None | None | None | |
| Assistant Vice President | R.O.C. | YANG WEN CHI | Male | 2019.7.1 | 39,000 | 0.02 | 0 | 0.00 | 0 | 0 | Department of Civil Engineering, Tamkang University Sales Manager of Asia-Pacific Telecom Co., Ltd. | None | None | None | None | |
| Assistant Vice President | R.O.C. | HSU CHI PING | Male | 2021.7.1 | 1,032,628 | 0.49 | 44,348 | 0.02 | 0 | 0 | Sze Hai College of Technology Manager of Nichidenbo Corporation | None | None | None | None | |
| Assistant Vice President | R.O.C. | LYI PO YI | Male | 2021.7.1 | 12,000 | 0.01 | 0 | 0 | 0 | 0 | Department of Applied Science, University of British Columbia Director of Nichidenbo Corporation | None | None | None | None | |

Data source: The shareholding ratio is based on the shareholding data as of April 17, 2023 (the latest closing date) and is calculated based on the total 212,657,150 shares issued.

Note 1: The CEO, CHOU WEI LIN, and his spouse, CHENG, TENG YUN, have retained the power to decide on the use of 1,500,000 and 630,000 shares, respectively, entrusted to a trust account with a financial institution, and those shares have been added up.

Note 2: Where the Chairperson of the board of directors and the highest level manager are the same person, spouses, or relatives within the first degree of kinship, an disclosure shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto:

In order to enhance operational efficiency and decision making, the Chairperson of the Corporation doubles as the CEO. As such, the Chairperson thoroughly communicates with the Directors directly on the operational overview and strategic objectives. In

addition, the current two Independent Directors and two Directors have financial and accounting expertise to effectively perform their supervisory duties. Besides, annual training is arranged for Directors to enhance their professional knowledge and strengthen the operational performance of the Board of Directors.

The Corporation's responsive measures for the future are as follows:

In response to the need for diversification of the Corporation's operational model and business development in the future, whether to increase diverse board members will be considered. If the Chairperson and the highest level manager are the same person, the number of independent directors shall be no less than four by the end of 2023, and the majority of directors shall not also serve as employees or managers in order to strengthen the corporate governance.

| | | | | |
|---------------------------------------------------|------------|------------|------------|------------|
| \$5,000,000 (inclusive)–\$10,000,000(exclusive) | a | a | | |
| \$10,000,000 (inclusive)–\$15,000,000(exclusive) | | | h、i | h、i |
| \$15,000,000 (inclusive)–\$30,000,000(exclusive) | | | a、b、d、g | a、b、d、g |
| \$30,000,000 (inclusive)–\$50,000,000(exclusive) | | | | |
| \$50,000,000 (inclusive)–\$100,000,000(exclusive) | | | | |
| \$100,000,000 and above | | | | |
| Total | 12 persons | 12 persons | 12 persons | 12 persons |

2. Remuneration to Supervisors:N/A

3. Remuneration to general manger and vice president

December 31, 2022

Unit: NT\$ thousand

| Title | Name | Salary (A) (Note 1) | | Severance pay and Pensions (B) (Note 2) | | Bonuses and allowances (C) (Note 1) | | Employee bonus (D) (Note 3) | | | | Ratio of total remuneration (A+B+C+D) to net income after tax (%) | | Remuneration from ventures other than subsidiaries or from the parent company |
|--------------------------------------------|-------------------|---------------------|-------------------------------------------|-----------------------------------------|-------------------------------------------|-------------------------------------|-------------------------------------------|-----------------------------|-------|-------------------------------------------|-------|-------------------------------------------------------------------|-------------------------------------------|-------------------------------------------------------------------------------|
| | | The Corporation | All companies in the financial statements | The Corporation | All companies in the financial statements | The Corporation | All companies in the financial statements | The Corporation | | All companies in the financial statements | | The Corporation | All companies in the financial statements | |
| | | | | | | | | Cash | Stock | Cash | Stock | | | |
| CEO | CHOU WEI LIN (a) | 16,716 | 16,716 | 1,798 | 1,798 | 19,369 | 19,584 | 57,082 | 0 | 57,082 | 0 | 94,965 6.38% | 95,180 6.4% | None |
| Head of strategic and investment committee | HUANG JEN HU (b) | | | | | | | | | | | | | |
| COO | LEE KUN CHAN (c) | | | | | | | | | | | | | |
| General manager | YU YAO KUO (d) | | | | | | | | | | | | | |
| Senior deputy general manager | HUNG CHIN HAN (e) | | | | | | | | | | | | | |
| Deputy general manager | LIAO LI SHU (f) | | | | | | | | | | | | | |
| Deputy general manager | HOU CHIN HWA (g) | | | | | | | | | | | | | |

Note 1: The salary, bonuses, and allowances include salaries, perquisites, incentives, allowances, company car, restricted stock award share compensation cost and other physical items.

Note 2: The Severance pay and pensions are recognized defined benefit costs and the pensions allocated monthly based on the total salaries.

Note 3: The amounts represent employees' bonus of \$121,401 thousand as resolved by the board of directors.

| Range of remuneration paid to general manager and deputy manager of the Corporation | Names of general manger and deputy general manager | |
|-------------------------------------------------------------------------------------|----------------------------------------------------|---------------------------------------------|
| | The Corporation | All companies in the financial statements E |
| Below \$1,000,000 | | |
| \$1,000,000 (inclusive)–\$2,000,000(exclusive) | | |
| \$2,000,000 (inclusive)–\$3,500,000(exclusive) | | |
| \$3,500,000 (inclusive)–\$5,000,000(exclusive) | | |
| \$5,000,000 (inclusive)–\$10,000,000(exclusive) | e、f、g | e、f、g |
| \$10,000,000 (inclusive)–\$15,000,000(exclusive) | | |
| \$15,000,000 (inclusive)–\$30,000,000(exclusive) | a、b、c、d | a、b、c、d |
| \$30,000,000 (inclusive)–\$50,000,000(exclusive) | | |
| \$50,000,000 (inclusive)–\$100,000,000(exclusive) | | |
| \$100,000,000 and above | | |
| Total | 7 persons | 7 persons |

(II) Names of managers who receive employee bonus and distribution status

December 31, 2022

Unit: NT\$ thousand

| | Title | Name | Stock | Cash (Note) | Total | Proportion of total amount to net profits after tax (%) |
|---------|----------------------------------------|---------------|-------|-------------|--------|---------------------------------------------------------|
| Manager | CEO | CHOU WEI LIN | 0 | 66,115 | 66,115 | 4.44% |
| | Head of strategic investment committee | HUANG JEN HU | | | | |
| | COO | LEE KUN CHAN | | | | |
| | General manager | YU YAO KUO | | | | |
| | Senior Vice President | HUNG CHIN HAN | | | | |
| | Vice President | LIAO LI SHU | | | | |
| | Vice President | HOU CHIN HWA | | | | |
| | Senior Assistant Vice President | LAI NAN CHUN | | | | |
| | Financial Manager | HSU SHU HUI | | | | |
| | Assistant Vice President | YANG WEN CHI | | | | |
| | Assistant Vice President | HSU CHI PING | | | | |
| | Assistant Vice President | LYI PO YI | | | | |

Note: The amounts represent employees' bonus of \$ 121,401 thousand as resolved by the board of directors.

(III) Separately compare and describe total remuneration, as a percentage of net profit after tax stated in the parent company only financial reports, as paid by the Corporation and by each other company included in the consolidated financial statements during the latest 2 years to directors, supervisors, general managers, and vice president, and analyze and describe remuneration policies, standards and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Analysis of the proportion of the total remuneration of directors, supervisors, general manager and vice president of the Corporation paid by the Corporation and all companies in the consolidated financial statement to net profit after tax in parent company only financial statements of the latest two years

Unit: NT\$ thousand

| Item Title | The Corporation | | | | All companies in the consolidated financial statements | | | |
|---------------------------------------------------|-----------------|-----------------------------------------------------|-----------|-----------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|-----------|-----------------------------------------------------|
| | 2021 | | 2022 | | 2021 | | 2022 | |
| | Total | Proportion of total amount to net profits after tax | Total | Proportion of total amount to net profits after tax | Total | Proportion of total amount to net profits after tax | Total | Proportion of total amount to net profits after tax |
| Remuneration to directors | 14,362 | 1.75% | 28,114 | 1.89% | 14,362 | 1.75% | 28,114 | 1.89% |
| Remuneration to supervisors | 2,847 | 0.35% | - | - | 2,847 | 0.35% | - | - |
| Remuneration to general manger and vice president | 63,588 | 7.76% | 94,965 | 6.38% | 63,758 | 7.78% | 95,180 | 6.40% |
| Net profit after tax | 819,419 | - | 1,488,045 | - | 819,419 | - | 1,488,045 | - |

Note 1: The increase in total remuneration to directors, general manager and vice president in 2022 compared to 2021 is mainly due to the increase in net profit after tax and recognition of stock-based compensation costs for restricted stock award shares.

Note 2: Because of the establishment of an audit committee, which replaced the supervisors after the Corporation's regular shareholders' meeting held on July 22, 2021. Therefore, no remuneration was paid to supervisors in 2022.

2. Remuneration policies, standards, and packages, procedure for determining remuneration, and its linkage to operating performance and future risk exposure

- (1) The remuneration to directors includes salary, travelling expenses and bonus to directors:
According to the Corporation's articles of incorporation, when determining remuneration to the directors, remuneration standards in the same industry shall be taken into consideration. If a director of the Corporation concurrently holds other positions in the Corporation, the board of directors shall authorize the board chairperson to handle the remuneration for the positions in accordance with the internal regulations of the Corporation. The remuneration committee shall propose the remuneration of the board chairperson and directors, based on their participation in the operations of the Corporation and the value of their contributions, to the board of directors for ratification. The travel expenses are determined by the board of directors based on the typical pay levels adopted by peer companies and are paid according to the directors' attendance at the meetings of board of directors. In terms of remuneration to directors, the Corporation's articles of incorporation shall apply; if the Corporation makes a profit in a year, it shall set aside not more than 3% as remuneration to directors. At the same time, the degree of their personal involvement in the the Corporation's operations and the performance evaluation shall also be taken into consideration as a whole. The aspects to be considered include their fulfillment of the Corporation's core values, operational management abilities, financial and operational performance indicators and integration management indicators, continuing education and participation in sustainable management. In addition, other special contributions or significant negative incidents shall also be measured and considered in the performance evaluation for the remuneration payment.
- (2) The remuneration to the managers includes salaries, incentives and employee bonuses. The salaries, incentives and employee bonuses are determined based on the remuneration levels in the same industry, the scope of their duties and responsibilities, their contribution to the Corporation's overall operations and their performance achievement pursuant to the regulations governing employee remuneration established by the Corporation and applicable rules. In terms of remuneration to employees, the Corporation's articles of incorporation shall apply; if the Corporation makes a profit in a year, it shall set aside not less than 5% as remuneration to employees. At the same time, the degree of their personal involvement in the the Corporation's operations and the performance evaluation shall also be taken into consideration as a whole. The aspects to be considered include their fulfillment of the work performance goals, expertise and potential, internal management and leadership. In addition, other special contributions or significant negative incidents shall also be measured and considered in the performance evaluation for the remuneration payment.
- (3) The remuneration to directors and managers is proposed by the Corporation's remuneration committee and then submitted to the Corporation's board of directors for discussion and resolution.
- (4) In accordance with the Corporation's articles of incorporation and the operations of the board of directors and the remuneration committee, the remuneration to directors and managers shall be promptly reviewed based on their participation in the Corporation's operations and the value of their contributions. Besides, the possibility and relevance of the future risks shall be minimized in order to strike a balance between sustainable operation and risk control. The Corporation has purchased liability insurance for all of its directors and managers. By having directors' and managers' liability insurance, the Corporation is able to mitigate its exposure to unknown risks, and to offload the potential damages that may incurred by the directors, managers and the Corporation when carrying out duties.

IV. State of of corporate governance implementation

(I) Operations of the board of directors

In the latest year, the board of directors convened a total of 6 meetings (A). Attendance of directors is listed as follows

| Title | Name | Attendance in person B | By proxy | Attendance rate (%) 【B/A】 | Remarks |
|-------------|--------------|------------------------|----------|------------------------------|---------|
| Chairperson | CHOU WEI LIN | 6 | 0 | 100.00 | |

| | | | | | |
|----------------------|---------------------------------------------------------------|---|---|--------|--|
| Deputy Chairperson | LEE KUN CHAN | 6 | 0 | 100.00 | |
| Director | Representative of Zong Xin Investment Co., Ltd.: HUANG JEN HU | 6 | 0 | 100.00 | |
| Director | YU YAO KUO | 6 | 0 | 100.00 | |
| Director | HOU CHIN HWA | 6 | 0 | 100.00 | |
| Director | HUNG CHIN HAN | 6 | 0 | 100.00 | |
| Director | Civic Textile Co., Ltd. Representative: TSAI YU CHIN | 6 | 0 | 100.00 | |
| Independent Director | YEN KUO LUNG | 6 | 0 | 100.00 | |
| Independent Director | SU MING YANG | 6 | 0 | 100.00 | |
| Independent Director | HSU HSOU CHUN | 6 | 0 | 100.00 | |

Other mentionable items:

I. If any of the following circumstances occur during the operation of the board of directors, the dates of the board meetings, sessions, contents of motion, all independent directors' opinions and the Corporation's response should be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act:

Matters referred to in Article 14-3 of the Securities and Exchange Act as follows, all independent directors express no objection or reservation, and the resolutions are approved by the board of directors.

| Date and session of meeting | Agenda of Discussion | Independent Director's Comment | |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------|
| | | No comments | Any objection, expression of reservations or significant recommendations |
| 2022.3.23 The 13th board of directors The 4th meeting | Resolution to approve the CPA appointment for audit or review of the Corporation's 2022 financial report and professional fee thereof | ✓ | |
| | Resolution to approve the amendment to the regulations related to the remuneration of the Corporation's managers | ✓ | |
| | Resolution to approve the loan of funds from the Corporation to its subsidiary, KOHO (Taiwan) Co., Ltd. | ✓ | |
| | Resolution to approve the amendment to the "Regulations Governing the Acquisition and Disposal of Assets" | ✓ | |
| | Resolution to approve the amendment to the Corporation's 2022 "Internal Control System" and "Internal Audit Implementation Rules" | ✓ | |
| | Resolution to approve the Corporation's 2021 "Internal Control System Effectiveness Assessment" and "Statement of Internal Control System" | ✓ | |
| | Resolution to approve the Corporation's first issuance of new restrictive employee shares of 2022 | ✓ | |
| | Resolution to approve the release of independent director, HSU HSOU CHUN, and director, LEE KUN CHAN, from the prohibition of competition. | ✓ | |
| 2022.5.4 | Resolution to approve the 2021 bonus to directors and supervisors | ✓ | |

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| The 13th board of directors The 5th meeting | Resolution to approve the 2021 employee bonus to managers | ✓ | |
| | Resolution to approve the managers' promotion and salary adjustment | ✓ | |
| | Resolution to approve the loan of funds from the Corporation to its subsidiary, Lipers Enterprise Co., Ltd. | ✓ | |
| | Resolution to approve the loan of funds from the Corporation to its subsidiary, Advance Electronic Supply Inc. | ✓ | |
| | Resolution to approve the Corporation to issue new common shares by means of a private placement. | ✓ | |
| 2022.7.14 The 13th board of directors The 6th meeting | Resolution to approve the list of employees and managers who are the recipients of the first restricted employee shares of 2022 | ✓ | |
| 2022.8.9 The 13th board of directors The 7th meeting | Resolution to approve the disposal of the shares of the subsidiary, Sentelic Corporation | ✓ | |
| | Resolution to approve the release of the representative of the juridical person, director TSAI YU CHIN, from the prohibition of competition. | ✓ | |
| 2022.11.10 The 13th board of directors The 9th meeting | Resolution to approve the loan of funds from the Corporation to its subsidiary, Lipers Enterprise Co., Ltd. | ✓ | |
| | Resolution to approve the loan of funds from the Corporation to its subsidiary, Scope Technology Co., Ltd. | ✓ | |
| | Resolution to approve the loan of funds from the Corporation to its subsidiary, Advance Electronic Supply Inc. | ✓ | |

(II) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that require a resolution by the board of directors: none.

II. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting status should be specified:

| Date and session of meeting | Names of directors | Description of proposal | Causes for avoidance and voting status |
|-------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2022.3.23 The 13th board of directors The 4th meeting | HUNG CHIN HAN | Proposal to approve the appointment of the manager and the related remuneration plan resolved by the Corporation's remuneration committee | In this proposal, as HUNG CHIN HAN is a director of the Corporation, he recused himself from the discussion of his own remuneration and did not participate in the voting. The rest was approved by all directors and independent directors present without objection . |
| | HSU HSOU CHUN LEE KUN CHAN | Proposal to approve the release of independent director, HSU HSOU CHUN, and director, LEE KUN CHAN, from the prohibition of competition. | In this proposal, as HSU HSOU CHUN and LEE KUN CHAN are independent directors and directors of the Corporation, they are required to recuse themselves from the discussion of their own prohibition of competition and not to participate in the voting. The rest were approved by all directors and independent directors present without any objection, and the proposal will be submitted to the next shareholders' |

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| | | | meeting for discussion and resolution. |
| 2022.5.4 The 13th board of directors The 5th meeting | All the directors present have been recused from their respective interests in succession. | Proposal to approve the 2021 bonus to directors and supervisors as resolved by the remuneration committee of the Corporation. | In this proposal, as the meeting chairperson, CHOU WEI LIN, is the chairperson of the Corporation, he recused himself from the discussion of the amount of his own director's bonus and did not participate in the voting; thus, director YEN KUO LUNG was appointed as the acting chairperson, and the proposal was passed after the acting chairperson obtained the approval from all other directors and independent directors present without any objection. In addition, when discussing the bonus amount to other directors, the other directors recused themselves from their respective interests and did not participate in the voting on their own bonus amount. As a result, the proposal was passed after the Chairperson, CHOU WEI LIN, obtained the approval from all directors and independent directors present without any objection. |
| | CHOU WEI LIN HUANG JEN HU LEE KUN CHAN YU YAO KUO HOU CHIN HWA HUNG CHIN HAN | Proposal to approve the 2021 employee bonus to managers as resolved by the remuneration committee of the Corporation. | As the chairperson, CHOU WEI LIN, is the CEO of the Corporation, he has to recuse himself from the discussion of his own annual employee bonus payment and not participate in the voting. Therefore, Director YEN KUO LUNG was appointed as the acting Chairperson. In addition to the fact that the representative of juridical person, HUANG JEN HU, and the directors, CHOU WEI LIN, LEE KUN CHAN, YU YAO KUO, HOU CHIN HWA and HUNG CHIN HAN, who are the head of the strategic and investment committee, the CEO, the COO, the general manager, the vice president and controller, and the vice president of the Corporation should recuse themselves from voting on their own annual employee bonus payments, after the acting chairperson obtained the approval from the directors and independent directors present, the rest were passed by all directors and independent directors present without any objection. |

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| | <p>CHOU WEI LIN HUANG JEN HU LEE KUN CHAN YU YAO KUO HOU CHIN HWA HUNG CHIN HAN</p> | <p>Proposal to approve the managers' promotion and salary adjustment as resolved by the remuneration committee of the Corporation.</p> | <p>As the chairperson, CHOU WEI LIN, is the CEO of the Corporation, he has to recuse himself from the discussion of his own promotion and salary adjustment and not participate in the voting. Therefore, Director YEN KUO LUNG was appointed as the acting Chairperson. In addition to the fact that the representative of juridical person, HUANG JEN HU, and the directors, CHOU WEI LIN, LEE KUN CHAN, YU YAO KUO, HOU CHIN HWA and HUNG CHIN HAN, who are the head of the strategic and investment committee, the CEO, the COO, the general manager, the vice president and controller, and the vice president of the Corporation should recuse themselves from voting on their own promotion and salary adjustment, after the acting chairperson obtained the approval from the directors and independent directors present, the rest were passed by all directors and independent directors present without any objection.</p> |
| <p>2022.7.14 The 13th board of directors The 6th meeting</p> | <p>CHOU WEI LIN HUANG JEN HU LEE KUN CHAN YU YAO KUO HOU CHIN HWA HUNG CHIN HAN</p> | <p>Proposal to approve the list of employees and managers who are the recipients of the first restricted employee shares of 2022 as resolved by the Corporation's remuneration committee.</p> | <p>As the meeting chairperson, CHOU WEI LIN, is the CEO of the Corporation, he recused himself from the discussion of the number of shares to him and did not participate in the voting; thus, director YEN KUO LUNG was appointed as the acting chairperson, and the proposal was passed after the acting chairperson obtained the approval from all other directors and independent directors present without any objection. When discussing the number of shares to other employees and managers, in addition to the fact that the representative of juridical person, HUANG JEN HU, and the directors, LEE KUN CHAN, YU YAO KUO, HOU CHIN HWA and HUNG CHIN HAN, who are the head of the strategic and investment committee, the COO, the general manager, the vice president and controller, and the senior vice president of the Corporation should recuse themselves from voting on the shares to themselves, after the chairperson, CHOU WEI LIN, obtained the approval from the directors and independent directors present, the rest were passed by all directors and independent directors present without any objection.</p> |
| <p>2022.8.9 The 13th board of directors The 7th meeting</p> | <p>LEE KUN CHAN</p> | <p>Proposal to approve the disposal of the shares of the subsidiary, Sentelic Corporation as resolved by the Corporation's audit committee.</p> | <p>Except for Mr. LEE KUN CHAN, a director of the Corporation, who was recused from the voting of the proposal due to his shareholding in Sentelic Corporation, all the directors and independent directors present agreed to pass the proposal.</p> |

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| 2022.8.9 The 13th board of directors The 7th meeting | TSAI YU CHIN | Proposal to approve the release of the representative of the juridical person, director TSAI YU CHIN, from the prohibition of competition. | In this proposal, as TSAI YU CHIN is the representative of the juridical person of the Corporation, she is required to recuse herself from the discussion of her own prohibition of competition and not to participate in the voting. The rest were approved by all directors and independent directors present, and the proposal will be submitted to the next shareholders' meeting for discussion and resolution. |
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III. The board of directors evaluation and implementation

| Evaluation cycle | Evaluation period | Evaluation scope | Evaluation method | Assessment Contents | Evaluation result |
|------------------|---------------------|------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| Once a year | 2022/1/1-2022/12/31 | The whole board of directors | board of directors Self-evaluation | <ol style="list-style-type: none"> 1. Participation in the operation of the Corporation 2. Improvement of the quality of the board of directors' decision making 3. Composition and structure of the board of directors 4. Election and continuing education of the directors 5. Internal control | The overall average score is 4.82 (out of 5) |
| Once a year | 2022/1/1-2022/12/31 | Each board member | Board members' self-evaluation | <ol style="list-style-type: none"> 1. Alignment of the goals and missions of the Corporation 2. Awareness of the duties of a director 3. Participation in the operation of the Corporation 4. Management of internal relationship and communication 5. Director's professionalism and continuing education 6. Internal control | The overall average score is 4.93 (out of 5) |
| Once a year | 2022/1/1-2022/12/31 | Remuneration committee | Self-evaluation of the committee | <ol style="list-style-type: none"> 1. Participation in the operation of the Corporation 2. Awareness of the duties of the remuneration committee 3. Improvement of quality of decisions made by the remuneration committee 4. Makeup of the remuneration committee and election of its members 5. Internal control | The overall average score is 5 (out of 5) |
| Once a year | 2022/1/1-2022/12/31 | Audit committee | Self-evaluation of the committee | <ol style="list-style-type: none"> 1. Participation in the operation of the Corporation 2. Awareness of the duties of the audit committee 3. Improvement of quality of decisions made by the audit committee 4. Makeup of the audit committee and election of its members 5. Internal control | The overall average score is 5 (out of 5) |

IV. Targets for strengthening of the functions of the board of directors during the current year and the latest year, and performance evaluation thereof:

- (I) The Company actively provides information on various types of continuous education courses and encourages directors to participate in various corporate governance courses, or the Company irregularly holds such courses, in order to strengthen the competencies of the Board members.

- (II) Holding investor conference occasionally to enhance investors' recognition of the company.
- (III) On July 22, 2021, the Company elected independent directors and established an audit committee at the shareholders' meeting. The committee meets at least once a quarter, fully communicates with CPAs, makes timely and objective professional advices, and oversees important operational affairs of the Company thoroughly.
- (IV) In order to implement corporate governance and enhance the functions of the Board of Directors to establish performance targets to strengthen the efficiency of the Board of Directors' operations, the Company completed the establishment of "Board of Directors' Performance Evaluation Method" on August 13, 2020.
- (V) The Company's website contains a "Shareholders' Section," "Stakeholders' Section" and "Corporate Governance," which are available for investors to access the Company's information.

(II) Operations of audit committee

In the latest year, the audit committee convened a total of 5 meetings (A). Attendance of independent directors is listed as follows:

| Title | Name | Attendance in person (B) | By proxy | Attendance rate (%) (B/A) | Remarks |
|----------------------|---------------|--------------------------|----------|---------------------------|---------|
| Independent Director | YEN KUO LUNG | 5 | 0 | 100.00 | |
| Independent Director | SU MING YANG | 5 | 0 | 100.00 | |
| Independent Director | HSU HSOU CHUN | 5 | 0 | 100.00 | |

Other mentionable items:

I. If any of the following circumstances occur, the dates of meetings of the audit committee; sessions; contents of motion; independent directors' objections, reservations or significant suggestions; resolutions of the audit committee and the Corporation's response to the audit committee's opinions should be specified.

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

| Date and session of meeting | Proposals | Independent directors' objections, reservations or significant suggestions | Resolutions made by the audit committee | The Corporation's response to the audit committee's opinions |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| 2022.3.23 The 1st audit committee The 4th meeting | <ol style="list-style-type: none"> Resolution to approve the Corporation's 2021 parent company only financial statements, consolidated financial statements and business reports Resolution to approve the CPA appointment for audit or review of the Corporation's 2022 financial report and professional fee thereof Resolution to approve the Corporation's 2021 dividend distribution Resolution to approve the loan of funds from the Corporation to its subsidiary, KOHO (Taiwan) Co., Ltd. Resolution to approve the amendment to the "Regulations Governing the Acquisition and Disposal of Assets" Resolution to approve the amendment to the Corporation's 2022 "Internal Control System" and | None | After the Chairperson consulted all members present, the proposals were approved by all the members without objection. | These matters are submitted to the 4th meeting of the 13th board of directors for resolution |

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| | | <p>"Internal Audit Implementation Rules"</p> <p>7. Resolution to approve the Corporation's 2021 "Internal Control System Effectiveness Assessment" and "Statement of Internal Control System"</p> <p>8. Resolution to approve the Corporation's first issuance of new restrictive employee shares of 2022</p> | | | |
| | <p>2022.5.4 The 1st audit committee The 5th meeting</p> | <p>1. Resolution to approve the Corporation's Q1, 2022 consolidated financial statements.</p> <p>2. Resolution to approve the loan of funds from the Corporation to its subsidiary, Lipers Enterprise Co., Ltd.</p> <p>3. Resolution to approve the loan of funds from the Corporation to its subsidiary, Advance Electronic Supply Inc.</p> <p>4. Resolution to approve the Corporation to issue new common shares by means of a private placement.</p> | None | <p>After the Chairperson consulted all members present, the proposals were approved by all the members without objection.</p> | <p>These matters are submitted to the 5th meeting of the 13th board of directors for resolution</p> |
| | <p>2022.8.9 The 1st audit committee The 6th meeting</p> | <p>1. Resolution to approve the Corporation's Q2, 2022 consolidated financial statements.</p> <p>2. Resolution to approve the disposal of the shares of the subsidiary, Sentelic Corporation</p> | None | <p>After the Chairperson consulted all members present, the proposals were approved by all the members without objection.</p> | <p>These matters are submitted to the 7th meeting of the 13th board of directors for resolution</p> |
| | <p>2022.10.6 The 1st audit committee The 7th meeting</p> | <p>Resolution to approve the pricing, record date of the capital increase, and related matters for the private placement of the Corporation's new common shares.</p> | None | <p>After the Chairperson consulted all members present, the proposals were approved by all the members without objection.</p> | <p>These matters are submitted to the 8th meeting of the 13th board of directors for resolution</p> |
| | <p>2022.11.10 The 1st audit committee The 8th meeting</p> | <p>1. Resolution to approve the Corporation's Q3, 2022 consolidated financial statements.</p> <p>2. Resolution to approve the loan of funds from the Corporation to its subsidiary, Lipers Enterprise Co., Ltd.</p> <p>3. Resolution to approve the loan of funds from the Corporation to its subsidiary, Scope Technology Co., Ltd.</p> | None | <p>After the Chairperson consulted all members present, the proposals were approved by all the members</p> | <p>These matters are submitted to the 9th meeting of the 13th board of directors for resolution</p> |

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| | 4. Resolution to approve the loan of funds from the Corporation to its subsidiary, Advance Electronic Supply Inc. 5. Resolution to approve the Corporation's "2023 Annual Audit Plan " | | without objection. | |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------------------|--|

(II) Other matters which were not approved by the audit committee but were approved by two-thirds or more of all directors: none.

II. If there are independent directors' avoidance of motions in conflict of interest, the independent directors' names, contents of motion, causes for avoidance and voting status should be specified: none.

III. Communications between the independent directors, the Corporation's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.):

(I) Communication between independent directors and CPAs

1. The CPAs attend the meeting of the audit committee at least twice a year to report the results of the annual audit and semi-annual review on the financial statements.
2. When necessary, the independent directors are able to liaise and fully communicate with the CPAs at any time.
3. Matters Discussed by independent directors and CPAs

| Meeting date | Discussed matters | Communication result |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| 2022.3.23 | 1. The audit result of 2021 financial report. 2. The application of new laws and guidelines. 3. Improvement of the timeliness and quality of information disclosed by TWSE-listed and TPEX-listed companies in Corporate Governance 3.0 -Sustainable Development Roadmap. (Closed Door Session) | No objection. |
| 2022.8.9 | Type and content of the review report for the Q2, 2022 consolidated financial statements. (Closed Door Session) | No objection. |

The communication between the CPAs and the independent directors includes the audit scope and schedule for the key audit matters of the financial statements, the findings and conclusions of the audit, and the impact of legal amendments on the Corporation. Moreover, the CPAs has provided a statement stating that the personnel of the CPA firm who are subject to independence regulations have complied with the norm of professional ethics for CPAs. Consequently, the communication between the CPAs and the independent directors of the Corporation is effective.

(II) Communication between independent directors and internal audit officer

1. The independent directors and chief internal auditor meet semi-annually and communicate with each other at any time as necessary. The chief internal auditor reports to the independent directors on the Corporation's major audit operations, and the performance and effectiveness of the audit operations are well communicated. Summary of communication between independent directors and chief internal auditor

| Meeting date | Discussed matters | Communication result |
|--------------|-----------------------------------------------------------------------------------------------|----------------------|
| 2022.5.4 | Report on the results of audit operations for March–April 2022. | No objection. |
| 2022.11.10 | 1. Report on the results of audit operations for July–October 2022. 2. Audit plan for 2023 | No objection. |

2. The chief audit auditor submitted the audit report to the independent directors for review by the end of the month following the completion date of the audit project, and the independent directors did not express any objection.
3. The chief internal auditor attended the meeting of the board of directors of the Corporation and presented the audit report, and the independent directors did not express any objection.

(III) State of the Corporation's implementation of corporate governance, any discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reason thereof

| Evaluation item item | Status of implementation | | | Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reason thereof |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| I. Does the Corporation establish and disclose the Corporate Governance Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"? | ✓ | | The Corporation has established its "Corporate Governance Principle." in 2017. In addition, the Corporation pays prompt attention to the updates of laws, strengthens its organizational structure and makes disclosures on its website and the Market Observation Post System, and the relevant operations are carried out in accordance with the important applicable regulations. | No discrepancies. |
| II. Shareholding structure & shareholders' rights | | | | |
| (I) Does the Corporation establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? | ✓ | | (I) In order to ensure the shareholders' rights and interests, the Corporation has set up dedicated personnel to handle shareholders' suggestions, doubts and disputes. | No discrepancies. |
| (II) Does the Corporation possess the list of its major shareholders as well as the ultimate owners of those shares? | ✓ | | (II) The Corporation has appointed a professional stock agency organization to take the responsibility and has dedicated personnel to keep track of the list of major shareholders who actually control the Corporation. | No discrepancies. |
| (III) Does the Corporation establish and execute the risk management and firewall system within its conglomerate structure? | ✓ | | (III) The Corporation has established various risk control mechanisms related to its affiliates, including the "Procedures for Transactions with Specified Companies, Related Parties and affiliates of the Group" and the "Regulations on the Management of Long-term and Short-term Marketable Securities." | No discrepancies. |
| (IV) Does the Corporation establish internal rules against insiders trading securities with undisclosed information? | ✓ | | (IV) The Corporation has established its "Procedures for Handling Material Inside Information" and "Prevention Practice for Insider Trading" to prevent improper release of undisclosed information and to inform insiders about insider trading related laws and regulations. The Corporation regularly disseminates the "Prevention Procedure for Insider Trading" and related laws and regulations to its directors, managers and employees. When new directors and managers take office, and new employees arrive at work, the shareholder service department conducts education and dissemination of relevant laws and regulations for them. Before the end of each quarter, the Corporation e-mails its directors to give them notice and advice on the time points when they are not allowed to | No discrepancies. |

| Evaluation item item | Status of implementation | | | Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reason thereof |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| | | | <p>trade their shares in the following quarter, so that the insiders can avoid any violation of the Securities and Exchange Act and other stock-related laws and regulations. The relevant time points are as follows:</p> <ol style="list-style-type: none"> 1. The period prior to or within 18 hours after the public disclosure of monthly consolidated revenue 2. 15 days prior to the announcement of each quarterly financial report. 3. 30 days prior to the announcement of the annual financial report. | |
| <p>III. Composition and responsibilities of the board of directors</p> <p>(I) Does the board of directors develop and implement a diversified policy and concrete management objectives for the composition of its members?</p> <p>(II) Does the Corporation voluntarily establish other functional committees in addition to the remuneration committee and the audit committee?</p> <p>(III) Does the Corporation establish a standard to measure the performance of the board of directors and implement it annually, and are performance evaluation results submitted to the board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?</p> <p>(IV) Does the Corporation regularly evaluate the independence of CPAs?</p> | <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> | | <p>(I) All members of the board shall have the knowledge, skills, and experience necessary to perform their duties. For the diversified policy, concrete management objectives and implementation status for the composition of its members, please refer to page 21.</p> <p>(II) The Corporation has established the remuneration committee and the audit committee in accordance with the law, and each department is responsible for the operation of corporate governance.</p> <p>(III) In 2020, the Corporation established its "Rules for Performance Evaluation of Board of Directors." The internal evaluations of board of directors are implemented annually, and the performance evaluation results are submitted to the board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection. The 2022 performance evaluation of the board of directors was submitted to the board of directors on March 13, 2023.</p> <p>(IV) The Corporation shall reference Audit Quality Indicators (AQIs) to evaluate the independence and suitability of the CPAs engaged by the Corporation regularly (no less frequently than once annually), and the appointment of the CPAs shall be resolved by the board of directors (For details, please refer to page 42.)</p> | <p>No discrepancies.</p> <p>No discrepancies.</p> <p>No discrepancies.</p> <p>No discrepancies.</p> |
| <p>IV. Does the Corporation appoint a suitable number of competent personnel and a supervisor</p> | <p>✓</p> | | <p>The Board of Directors announced on May 11th, 2020, and appointed Carol Liao as the chief corporate governance officer. In</p> | <p>No discrepancies.</p> |

| Evaluation item item | Status of implementation | | | Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reason thereof |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)? | | | addition, the Company's Shareholder Service Department assists the corporate governance officer in handling corporate governance-related affairs. The affairs include, but are not limited to, providing information necessary for the directors to carry out their duties, assisting the directors in complying with laws and regulations, handling matters related to meetings of the board of directors and shareholders' meetings, preparing minutes for meetings of the board of directors and shareholders' meetings, etc. The corporate governance officer's continuing education in 2022 please refer to page 45. | |
| V. Has the Corporation established communication channels with stakeholders (including but not limited to shareholders, employees, customers, and suppliers), set up a stakeholders section on corporate website and adequately respond to stakeholders' inquiries on material corporate social responsibility issues? | ✓ | | The Corporation has established a spokesperson system. Furthermore, in order to establish a communication channel for stakeholders, a stakeholders' section has been set up on the Corporation's website to properly respond to stakeholders' questions and suggestions. | No discrepancies. |
| VI. Does the Corporation appoint a professional shareholder service agency to deal with shareholder affairs? | ✓ | | The Corporation appoints a professional stock agency, Stock Agency Department of Yuanta Securities Co., Ltd., to handle matters related to the shareholders' meeting. | No discrepancies. |
| VII. Information disclosure | | | | |
| (I) Does the corporation have a corporate website to disclose both financial standings and the status of corporate governance? | ✓ | | (I) The Corporation's website is maintained and updated by dedicated personnel, and information related to the Corporation's finance and corporate governance is available for shareholders and the general public. | No discrepancies. |
| (II) Does the Corporation have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? | ✓ | | (II) The Corporation has designated dedicated personnel to collect and disclose its corporate information, and a spokesperson system has been established. Furthermore, material information is released simultaneously on the Corporation's Chinese/English website in both Chinese and English to ensure information that may affect shareholders' and stakeholders' decisions is disclosed timely and appropriately. | No discrepancies. |
| (III) Does the Corporation announce and report annual financial statements within two months after the end of | | ✓ | (III) The Corporation announces and reports its annual financial statements, Q1, Q2, and Q3 financial statements and monthly business results within the due date specified in Article 36 of the Securities and Exchange Act. | There are some minor discrepancies from the Corporate Governance Best Practice Principles for TWSE/TPEX |

| Evaluation item item | Status of implementation | | | Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reason thereof |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the prescribed time limit? | | | | Listed Companies; however, they are still in compliance with the Securities and Exchange Act. |
| VIII. Is there any other important information to facilitate a better understanding of the Corporation's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and the Corporation's liability insurance purchase for directors and supervisors)? | | | | |
| (I) Employee rights and employee wellness | ✓ | | (I) In addition to establishing a joint employee benefit committee with the subsidiaries, the Corporation also set up measures, such as pension systems and year-end bonuses, and has created a healthy and safe working environment for its employees. To protect the legal rights of employees, labor-management meetings are held regularly in accordance with the Labor Standards Act and other applicable laws and regulations. Besides, the employees' personal information is handled discreetly. Except for the governmental requirements, the employees' personal information shall not be revealed. Employee group insurance and regular health checkups are provided for the employees. Moreover, the Corporation values labor relations and provides equal job opportunities for employees. | No discrepancies. |
| (II) Investor relations | ✓ | | (II) The Corporation has set up a dedicated shareholder service unit to handle investor relations and shareholders' suggestions. In addition, the Corporation honestly discloses its corporate information pursuant to the laws and regulations in order to protect the rights and interests of investors, thus fulfilling the corporate responsibility to shareholders. | No discrepancies. |
| (III) Supplier relations | ✓ | | (III) The Corporation regularly reviews the validity of suppliers' certifications, and gives recognition to suppliers with excellent ratings, so that both parties can support each other to create a win-win situation. Purchase contracts are signed regularly to protect the corporation's interests. Seminars are held from time to time to promptly obtain the latest product information, thereby benefiting the marketing capability. Monthly meetings are held so that both parties can communicate and understand the market trends. Moreover, irregular meetings are | No discrepancies. |

| Evaluation item item | Status of implementation | | | Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reason thereof |
|------------------------------------------------------------------------------|--------------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| | | | held from time to time to discuss strategies in response to market conditions. The communication channel between the Corporation and the suppliers is smooth and the relationship is well maintained. | |
| (IV) Rights of stakeholders | ✓ | | (IV) The Corporation's website has a stakeholder's section. In addition, the Corporation respects the legal rights and interests of all stakeholders, including its creditors, shareholders, employees, customers, suppliers and the community, and therefore has maintained smooth communication channels for them. Besides, the stock agency of the Corporation, Stock Agency Department of Yuanta Securities Co., Ltd., also assists in handling issues arising from the Corporation's shareholders and stakeholders and gives advises for them. Furthermore, the Corporation has hired a legal advisor. If legal issues are involved, the Corporation will consult the legal advisor and appoint a professional lawyer or legal professional to handle the matter in order to protect the interests of the stakeholders. The communication with stakeholders was reported to the board of directors on November 10, 2022. | No discrepancies. |
| (V) Directors' and supervisors' training | ✓ | | (V) All directors of the Corporation have professional backgrounds and have completed continuing education courses pursuant to the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies." In addition, the Corporation also provides information regarding continuing education from time to time for reference. The information on the training courses is as follows and has been uploaded to the Market Observation Post System pursuant to the regulations(for details, please refer to page 46). | No discrepancies. |
| (VI) Implementation of risk management policies and risk evaluation measures | ✓ | | (VI) In order to strengthen the risk management of cyber security, the Corporation has established a cyber security executive team, set up a cyber security risk management framework, formulated cyber security policies and concrete management plans, and regularly reviewed cyber security policies to ensure the security of cyber communications. The Corporation's concrete management plans for cyber security can be divided into prevention, daily operational | No discrepancies. |

| Evaluation item item | Status of implementation | | | Discrepancies from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reason thereof |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| | | | maintenance, and cyber security incident handling based on the timing of the occurrence of cyber security incidents. | |
| (VII) Implementation of customer relations policies | ✓ | | (VII) The Corporation has set up a marketing & sales department and a sales support department to provide product services and answers to customers' questions, maintain a smooth communication channel with customers, and strictly comply with the relevant contract terms signed with customers and ensure the rights and interests of customers, and maintain good relationships with customers. In addition, to meet the needs of the customers, the Corporation has expanded its service locations in Mainland China to serve the customers nearby and shorten the delivery time. | No discrepancies. |
| (VIII)The Corporation's liability insurance purchase for directors and supervisors | ✓ | | (VIII) The Corporation has purchased liability insurance for the directors. | No discrepancies. |
| <p>IX. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>(I) Improvements made:</p> <ol style="list-style-type: none"> 1、 In 2022, two investor conferences were held on June 1, 2022 and November 15, 2022, respectively. 2、 The diversity of the board of directors, the specific number or proportion of positions, and the diversified background of each director have been disclosed on the Corporation's website. 3、 There are at least two independent directors whose terms of office do not exceed three consecutive terms. 4、 The Corporation's "Corporate Governance Principles" stipulates the appointment, dismissal, evaluation and salary compensation of internal auditors shall be approved by the chairman and proposed by the chief internal auditor. <p>(II) Priority enhancement measure for unimproved matters:</p> <ol style="list-style-type: none"> 1、 In light of the need for diversification of the Corporation's operations and business development in the future, the Corporation will consider adding more diversified board members, increasing the positions of independent directors, or having a majority of directors who are not also employees or managers. 2、 The Corporation shall prepare English version shareholders' meeting handbooks, annual reports and annual financial statements to enhance the information transparency. | | | | |

Note 1: report on the evaluation of the independence and suitability of the Corporation's CPAs

1、 Legal requirements

- (1) In accordance with Article 29 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies," the Corporation shall select as its external auditor a professional, responsible, and independent CPA, who shall perform regular audit of the financial conditions and internal control measures of the Corporation.

The Corporation shall reference Audit Quality Indicators (AQIs) to evaluate the independence and suitability of the CPAs engaged by the Corporation regularly (no less frequently than once annually). In the event that the Corporation engages the same CPA without replacement for 7 years consecutively, or if the CPA is subject to disciplinary action or other circumstances prejudicial to the CPA's independence, the Corporation shall evaluate the necessity of replacing the CPA and submit its conclusion to the board of directors.

- (2) In accordance with article 68 of the Standards on Quality Control No. 1, "Quality control for CPA Firms," the CPA in charge should be rotated after a period of time (usually not more than seven years) and should not return within a certain period of time (usually not less than two years).

2、 Evaluation result

(1) Evaluation of the relationship between the CPAs and the Corporation

The following is an evaluation according to the Norm of Professional Ethics for Certified Public Accountant No.10 "Integrity, Objectivity and Independence":

| Independence Requirements | | Compliance with independence | |
|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----|
| Item | Remarks | Yes | No |
| 1 | CPAs should avoid and should not accept the engagement when they may have involved in any direct or material indirect interests which may impair their impartiality and independence. | ✓ | |
| 2 | In addition to maintaining independence in fact, CPAs shall also maintain independence in appearance when they audit, review verify financial statements, conduct special examination, and form their opinions. Therefore, the members of audit team, the partners of the firm or shareholders of corporate accounting firms, accounting firms, and any of affiliates, and network firms, must be always independent with his/her/their clients. | ✓ | |
| 3 | A CPA shall be honest, objective and keeping the spirit of independence, to serve the community. (1) Integrity: A CPA shall perform professional services under an honest and rigorous manner. A CPA shall be straightforward and honest in all professional and business relationships. (2) Impartiality and objectivity: When performing professional services, CPAs should be impartial and objective and should avoid bias, conflict of interest or relations that may affect professional judgment. Integrity and objectivity include being unbiased and taking due professional care between the information provider and users. (3) Independence: CPAs shall have independence in fact and in appearance, to express an opinion on financial statements for the work of auditing, review or special audit. | ✓ | |
| 4 | Independence is related with the integrity and objectivity. In the lack of or impairment of independence, the integrity and objectivity could also not be held. | ✓ | |
| 5 | Independence may be impaired by self-interest, self-review, advocacy, familiarity and intimidation. | ✓ | |
| 6 | The Impact of self-interest on the independence means to acquire a financial interest in an audit client or has another conflict of interest created by other interests or relationships with the client. Situations that may have such these impacts generally include the following: (1) Having a direct or material indirect financial interest in the audit client. (2) Having undue dependence on total fees from a client. (3) Having a significant close business relationship with an audit client. (4) Being concerned about the possibility of losing a significant client. (5) Having potential employment with the audit Client. (6) Having contingent fee arrangement relating to an audit engagement. (7) Significant error of a previous professional service performed by other practitioners of the same firm was found. | ✓ | |

| Independence Requirements | | Compliance with independence | |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----|
| Item | Remarks | Yes | No |
| 7 | <p>The Impact of self-review on the independence means that a CPA uses the reports or judgments that result from non-assurance services as an important factor to conclude the result of audit or review on financial information; or a member of the audit team is an audit client's former director or, supervisor or is in a key position to influence the audit engagement. Situations that may have such these impacts generally include the following:</p> <ol style="list-style-type: none"> (1) A firm issuing an assurance report on the effectiveness of the operation of financial systems after designing or implementing the systems. (2) An original data prepared by the firm was used to certify material matters of assurance engagements. (3) A member of the audit team being, or having recently been, a director, manager, or in a position to exert significant influence over the subject matter of the engagement in the latest two years. (4) The firm performing a service for non-audit client that directly affects the subject matter information of the audit engagement. | ✓ | |
| 8 | <p>The Impact of advocacy on the independence means that a member of the audit team acting as an advocate in support of the client's position that results in objectivity challenged. Situations that may have such these impacts generally include the following:</p> <ol style="list-style-type: none"> (1) The firm promoting or brokering shares in an audit client or other securities issued by the client. (2) Except for legally permitted businesses, a professional accountant acting as an advocate on behalf of an audit client in litigation or disputes with third parties. | ✓ | |
| 9 | <p>The Impact of familiarity on the independence means that a close relationship with an audit clients' director, supervisor and manager will influence a CPA or a member of the audit team to excessive concern or sympathize with the audit clients' interests. Situations that may have such these impacts generally include the following:</p> <ol style="list-style-type: none"> (1) A member of the audit team having a family member who is a director, supervisor, or manager of the client or an employee of the client who is in a position to exert significant influence over the subject matter of the audit engagement. (2) A former partner within one year of disassociating from the firm joins the client as a director, supervisor, or manager or is in a key position to exert significant influence over the subject matter of the audit engagement. (3) A CPA accepting valuable gifts or preferential treatment from the client, the client's director, supervisor, manager or major shareholder. | ✓ | |
| 10 | <p>The impact on independence from threats is when a member of the audit team experiences or feels threatened by an audit client so that he or she cannot be objective and clarify professional doubts. Situations that may have such these impacts generally include the following:</p> <ol style="list-style-type: none"> (1) A firm being threatened with litigation by the client (2) An audit client threatens that it will revoke a planned non-assurance contract to the firm if the firm continues to disagree with the client's accounting treatment for a particular transaction. (3) A firm being threatened with dismissal from an audit client engagement. (4) A firm being pressured to reduce inappropriately fees, in order to compel the firm to reduce the extent of audit work performed. (5) The client's personnel act as experts to pressure the auditor to accept a professional judgment on a disputed issue. (6) A member of the audit team being informed by a partner of the firm that a planned promotion will not occur unless the member agrees with an audit client's inappropriate accounting treatment. | ✓ | |
| 11 | <p>The firm and the audit team members have the responsibility to maintain their independence. They should consider the effect on independence when performing the work and shall establish safeguards to eliminate the impacts stated above or reduce them to an acceptable level.</p> | ✓ | |

| Independence Requirements | | Compliance with independence | |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----|
| Item | Remarks | Yes | No |
| 12 | When the effect on independence is material for sure, the firm and the audit team members should adopt adequate and effective safeguards to eliminate the effect on independence or reduce them to an acceptable level and document the conclusion. | ✓ | |
| 13 | When the threats cannot be eliminated or reduced to an acceptable level through the adoption of safeguards, CPAs or the firm shall, unless there is satisfaction as to necessary facts by other means, decline the engagement in order to maintain independence. | ✓ | |

Evaluation of suitability

| Suitability requirements | | Evaluation | |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----|
| Item | Remarks | Yes | No |
| 1 | Does the auditor have the CPA certification to perform CPA work? | ✓ | |
| 2 | Hasn't the auditor ever been punished by the competent authorities or the CPA association, or penalized pursuant to the provisions of paragraph 3 of article 37 of the Securities and Exchange Act? | ✓ | |
| 3 | Does the auditor have relevant industry knowledge of the audit client's industry? | ✓ | |
| 4 | Is the audit of the financial statements conducted in accordance with the Generally Accepted Auditing Standards and the Regulations Governing Auditing and Attestation of Financial | ✓ | |
| 5 | Does the auditor use his position as a CPA to compete improperly in the market? | | ✓ |

- (2) The Corporation has not engaged the same CPA without replacement for 7 years consecutively, and none of the CPAs is subject to disciplinary action or other circumstances prejudicial to the CPA's independence. The following is a summary of the Corporation's CPAs and their audit opinions issued during the last 7 years:

| Year | CPA firm | Attesting CPA | Auditor's opinion |
|------|-------------------|------------------------------------|---------------------|
| 2016 | Deloitte & Touche | YEH SHU CHUAN and CHIANG MING NAN | Unqualified opinion |
| 2017 | Deloitte & Touche | YEH SHU CHUAN and CHIANG MING NAN | Unqualified opinion |
| 2018 | Deloitte & Touche | SHIH CHING PIN and CHIANG MING NAN | Unqualified opinion |
| 2019 | Deloitte & Touche | SHIH CHING PIN and CHIANG MING NAN | Unqualified opinion |
| 2020 | Deloitte & Touche | SHAO CHIH MING and WENG YA LING | Unqualified opinion |
| 2021 | Deloitte & Touche | SHAO CHIH MING and WENG YA LING | Unqualified opinion |
| 2022 | Deloitte & Touche | SHAO CHIH MING and WENG YA LING | Unqualified opinion |

- (3) The Corporation has submitted the results of the evaluation of the independence and suitability of the CPAs during the latest year or during the current year up to the date of publication of the annual report at the meetings of the board of directors on March 23, 2022 and March 13, 2023, respectively, for the resolution of the appointment.

Note 2: Corporate governance officer's continuing education in 2022

| Training date | Organizer | Training course | Training hour |
|---------------|------------------------------------------------|----------------------------------------------------------------------------------------------------|---------------|
| 2022/04/22 | Taiwan Institute for Sustainable Energy | Taishin 30th Sustainable Net Zero Summit—Take Net Zero Seriously to Achieve Sustainability in 2030 | 3 hours |
| 2022/08/09 | Accounting Research and Development Foundation | Corporate "ESG Sustainability" and "Risk Management" Related Practical Performance Evaluation | 3 hours |

| Training date | Organizer | Training course | Training hour |
|---------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 2022/10/11 | Taiwan Stock Exchange | Release of 2022 Reference Guidelines for Independent Directors and Audit Committee on Authority Exercise and Briefing for Directors and Supervisors | 3 hours |
| 2022/10/19 | Securities & Futures Institute | 2022 Insider Trading Prevention Seminar | 3 hours |
| 2022/11/10 | Taiwan Corporate Governance Association | Research on the Strategy and Tools of Employee Reward in Companies | 3 hours |

Note 3: Directors' continuing education in 2022

| Title | Name | Training date | Organizer | Training course | Training hour |
|------------------------------------------|---------------|---------------|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Chairperson | CHOU WEI LIN | 2022/11/10 | Taiwan Corporate Governance Association | Research on the Strategy and Tools of Employee Reward in Companies | 3 hours |
| | | 2022/07/27 | Securities & Futures Institute | Corporate Management Mindset—from CSR to ESG | 3 hours |
| Vice Chairperson | LEE KUN CHAN | 2022/11/10 | Taiwan Corporate Governance Association | Research on the Strategy and Tools of Employee Reward in Companies | 3 hours |
| | | 2022/07/27 | Securities & Futures Institute | Corporate Management Mindset—from CSR to ESG | 3 hours |
| Representative of Institutional Director | HUANG JEN HU | 2022/11/10 | Taiwan Corporate Governance Association | Research on the Strategy and Tools of Employee Reward in Companies | 3 hours |
| | | 2022/08/09 | Accounting Research and Development Foundation | Corporate "ESG Sustainability" and "Risk Management" Related Practical Performance Evaluation | 3 hours |
| Director | YU YAO KUO | 2022/11/10 | Taiwan Corporate Governance Association | Research on the Strategy and Tools of Employee Reward in Companies | 3 hours |
| | | 2022/08/09 | Accounting Research and Development Foundation | Corporate "ESG Sustainability" and "Risk Management" Related Practical Performance Evaluation | 3 hours |
| | | 2022/07/27 | Securities & Futures Institute | Corporate Management Mindset—from CSR to ESG | 3 hours |
| Director | HOU CHIN HWA | 2022/11/10 | Taiwan Corporate Governance Association | Research on the Strategy and Tools of Employee Reward in Companies | 3 hours |
| | | 2022/09/29 | Taiwan Stock Exchange | Release of 2022 Reference Guidelines for Independent Directors and Audit Committee on Authority Exercise and Briefing for Directors and Supervisors | 3 hours |
| | | 2022/08/09 | Accounting Research and Development Foundation | Corporate "ESG Sustainability" and "Risk Management" Related Practical Performance Evaluation | 3 hours |
| Director | HUNG CHIN HAN | 2022/11/10 | Taiwan Corporate Governance Association | Research on the Strategy and Tools of Employee Reward in Companies | 3 hours |
| | | 2022/08/09 | Accounting Research and Development Foundation | Corporate "ESG Sustainability" and "Risk Management" Related Practical Performance Evaluation | 3 hours |
| Representative of Institutional Director | TSAI YU CHIN | 2022/12/22 | Taiwan Corporate Governance Association | Corporate Management Mindset—from CSR to ESG | 3 hours |

| Title | Name | Training date | Organizer | Training course | Training hour |
|----------------------|---------------|---------------|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| | | 2022/08/12 | Taiwan Corporate Governance Association | Analysis of Corporate Financial Information and Use for Decision Making | 3 hours |
| | | 2022/07/20 | Taiwan Stock Exchange | Industrial Seminar for Sustainable Development Roadmap | 2 hours |
| | | 2022/05/20 | Securities & Futures Institute | 2022 Insider Trading Prevention Seminar | 3 hours |
| Independent Director | YEN KUO LUNG | 2022/11/18 | Accounting Research and Development Foundation | Corporate Governance and Securities Laws | 3 hours |
| | | 2022/11/17 | Accounting Research and Development Foundation | Analysis of corporate financial information and decision making | 3 hours |
| | | 2022/11/10 | Taiwan Corporate Governance Association | Research on the Strategy and Tools of Employee Reward in Companies | 3 hours |
| | | 2022/08/09 | Accounting Research and Development Foundation | Corporate "ESG Sustainability" and "Risk Management" Related Practical Performance Evaluation | 3 hours |
| Independent Director | SU MING YANG | 2022/11/10 | Taiwan Corporate Governance Association | Research on the Strategy and Tools of Employee Reward in Companies | 3 hours |
| | | 2022/08/09 | Accounting Research and Development Foundation | Corporate "ESG Sustainability" and "Risk Management" Related Practical Performance Evaluation | 3 hours |
| Independent Director | HSU HSOU CHUN | 2022/11/10 | Taiwan Corporate Governance Association | Research on the Strategy and Tools of Employee Reward in Companies | 3 hours |
| | | 2022/09/29 | Taiwan Stock Exchange | Release of 2022 Reference Guidelines for Independent Directors and Audit Committee on Authority Exercise and Briefing for Directors and Supervisors | 3 hours |
| | | 2022/08/09 | Accounting Research and Development Foundation | Corporate "ESG Sustainability" and "Risk Management" Related Practical Performance Evaluation | 3 hours |

(IV) Composition and operation of the Corporation's remuneration committee

In accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" established by the Financial Supervisory Commission, the board of directors approved the establishment of the Corporation's remuneration committee, the establishment of the Remuneration Committee Charter and the appointment of three members of the remuneration committee at the board meeting on December 12, 2011.

The main duties of the remuneration committee are establishing and regularly reviewing the policies, systems, standards and structures of directors' and managers' performance evaluation and remuneration; regularly evaluating and setting the remuneration to directors and managers; and submitting the recommendations to the board of directors for discussion.

1. Information on members of remuneration committee

April 17, 2023

| Identity Name | | Qualification | Professional Qualification and Experience | Independence | Number of other public companies in which the individual is concurrently serving as a member of remuneration committee |
|------------------------------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Independent Director (Convener) | YEN KUO LUNG | (1) The Director has at least 5 years work experience in the area of accounting and otherwise necessary for the business of the Corporation. (2) The Director was a Supervisor of Center Laboratories Inc. He is currently a practicing CPA and working for another company. For details, please refer to page 13. (3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act; | (1) The Director is not an employee of the Corporation or its affiliates. (2) The Director is not a Director or Supervisor of the Corporation or its affiliates. (3) The Director is not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Corporation or ranking in the top 10 in holdings. (4) The Director is not a manager listed in (1) or a spouse, a relative within the second degree or third degree of kinship of the person listed in (2) or (3). | (5) The Director does not directly hold more than 5% of the total issued shares of the Corporation, nor is she one of the 5 largest shareholder nor a director, supervisor or employee of a institutional shareholder that designates its representative as a director or supervisor of the Corporation in accordance with Paragraph 1 or Paragraph 2 of article 27 of the Company Act. (6) If a majority of the Corporation's director seats or voting shares and those of any other company are controlled by the same person, the Director is not a director, supervisor, | 1 company |
| Independent Director | SU MING YANG | (1) The Director has work experience in the area of commerce and otherwise necessary for the business of the Corporation. (2) The Director was the Chairperson of eGALAX_eMPIA technology inc. and is currently working for other companies. For details, please refer to page 13. (3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act; | (5) The Director does not directly hold more than 5% of the total issued shares of the Corporation, nor is she one of the 5 largest shareholder nor a director, supervisor or employee of a institutional shareholder that designates its representative as a director or supervisor of the Corporation in accordance with Paragraph 1 or Paragraph 2 of article 27 of the Company Act. (6) If a majority of the Corporation's director seats or voting shares and those of any other company are controlled by the same person, the Director is not a director, supervisor, | | None |

| Identity | | Qualification | Professional Qualification and Experience | Independence | Number of other public companies in which the individual is concurrently serving as a member of remuneration committee |
|----------------------|---------------|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Name | | | | | |
| Independent Director | HSU HSOU CHUN | | <p>(1) The Director has at least 5 years work experience in the area of accounting and otherwise necessary for the business of the Corporation.</p> <p>(2) The Director was the CFO of Siltrontech Electronics Corporation and is currently working for other companies. For details, please refer to page 13.</p> <p>(3) The Director does not meet the disqualification criteria of managers specified in any subparagraph of Article 30 of the Company Act;</p> | <p>or employee of that other company.</p> <p>(7) If the chairperson, general manager, or person holding an equivalent position of the Corporation and a person in any of those positions at another company or institution are the same person or are spouses, the Director is not a director (or governor), supervisor, or employee of that other company or institution.</p> <p>(8) The Director is not a director, supervisor, manager, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the Corporation.</p> <p>(9) The Director is not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Corporation or any affiliate of the Corporation, or that provides commercial, legal, financial, accounting or related services to the Corporation or any affiliate of the Corporation for which the provider in the past 2 years has received compensation, or a spouse thereof.</p> <p>(10) The Director is not a relative within the second degree of kinship of other Directors.</p> <p>(11) The Director is not appointed as the government, a legal person or representative thereof as specified in article 27 of the Company Act.</p> | 1 company |

2. Operations of remuneration committee

(1) The Corporation's remuneration committee consists of 3 members.

(2) Term of office of current members: From August 5, 2021 to July 21, 2024. In the latest year, the remuneration committee convened a total of 3 meetings (A). Attendance of members is listed as follows:

| Title | Name | Attendance in person (B) | By proxy | Attendance rate (%) (B/A) | Remarks |
|----------|---------------|--------------------------|----------|---------------------------|---------|
| Convener | YEN KUO LUNG | 3 | 0 | 100.00 | |
| Member | SU MING YANG | 3 | 0 | 100.00 | |
| Member | HSU HSOU CHUN | 3 | 0 | 100.00 | |

Other mentionable items:

I. Scope of duties and responsibilities of remuneration committee:

- (I) To review and propose amendments to the "Remuneration Committee Charter" on a regular basis.
- (II) To establish and regularly review the policies, systems, standards and structures of performance evaluation criteria, annual and long-term performance objectives and remuneration of the Company's directors and officers.
- (III) To periodically evaluate the achievement of the performance targets of the Company's directors and officers, and to determine the content and amount of their own individual remuneration based on the evaluation results of the performance evaluation criteria..

II. The remuneration committee held three regular meetings on March 23, May 4 and July 14 2022 to discuss the following matters:

- (I) The amendments to the regulations related to remuneration to managers.
- (II) The total annual bonuses to employees and directors.
- (III) The proportion of bonuses to employees, directors recognized as expenses.
- (IV) Review of the promotion and salary adjustment of managers.
- (V) Allotment of employee bonuses to managers and director bonuses to directors.
- (VI) List of Managers and Number of Shares who are the recipients of the 1st Restricted Employee shares of 2022.

All of the preceding matters have been reviewed or approved by the remuneration committee.

Resolutions of the remuneration committee and the Company's handling of the audit committee's opinions: Submitted to the board of directors for discussion, and all the proposals were approved by all the members without objection.

III. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the board meeting, session, content of the motion, resolution by the board of directors, and the Corporation's response to the remuneration committee's opinion (e.g., the remuneration passed by the board of directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the discrepancies shall be specified): none.

IV. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: none.

(V) State of the Corporation's promotion of sustainable development, any discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reason thereof

1. The Corporation proactively supports environmental protection, such as greening, energy saving, carbon reduction and waste sorting, and has established "Labor Safety and Health work rules" to protect the safety of its employees.

2. The following is a description of the promotion of sustainable development:

| Promoted item | Status of implementation | | | Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reason thereof |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| I. Has the Corporation established a sustainable development governance structure supervised by the board of directors and an exclusively (or concurrently) dedicated unit under supervision of senior management authorized by the board of directors to promote sustainable development? | | ✓ | The Corporation has not established a sustainable development governance structure and an exclusively (or concurrently) dedicated unit to promote sustainable development. | The Corporation will establish a sustainable development governance structure and an exclusively (or concurrently) dedicated unit to promote sustainable development if necessary. |
| II. Has the Corporation conducted risk assessment on environmental, social and corporate governance issues related to corporate operations and formulated relevant risk management policies or strategies based on materiality principle? | | ✓ | The Corporation has not set up dedicated unit to conduct risk assessment on environmental, social and corporate governance issues related to corporate operations and formulated relevant risk management policies or strategies based on materiality principle. | In the future, the Corporation will set up a dedicated unit to be in charge of risk management and risk measurement operations for the Corporation when necessary. |
| III. Environmental topic | | | | |
| (I) Has the Corporation set an environmental management system designed to industry characteristics? | ✓ | | (I) Located in an office building, the Corporation continues to sort, reduce and recycle waste in line with government policy and the operations of the building management committee. | No discrepancies. |
| (II) Is the Corporation committed to improving resource efficiency and to the use of renewable materials with low environmental impact? | ✓ | | (II) The Corporation strives to promote digital operation to reduce the amount of document paper consumption. Besides, the Corporation has no manufacturing operations in Taiwan. Therefore, no generate hazardous environmental factors, regarding air, water, waste, toxicity and noise are generated. However, the Corporation will continue to minimize the environmental impact arising from daily office activities. | No discrepancies. |
| (III) Does the Corporation evaluate current and future climate change potential risks and opportunities and take measures related to climate related topics? | ✓ | | (III) In response to climate change, the Corporation allows male employees to wear suits without ties during the summer to reduce the power consumption and the massive carbon emissions in the environment from air conditioning. | No discrepancies. |
| (IV) Does the Corporation collect data for | ✓ | | (IV) The Corporation's greenhouse gas emissions, water consumption and total | The Corporation conducts the |

| Promoted item | Status of implementation | | | Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reason thereof | | | | | | | | | | | | | | | | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|------|------|-------------------------------|-------|-------|-------------------------------------------------|---------|---------|------------------------|-------|-------|-------------------------------------------|-----|-----|----------------------------|-------|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | | | | | | | | | | | | | | | | | | | |
| greenhouse gas emissions, water usage and waste quantity in the past two years, and set greenhouse gas emissions reduction, water usage reduction and other waste management policies? | | | <p>weight of waste statistics for the previous two years are posted on the Corporation's website; however, the Corporation has not yet established relevant management policies. The statistics of greenhouse gas emissions for the last two years are as follows:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>2022</th> <th>2021</th> </tr> </thead> <tbody> <tr> <td>Electricity consumption (kWh)</td> <td>2,269</td> <td>2,191</td> </tr> <tr> <td>CO2 emissions from electricity consumption (kg)</td> <td>173,701</td> <td>167,921</td> </tr> <tr> <td>Water consumption (kL)</td> <td>3,324</td> <td>2,644</td> </tr> <tr> <td>CO2 emissions from water consumption (kg)</td> <td>184</td> <td>149</td> </tr> <tr> <td>Total weight of waste (kg)</td> <td>4,590</td> <td>6,530</td> </tr> </tbody> </table> <p>Note: The inventory area is the Group's Xindian office.</p> | Year | 2022 | 2021 | Electricity consumption (kWh) | 2,269 | 2,191 | CO2 emissions from electricity consumption (kg) | 173,701 | 167,921 | Water consumption (kL) | 3,324 | 2,644 | CO2 emissions from water consumption (kg) | 184 | 149 | Total weight of waste (kg) | 4,590 | 6,530 | <p>statistics every year and will establish relevant management policies as necessary in the future. In addition, the greenhouse gas inventory and verification schedule were completed and submitted to the board of directors before the end of Q2, 2022 pursuant to the regulations.</p> |
| Year | 2022 | 2021 | | | | | | | | | | | | | | | | | | | | |
| Electricity consumption (kWh) | 2,269 | 2,191 | | | | | | | | | | | | | | | | | | | | |
| CO2 emissions from electricity consumption (kg) | 173,701 | 167,921 | | | | | | | | | | | | | | | | | | | | |
| Water consumption (kL) | 3,324 | 2,644 | | | | | | | | | | | | | | | | | | | | |
| CO2 emissions from water consumption (kg) | 184 | 149 | | | | | | | | | | | | | | | | | | | | |
| Total weight of waste (kg) | 4,590 | 6,530 | | | | | | | | | | | | | | | | | | | | |
| <p>IV. Social topic</p> <p>(I) Has the Corporation formulated relevant management policies and procedures in accordance with relevant laws and regulations and the International Bill of Human Rights?</p> <p>(II) Has the Corporation established appropriately managed employee welfare measures (include salary and compensation, leave and others), and link operational performance or achievements with employee salary and compensation?</p> <p>(III) Does the Corporation provide employees with a</p> | <p>✓</p> <p>✓</p> <p>✓</p> | <p>(I) In accordance with labor-related laws and regulations, the Corporation arranges labor insurance and health insurance for its employees and allocates labor pensions to ensure employees' rights and interests. Moreover, the Corporation also arranges group insurance for all its employees.</p> <p>(II) The Corporation has established regulations, such as "Work Rules," "Employee Performance Evaluation Regulations," "Employee Reward and Punishment Regulations," and "Implementation Regulations of Employee Welfare Measures" to specify the remuneration, leave, reward and punishment standards and welfare measures in order to ensure that the employees' salaries can grow together with the Corporation's operation, thus fulfilling corporate social responsibility.</p> <p>(III) The Corporation regularly tests and maintains fire safety equipment and sets</p> | <p>No discrepancies.</p> <p>No discrepancies.</p> <p>No discrepancies.</p> | | | | | | | | | | | | | | | | | | | |

| Promoted item | Status of implementation | | | Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and reason thereof |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| safe and healthy working environment, with regular safety and health training? | | | <p>up access control to enhance the safeguard of the workspace. Besides, the Corporation also regularly cleans and disinfects all facilities in the workplace to ensure a hygienic and comfortable working environment. In addition, "Occupational Safety and Health Work Rules" are established, and regular fire safety training and employee health checkups are held, and special medical staff are available to provide on-site services to enhance employees' awareness of safety and health.</p> <p>The number of occupational accidents in 2022 is 0 (0 persons), which represents 0% of the total number of employees at the end of 2022. The Corporation has educated its employees to pay attention to traffic safety and not to speed when commuting.</p> | |
| (IV) Has the Corporation established effective career development training plans? | ✓ | | (IV) Each unit of the Company holds education and promotion courses for employees every year, and employees are eligible to apply further education or training related to their duties when necessary. As such, talented employees can be cultivated to contribute to the Corporation, thereby achieving a win-win situation. | No discrepancies. |
| (V) Does the Corporation's product and service comply with related regulations and international rules for customers' health and safety, privacy, sales, labelling and set policies to protect consumers' or customers' rights and consumer appeal procedures? | ✓ | | (V) In order to comply with regulations and international standards, the suppliers provide the certification, RoHS, EU, for their products, and certain products are certified halogen-free. | No discrepancies. |
| (VI) Does the Corporation set supplier management policy and request suppliers to comply with related standards on the topics of environmental, occupational safety and health or labor right, and their implementation status? | ✓ | | (VI) The Corporation attaches great importance to the safeguard of environment and social responsibility. Although the supplier management policy has not been established yet, the Corporation selects suppliers and customers who also value integrity. In addition, the Corporation regularly evaluates the suitability of its suppliers and customers and pays close attention to whether they have caused impacts on the environment and social responsibility. Although the contracts with major suppliers do not contain clauses on environmental and social responsibility, the suppliers have provided the Corporation with their | No discrepancies. |

| Promoted item | Status of implementation | | | Discrepancies from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and reason thereof |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| | | | environmental maintenance certificates. | |
| V. Does the Corporation refer to international reporting rules or guidelines to publish sustainability report to disclose non-financial information of the Corporation? Has the said Report acquire third party verification or statement of assurance? | | ✓ | The Corporation has not prepared its sustainability report for 2022. However, the Corporation values the sustainable development of corporate management; the scope thereof covers the aspects of providing sound corporate governance, accommodating the equitable interests of stakeholders and paying attention to environmental issues. | In the future, the Corporation will prepare a sustainability report by referring to standards or guidelines for the preparation of internationally accepted reports when necessary. |
| VI. If the Corporation has formulated its own sustainable development principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe the implementation and its discrepancies between the principles: The Corporation has established its "Corporate Social Responsibility Best Practice Principles" in 2017, and the board of directors revised the name of the "Corporate Social Responsibility Best Practice Principles" to "Sustainable Development Best Practice Principles" on March 23, 2022. Taking into account the current situation of the Corporation and the regulations, the Corporation has implemented the principles in a gradual and progressive manner. Consequently, there are no significant discrepancies. | | | | |
| VII. Other important information to facilitate a better understanding of the practices of promoting sustainable development: (I) Promoting and implementing the concept of environmental protection. (II) Valuing social care and providing timely assistance and support to socially disadvantaged groups. | | | | |

Donation details for 2022

| Unit: NT\$ | |
|------------------------------------------------------------------------------------------------------|--------------------|
| Recipient organization | Amount of donation |
| World Vision Taiwan | 60,000 |
| Chensenmei Social Welfare Foundation, Taoyuan County | 60,000 |
| Foundation of Helping Underprivileged Students of Taipei City Department of Education | 500,000 |
| Fund of Excellent Underprivileged Students, Education Department, New Taipei City Government | 3,100,000 |
| New Taipei Municipal Da Guan Elementary and Junior High School | 250,000 |
| Education Department, New Taipei City Government – New Taipei City Cooperative Education Scholarship | 500,000 |
| Fire Department, New Taipei City Government – Disaster relief equipment | 3,000,000 |
| Social Welfare Department, New Taipei City Government—rehabilitative bus | 2,304,762 |
| Total | 9,774,762 |

(VI) State of the Corporation's performance in the area of ethical corporate management, any discrepancies from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reason thereof

1. The management team of the Corporation adheres to the principle of ethical management in order to further the corporate culture of ethical management and sound development, as well as to establish a good business operation structure.
2. The descriptions of the performance of the ethical management are as follows:

| Evaluation item | Status of implementation | | | Discrepancies from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| <p>I. Establishment of ethical corporate management policies and programs</p> <p>(I) Does the corporation have a board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the board of directors and management towards enforcement of such policy?</p> <p>(II) Does the Corporation have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the Corporation implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Article 7, paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p> <p>(III) Does the Corporation provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the Corporation enforce the programs above effectively and perform regular reviews and amendments?</p> | <p>✓</p> <p>✓</p> <p>✓</p> | | <p>(I) In 2017, the Corporation has established its "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct" as the basic premise for the implementation of ethical management pursuant to the Company Act, applicable regulations for TWSE/TPEX listed companies, and other business related laws and regulations.</p> <p>(II) The "Ethical Corporate Management Best Practice Principles" established by the Corporation include the preventive measures for the acts described in paragraph 2 of article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies." By establishing sound systems for corporate governance and risk control, and complete internal regulations, the Corporation aims to prevent unethical behavior and create a business environment for sustainable development.</p> <p>(III) The "Ethical Corporate Management Best Practice Principles" and the "Measures for the Report on Illegal, Immoral and Dishonest Acts" established by the Corporation are the criteria for the implementation of ethical management; the Corporation enforces them in order to reinforce the concept of ethical management and integrity of its management.</p> | <p>No discrepancies.</p> <p>No discrepancies.</p> <p>No discrepancies.</p> |
| <p>II. Fulfillment of operations integrity policy</p> <p>(I) Does the Corporation evaluate business partners'</p> | <p>✓</p> | | <p>(I) The Corporation conducts its business activities in a fair and transparent manner.</p> | <p>No discrepancies.</p> |

| Evaluation item | Status of implementation | | | Discrepancies from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| ethical records and include ethics-related clauses in business contracts? | | | Prior to engaging in business dealings, the Corporation always considers whether its suppliers, customers or other business partners are legitimate and whether they have any history of dishonest behavior in order to avoid dealing with those with a history of dishonest behavior. | |
| (II) Does the Corporation have a unit responsible for ethical corporate management on a full-time basis under the board of directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the board of directors while overseeing such operations? | ✓ | | (II) In October 2020, the chairperson of the board of directors approved the establishment of an ethical management promotion group and established relevant regulations for it. The general manager is the chief member, and the chief member shall report to the board of directors on the operation and performance at least once a year. The heads of unites who are members and the duties thereof are listed below: 1. Corporate governance unit: The corporate governance unit is responsible for promoting the operation of ethical management, ensuring compliance with laws and effectiveness of regulations, and trainings. 2. Personnel unit and legal unit: The units disseminate the importance of integrity, compliance with laws, and trainings regularly and sporadically. 3. Head of each department: The heads of departments cooperate to implement ethical management and fraud prevention measures, and they are regularly monitored and audited. The ethical management promotion group held a meeting on October 17, 2022. In addition to setting the plan for 2023, the implementation of the plan for 2022 was reported. Further, the ethical management promotion group reported the implementation of ethical management policy to the board of directors on November 10, 2022, . | No discrepancies. |
| (III) Does the Corporation establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? | ✓ | | (III) The Corporation's Rules of Procedure for Board of Directors Meetings stipulate the provision: "If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Corporation, that director may not participate in | No discrepancies. |

| Evaluation item | Status of implementation | | | Discrepancies from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| | | | discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director." | |
| (IV) Does the Corporation have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire independent CPAs to perform the audits? | ✓ | | (IV) The Corporation has established an internal control system. To ensure that the system is designed and implemented in an effective manner, the auditors conduct annual reviews and revisions so as to establish proper corporate governance and risk control mechanisms. | No discrepancies. |
| (V) Does the Corporation regularly hold internal and external educational trainings on operational integrity? | ✓ | | (V) The Corporation regularly disseminates the "Ethical Corporate Management Best Practice Principles" and related laws and regulations to its directors, managers and employees. When new directors and managers take office, and new employees arrive at work, the shareholder service department and legal department conduct education and dissemination of relevant laws and regulations for them. In 2022, the Corporation has disseminated the "Ethical Corporate Management Best Practice Principles" and "Prevention Procedure for Insider Trading" related laws and regulations to all the new employees. In addition, online trainings were held on August 19, 2022 and September 15, 2022 for all the employees (about 350 persons). The topics are "Intellectual Property and Integrity Training" and "2022 Annual Corporate Governance Seminar", each of which is about 1 hour in length. The training contents include "intellectual property rights promotion," "integrity and honesty promotion," "ethical management," "material internal information," "prevention of insider trading," "corporate governance related procedures and regulations," and "special section on insiders." After the courses, the slides related to "ethical management," "material internal information," "prevention of insider trading," "corporate governance related | No discrepancies. |

| Evaluation item | Status of implementation | | | Discrepancies from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| | | | procedures and regulations," and "special section on insiders" have been sent to all the managers and employees. Further, the course slides, video and audio files of the "Intellectual Property and Integrity Training" and "2022 Annual Corporate Governance Seminar" are available on the Corporation's internal system for employees to review at any time. New employees are also required to take a mandatory 2.5-hour online or physical course at the time of orientation. | |
| <p>III. Implementation of the corporation's complaint procedures</p> <p>(I) Does the Corporation establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?</p> <p>(II) Does the Corporation have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?</p> <p>(III) Does the Corporation adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?</p> | <p>✓</p> <p>✓</p> <p>✓</p> | | <p>(I) The Corporation has established its "Employee Reward and Punishment Regulations" and "Measures for the Report on Illegal, Immoral and Dishonest Acts." All whistleblowing matters are handled by appropriate personnel.</p> <p>(II) In 2017, the Corporation established its "Measures for the Report on Illegal, Immoral and Dishonest Acts," which specify the handling unit, reporting methods, and procedures.</p> <p>(III) The Corporation's website has an email address for stakeholders to report misconduct anonymously.</p> | <p>No discrepancies.</p> <p>No discrepancies.</p> <p>No discrepancies.</p> |
| <p>IV. Information disclosure enhancement</p> <p>Does the Corporation disclose its ethical corporate management policies and the results of its implementation on the Corporation's website and MOPS?</p> | <p>✓</p> | | <p>The Corporation has its corporate website in place, which provides information on the annual report so as to disclose the Corporation's implementation of ethical management.</p> | <p>No discrepancies.</p> |
| <p>V. If the Corporation has established its own ethical corporate management policies based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancies between the policies and their implementation: In order to comply with the spirit of the Corporation's ethical management and to protect the interests of shareholders, the Corporation has established its "Ethical Corporate Management Best Practice Principles" in 2017.</p> | | | | |

| Evaluation item | Status of implementation | | | Discrepancies from the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" and Reasons |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----|---------|---------------------------------------------------------------------------------------------------------------------------|
| | Yes | No | Summary | |
| The relevant systems and regulations established by the Corporation are all in compliance with the spirit of ethical management practices and are actually enforced. | | | | |
| VI. Other important information to facilitate a better understanding of the practices of ethical corporate management: (e.g., the Corporation's review and amendment of its Corporate Management Best Practice Principles): Please refer to "Corporate Governance" section on the Corporation's website. | | | | |

(VII) If the Corporation has adopted corporate governance principles or related policies, how these are to be searched shall be disclosed

| Important policies | How to find the information |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Articles of Incorporation | <p>Market Observation Post System: http://mops.twse.com.tw Search in the "Corporate Governance" section</p> <p>The Corporation's website: http://www.ndb.com.tw/regulation Search in the Corporate Governance/"Important Regulations"</p> |
| Rules for Shareholders' Meetings | |
| Procedures for Election of Directors | |
| Directions for the Implementation of Continuing Education for Directors | |
| Rules Governing the Scope of Powers of Independent Directors | |
| Rules for Board of Directors Meetings | |
| Rules for Performance Evaluation of Board of Directors | |
| Procedures governing the acquisition and disposal of assets | |
| Procedures for Loaning of Funds and Making of Endorsements/Guarantees | |
| Corporate Governance Principles | |
| Sustainable Development Practice Principles | |
| Ethical Corporate Management Practice Principles | |
| Procedures for Ethical Management and Guidelines for Codes of Conduct | |
| Procedures for the Report on Illegal, Immoral and Dishonest Acts | |
| Procedure for preventing Insider Trading | |
| Remuneration Committee Charter | |
| Procedures for Intellectual Property Management | |
| Procedures for Handling Material Inside Information | |
| Audit Committee Charter | |

(VIII) Other important information to facilitate a better understanding of the practices of Corporate Governance: none.

- (IX) The section on the state of implementation of the Corporation's internal control system shall furnish the following:
1. Statement of internal control system

Nichidenbo Corporation Statement of Internal Control System

Date: March 13, 2023

Based on the findings of a self-assessment, the Corporation states the following with regard to its internal control system during the year 2022:

- I. The Corporation's board of directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system, and such a system has been established. The objectives of this system are to provide reasonable assurance over the effectiveness and efficiency of operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency of reporting and compliance with applicable rulings, laws, and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the stated 3 objectives. Furthermore, the effectiveness of the internal control system may change with the environment and under different situations. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Corporation takes immediate remedial actions in response to any identified deficiencies.
- III. The Corporation evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each component includes a number of items. Please refer to the Regulations for more information on the stated items.
- IV. The Corporation has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the findings of such evaluation, The Corporation believes that, on December 31, 2022, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of the subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of the Corporation's annual report and prospectus, and will be made public. If the disclosed information contains fault or omits any material content, the Corporation is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Security and Exchange Act.
- VII. The Statement was passed by the board of directors on March 13, 2023, with none of the ten attending directors expressing dissenting opinions, and the remainder all approved the content of this Statement.

Nichidenbo Corporation

Chairperson: CHOU WEI LIN

General Manager: YU YAO KUO

2. Where a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: none

(X) If there has been any legal penalty against the Corporation or its internal personnel, or any disciplinary penalty by the Corporation against its internal personnel for violation of the internal control system, during the latest year or during the current year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the content of penalty, the main deficiencies, and the condition of improvement shall be specified: none.

(XI) Material resolutions of a shareholders meeting or a board of directors meeting during the latest year or during the current year up to the date of publication of the annual report.

1. Important resolutions of shareholders' meeting and implementation status

| Date | Important resolutions | Status of implementation |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2022.6.15 | 1. Adoption of the 2021 annual financial statements | The "important resolutions of the shareholders' meeting" were announced as important information on June 15, 2022. |
| | 2. Adoption of the proposal for distribution of 2021 profits | The cash dividends were distributed at NT\$4 per share; the ex-dividend date was set on July 10, 2022; and the dividends were fully paid on July 29, 2022. |
| | 3. Approval of the amendment to the Articles of Incorporation | The amendment is disclosed under "Corporate Governance/Important Regulations" of the Corporation's website and was approved by Ching Shou SHANG Tzu No. 11101116090 letter, Ministry of Economic Affairs on July 11, 2022. |
| | 4. Approval of the amendment to the "Rules of Procedure for Shareholders' Meetings" | The amendment is disclosed under "Corporate Governance Structure/Establishment of Corporate Governance Related Regulations" of the Market Observation Post System and "Corporate Governance/Important Regulations" of the Corporation's website |
| | 5. Approval of the amendment to the Regulations Governing the Acquisition and Disposal of Assets | The amendment is disclosed under "Digital Documents/Information about Annual Report and Shareholders' Meeting" of the Market Observation Post System and "Corporate Governance/Important Regulations" of the Corporation's website |
| | 6. Approval of the issuance of new restricted employee shares | The issuance of 4,000,000 new restricted employee shares was approved by Ching Shou SHANG Tzu No. 11101151850 letter, Ministry of Economic Affairs on August 8, 2022 |
| | 7. Proposal to issue common shares for cash by private placement. | On October 6, 2022, the board of directors approved the pricing, record date of the capital increase, and related matters for the private placement of the Corporation's common shares for cash; on October 25, 2022, the capital increase of 30,000,000 shares was approved by Ching Shou SHANG Tzu No. 11101202940 letter, Ministry of Economic Affairs |
| | 8. Approval of the release of independent director, HSU HSOU CHUN, and director, LEE KUN CHAN, from the prohibition of competition. | The matter was disclosed as important information on June 15, 2022 |

2. Important resolutions of board of directors

| Session of board meeting | Date | Important resolutions |
|------------------------------------------------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The 13th board of directors The 4th meeting | 2022.3.23 | <ol style="list-style-type: none"> 1. Resolution to approve the Corporation's 2021 parent company only financial statements, consolidated financial statements and business reports 2. Resolution to approve the CPA appointment for audit or review of the Corporation's 2022 financial report and professional fee thereof 3. Resolution to approve the Corporation's 2021 dividend distribution 4. Resolution to approve the amendment to the regulations related to the remuneration of the Corporation's managers |

| Session of board meeting | Date | Important resolutions |
|------------------------------------------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <ol style="list-style-type: none"> 5. Resolution to approve the bonuses to the Corporation's employees, directors and supervisors for 2021 6. Resolution to approve the proportion of the employees' and directors' 2022 bonuses recognized as expenses 7. Resolution to approve the appointment of the manager and the related remuneration plan 8. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Lipers Enterprise Co., Ltd. 9. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Advance Electronic Supply Inc. 10. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, TONSAM Corporation 11. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, VIC-DAWN Enterprise Co., Ltd. 12. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Scope Technology Co., Ltd. 13. Resolution to approve the Corporation's acquisition of long-term marketable equity securities investment in KOHO (Taiwan) Co., Ltd. 14. Resolution to approve the change of custodian of the Corporation's seal for endorsement/guarantee 15. Resolution to approve the loan of funds from the Corporation to its subsidiary, KOHO (Taiwan) Co., Ltd. 16. Resolution to approve the amendment to the "Regulations Governing the Acquisition and Disposal of Assets" 17. Resolution to approve the amendment to the Corporation's 2022 "Internal Control System" and "Internal Audit Implementation Rules" 18. Resolution to approve the Corporation's 2021 "Internal Control System Effectiveness Assessment" and "Statement of Internal Control System" 19. Resolution to approve the Corporation's 2022 business plan manual 20. Resolution to approve the the amendment to the "Articles of Incorporation" 21. Resolution to approve the amendment to the "Rules of Procedure for Shareholders' Meetings" 22. Resolution to approve the the amendment to the "Corporate Governance Best Practice Principles" 23. Resolution to approve the the amendment to the "Sustainable Development Best Practice Principles" 24. Resolution to approve the Corporation's first issuance of new restrictive employee shares of 2022 25. Resolution to approve the release of independent director, HSU HSOU CHUN, and director, LEE KUN CHAN, from the prohibition of competition. 26. Resolution to approve the meeting time, place, reason for convening, book closure period and matters related to accepting shareholders' proposal set by the Corporation for the 2022 shareholders' meeting. |
| The 13th board of directors The 5th meeting | 2022.5.4 | <ol style="list-style-type: none"> 1. Resolution to approve the Corporation's Q1, 2022 consolidated financial statements. 2. Resolution to approve the enlargement of the regulations related to the remuneration of the Corporation's managers. 3. Resolution to approve the 2021 bonus to directors and supervisors 4. Resolution to approve the 2021 employee bonus to managers 5. Resolution to approve the managers' promotion and salary adjustment 6. Resolution to approve the Corporation's applications to various financial institutions for lines of credit and increases in lines of credit. 7. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Lipers Enterprise Co., Ltd. 8. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Scope Technology Co., Ltd. 9. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, KOHO (Taiwan) Co., Ltd. 10. Resolution to approve the loan of funds from the Corporation to its subsidiary, Lipers |

| Session of board meeting | Date | Important resolutions |
|------------------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | Enterprise Co., Ltd. 11. Resolution to approve the loan of funds from the Corporation to its subsidiary, Advance Electronic Supply Inc. 12. Resolution to approve the Corporation to issue common shares by means of a private placement for cash. 13. Resolution to approve the the amendment to the "Articles of Incorporation" 14. Resolution to approve the meeting time, place, reason for convening, book closure period and matters related to accepting shareholders' proposal set by the Corporation for the 2022 shareholders' meeting. |
| The 13th board of directors The 6th meeting | 2022.7.14 | 1. Resolution to approve the capital increase record date for the Corporation's first issuance of new restricted employee shares in 2022 2. Resolution to approve the list of employees and managers who are the recipients of the first restricted employee shares of 2022 |
| The 13th board of directors The 7th meeting | 2022.8.9 | 1. Resolution to approve the Corporation's Q2, 2022 consolidated financial statements. 2. Resolution to approve the Corporation's applications to various financial institutions for lines of credit and increases in lines of credit. 3. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Lipers Enterprise Co., Ltd. 4. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Scope Technology Co., Ltd. 5. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Advance Electronic Supply Inc. 6. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, VIC-DAWN Enterprise Co., Ltd. 7. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, TONSAM Corporation 8. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, KOHO (Taiwan) Co., Ltd. 9. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiaries, Nichidenbo Suzhou Trading CO., LTD. and Nichidenbo (Shenzhen) Trading Co., Ltd. 10. Resolution to approve the disposal of the shares of the subsidiary, Sentelic Corporation 11. Resolution to approve the release of the representative of the juridical person, director TSAI YU CHIN, from the prohibition of competition. |
| The 13th board of directors The 8th meeting | 2022.10.6 | 1. Resolution to approve the pricing, record date of the capital increase, and related matters for the private placement of the Corporation's common shares for cash. |
| The 13th board of directors The 9th meeting | 2022.11.10 | 1. Resolution to approve the Corporation's Q3, 2022 consolidated financial statements. 2. Resolution to approve the Corporation's applications to various financial institutions for lines of credit and increases in lines of credit. 3. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Lipers Enterprise Co., Ltd. 4. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Scope Technology Co., Ltd. 5. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Advance Electronic Supply Inc. 6. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, VIC-DAWN Enterprise Co., Ltd. 7. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, TONSAM Corporation 8. Resolution to approve the loan of funds from the Corporation to its subsidiary, Lipers Enterprise Co., Ltd. 9. Resolution to approve the loan of funds from the Corporation to its subsidiary, Scope Technology Co., Ltd. 10. Resolution to approve the loan of funds from the Corporation to its subsidiary, Advance Electronic Supply Inc. 11. Resolution to approve the amendment to the "Rules of Procedure for Board of Directors" |

| Session of board meeting | Date | Important resolutions |
|------------------------------------------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | <p>Meetings"</p> <p>12. Resolution to approve the amendment to the "Procedures for Handling Material Inside Information"</p> <p>13. Resolution to approve the Corporation's "2023 Annual Audit Plan "</p> |
| <p>The 13th board of directors</p> <p>The 10th meeting</p> | <p>2023.3.13</p> | <ol style="list-style-type: none"> 1. Resolution to approve the Corporation's 2022 parent company only financial statements, consolidated financial statements and business reports 2. Resolution to approve the CPA appointment for audit or review of the Corporation's 2023 financial report and professional fee thereof 3. Resolution to approve the establishment of the general principles for the Company's pre-approved non-assurance service policy. 4. Resolution to approve the Corporation's 2022 dividend distribution 5. Resolution to approve the amendment to the regulations related to the remuneration of the Corporation's managers 6. Resolution to approve the bonuses to the Corporation's employees, directors and supervisors for 2022 7. Resolution to approve the proportion of the employees' and directors' 2023 bonuses recognized as expenses 8. Resolution to approve the replacement of the Corporate Governance Officer and the proposal of remuneration to the new Corporate Governance Officer of the Company. 9. Resolution to approve the Corporation's applications to various financial institutions for lines of credit and increases in lines of credit. 10. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Lipers Enterprise Co., Ltd. 11. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Scope Technology Co., Ltd. 12. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, Advance Electronic Supply Inc. 13. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, TONSAM Corporation 14. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, KOHO (Taiwan) Co., Ltd. 15. Resolution to approve the endorsements/guarantees made by the Corporation for its subsidiary, KOHO (Taiwan) Co., Ltd. 16. Resolution to approve the loan of funds from the Corporation to its subsidiary, KOHO (Taiwan) Co., Ltd. 17. Resolution to approve the cancellation of the loan from the Company to its subsidiary, Lipers Enterprise Co., Ltd. 18. Resolution to approve the cancellation of the loan from the Company to its subsidiary, Advance Electronic Supply Inc. 19. Resolution to approve the amendment to the Corporation's 2023 "Internal Control System" and "Internal Audit Implementation Rules" 20. Resolution to approve the Corporation's 2022 "Internal Control System Effectiveness Assessment" and "Statement of Internal Control System" 21. Resolution to approve the Corporation's 2023 business plan manual 22. Resolution to approve the the amendment to the "Corporate Governance Best Practice Principles" 23. Resolution to approve to add the "key points to further education of directors". 24. Resolution to approve the the amendment to the "Sustainable Development Best Practice Principles" 25. Motion for approving the election of the independent directors of the 13th term and accepting independent director candidates nominated by the shareholders. 26. Motion for approving the list of independent director candidates proposed by the Company's Board of Directors. 27. Motion for approving the review of the qualifications of the Company's independent director candidates. ° 28. Motion for approving lifting the of prohibition of competition between new independent directors |

| Session of board meeting | Date | Important resolutions |
|--------------------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | 29. Resolution to approve the meeting time, place, reason for convening, book closure period and matters related to accepting shareholders' proposal set by the Corporation for the 2023 shareholders' meeting. |

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

(XIII) A summary of resignations and dismissals, during the latest year or during the current year up to the date of publication of the annual report, of the Corporation's chairperson, general manager, controller, chief financial officer, chief internal auditor, chief corporate governance officer, and chief research and development officer:

April 17, 2023

| Title | Name | Date of appointed | Date of dismissal | Reason |
|------------------------------------|-------------|-------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Chief corporate governance officer | LIAO LI SHU | 2020.5.11 | 2023.3.13 | The Board of Directors announced on March 13th, 2023, and appointed LAI NAN CHUN as the chief corporate governance officer. |

V. Information on the professional fees of attesting CPAs

(I) The amounts of the audit fees and non-audit fees paid to the attesting CPAs and to the CPA firm to which they belong and to any affiliated enterprises as well as the details of non-audit services:

Unit: NT\$ thousand

| CPA Firm | CPA | | CPA audit period | Audit fees | Non-audit fees | Total | Remarks |
|-------------------|----------------|--------------|-----------------------|------------|----------------|-------|---------|
| Deloitte & Touche | SHAO CHIH MING | WENG YA LING | 2022.01.01~2022.12.31 | 3,282 | | 3,282 | |
| | SHAO CHIH MING | | 2022.01.01~2022.12.31 | | 478 | 478 | |
| | XU XIAO TING | | 2022.01.01~2022.12.31 | | 200 | 200 | |
| | CHEN HUI MING | | 2022.01.01~2022.12.31 | | 112 | 112 | |
| | WANG RUI HONG | | 2022.01.01~2022.12.31 | | 100 | 100 | |

Note: Non-audit fees include corporate registrations of \$112 thousand, audit report for tax filing of \$288 thousand, direct deduction method report of \$60 thousand, transfer pricing report of \$200 thousand, attestation of salary of employees who are not in a managerial position of \$30 thousand, tax consulting fee of \$100 thousand and issuance of new shares with restrictions on employee rights of \$100 thousand.

- When the Corporation changes its CPA firm and the audit fees paid for the year in which such change took place are lower than those for the previous year: none.
- When the audit fees paid for the fiscal year are lower than those for the previous year by 10 percent or more: none.

VI. Information on replacement of CPA: none.

VII. Where the Corporation's chairperson, general manager, or any manager in charge of finance or accounting matters has in the latest year held a position at the CPA firm of its CPAs or at an affiliated enterprise of such CPA firm in the latest year, the name and position of the person, and the period during which the position was held at such CPA firm or affiliates thereof: none.

VIII. Transfer of equity interests and pledge of or change in equity interests by a director, supervisor, manager, or shareholder with a stake of more than 10 percent during the latest year or during the current year up to the date of publication of the annual report

- (I) Transfer of equity interests and pledge of equity by a director, supervisor, manager, or shareholder with a stake of more than 10 percent

Unit: share

| Title | Name | 2022 | | As of April 17, 2023 | |
|------------------------------------------------------------------------|-------------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | | Holding Increase (decrease) | Pledged Holding Increase (decrease) | Holding Increase (decrease) | Pledged Holding Increase (decrease) |
| Chairperson and CEO | CHOU WEI LIN | 120,133 | 0 | 0 | 0 |
| Vice Chairperson and COO | LEE KUN CHAN | 0 | 0 | 0 | 0 |
| Director, Head of Strategic and Investment Committee | Zong Xin Investment Co., Ltd. | 130,000 | 0 | 0 | 0 |
| | HUANG JEN HU | 0 | 0 | 0 | 0 |
| Director, and General Manager | YU YAO KUO | 0 | 0 | 0 | 0 |
| Director, Vice President and Controller | HOU CHIN HWA | 0 | 0 | 0 | 0 |
| Director | Civic Textile Co., Ltd. | 105,000 | 0 | 0 | 0 |
| | TSAI YU CHIN | 0 | 0 | 0 | 0 |
| Director and Senior Vice President | HUNG CHIN HAN | (85,000) | 0 | (10,000) | 0 |
| Independent Director | YEN KUO LUNG | 0 | 0 | 0 | 0 |
| Independent Director | SU MING YANG | 0 | 0 | 0 | 0 |
| Independent Director | HSU HSOU CHUN | 0 | 0 | 0 | 0 |
| Vice President | LIAO LI SHU | 46,344 | 0 | 50,000 | 0 |
| Senior Assistant Vice President and Chief Corporate Governance Officer | LAI NAN CHUN | 25,000 | 0 | 0 | 0 |
| Assistant Vice President | YANG WEN CHI | 8,000 | 0 | 2,000 | 0 |
| Assistant Vice President | HSU CHI PING | 0 | 0 | 0 | 0 |
| Assistant Vice President | LYI PO YI | 0 | 0 | 0 | 0 |
| Financial officer | HSU SHU HUI | 0 | 0 | 5,000 | 0 |

Data source: The data is based on the shareholding status as of April 17, 2023—the latest book closure date.

- (II) Information on transfer of shares from directors, supervisors, managers, or shareholder with a stake of more than 10 percent to related parties: none.
- (III) Information on pledge of shares from directors, supervisors, managers, or shareholder with a stake of more than 10 percent to related parties: none.

IX. Relationship information, if among the Corporation's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

April 17, 2023; Unit: share

| Number | Name | Shares held | | Shares held by spouse and minor children | | Shares held through nominees | | Names and relationships of the Corporation's top ten shareholders who are related parties, spouses or relatives within the second degree of relationship of each other | | Remarks |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------------|------------------------------------------|------------------------|------------------------------|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------|
| | | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | Title (or name) | Relation | |
| 1 | WT MICROELECTRONICS CO., LTD. | 31,000,000 | 14.58 | N/A | N/A | N/A | N/A | None | None | |
| | Representative CHENG WEN TSUN | | | | | | | | | |
| 2 | WPG INVESTMENT CO., LTD. CORPORATE | 5,849,000 | 2.75 | N/A | N/A | N/A | N/A | None | None | |
| | Representative HUANG WE XIANG | | | | | | | | | |
| 3 | ZONG XIN INVESTMENT CO., LTD. CORPORATE | 5,630,000 | 2.65 | N/A | N/A | N/A | N/A | WEN QING INVESTMENT CO., LTD. CORPORATE | (Note 2) | |
| | Representative HUANG PEI QING | 0 | 0 | 0 | 0 | 0 | | | | |
| 4 | WEN QING INVESTMENT CO., LTD. CORPORATE | 4,400,000 | 2.07 | N/A | N/A | N/A | N/A | ZONG XIN INVESTMENT CO., LTD. CORPORATE | (Note 2) | |
| | Representative HUANG PEI WEN | 120,000 | 0.06 | 0 | 0 | 0 | 0 | | | |
| 5 | Yuanta Commercial Bank Trust Account (Restricted Stock Awards) | 4,000,000 | 1.88 | N/A | N/A | N/A | N/A | None | None | |
| 6 | CHOU WEI LIN | 3,220,000 (Note 1) | 1.51 | 630,000 (Note1) | 0.30 | 0 | 0 | HSUAN YANG INVESTMENT CO.,LTD. CORPORATE | (Note 3) | |
| 7 | Series Fund Vanguard Total International Stock Index Fund Investment Account of Vanguard Star Funds under the custody of Taipei Branch, JP Morgan Chase Bank | 3,091,000 | 1.45 | N/A | N/A | N/A | N/A | None | None | |
| 8 | Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds | 2,809,460 | 1.32 | N/A | N/A | N/A | N/A | None | None | |
| 9 | Tiger Venture Capital Ltd. | 1,809,000 | 0.85 | N/A | N/A | N/A | N/A | None | None | |
| | Representative WU QIAN HUI | | | | | | | | | |
| 10 | HSUAN YANG INVESTMENT CO.,LTD. CORPORATE | 1,754,302 | 0.82 | N/A | N/A | N/A | N/A | CHOU WEI LIN | (Note3) | |
| | Representative CHOU WEI LIN | 3,220,000 (Note 1) | 1.51 | 630,000 (Note 1) | 0.30 | 0 | 0 | | | |

Data source: The shareholding ratio is based on the shareholding data as of April 17, 2023 (the latest closing date) and is calculated based on the total 212,657,150 shares issued.

Note 1: Mr. CHOU WEI LIN, and his spouse, Mrs. CHENG, TENG YUN, have retained the power to decide on the use of 1,500,000 and 630,000 shares, respectively, entrusted to a trust account with a financial institution, and those shares have been added up.

Note 2: HUANG PEI CHING, representative of ZONG XIN INVESTMENT CO., LTD., and HUANG PEI WEN, representative of WEN QING INVESTMENT CO., LTD., are relatives within the second degree of kinship.

Note 3: The representative of HSUAN YANG INVESTMENT CO., LTD. is CHOU WEI LIN.

X. Total number of shares and total equity stake held in any single enterprise by the Corporation, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the Corporation

April 17, 2023; Unit: share

| Investee company (Note) | Investment by the Corporation | | Investment by directors, supervisors, managers, and directly/ indirectly controlled entities | | Combined investment | |
|-----------------------------------------|-------------------------------|------------------------|----------------------------------------------------------------------------------------------|------------------------|---------------------|------------------------|
| | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) | Shares | Shareholding ratio (%) |
| Nichidenbo (Mauritius) Ltd. | 5,050,000 | 100.00 | 0 | 0.00 | 5,050,000 | 100.00 |
| VIC-DAWN Enterprise Co., Ltd. | 14,296,603 | 95.31 | 0 | 0.00 | 14,296,603 | 95.31 |
| Lipers Enterprise Co., Ltd. | 31,788,710 | 99.34 | 0 | 0.00 | 31,788,710 | 99.34 |
| Scope Technology Co., Ltd. | 53,016,276 | 100.00 | 0 | 0.00 | 53,016,276 | 100.00 |
| Advance Electronic Supply Inc. | 37,224,808 | 100.00 | 0 | 0.00 | 37,224,808 | 100.00 |
| TONSAM Corporation | 15,000,000 | 100.00 | 0 | 0.00 | 15,000,000 | 100.00 |
| Lipers (Hong Kong) Enterprise Co., Ltd. | 29,642,793 | 100.00 | 0 | 0.00 | 29,642,793 | 100.00 |
| KOHO (Taiwan) Co., Ltd. | 2,550,000 | 85.00 | 0 | 0.00 | 2,550,000 | 85.00 |

Note: Investments accounted for using the equity method by the Corporation.

Four. Capital Overview

I. Capital and shares

(I) Source of capital stock

April 17, 2023
Unit: NT\$; share

| Year Month | Issue price | Authorized capital | | Paid-in capital | | Remarks | | |
|---------------|----------------|--------------------|---------------|-----------------|-------------|-----------------------------------------------------------------------|-----------------------------------------------|---------|
| | | Shares | Amount | Shares | Amount | Source of share capital | Capital increase by assets other than cash | Others |
| 1993.01 | 1,000 | 10,000 | 10,000,000 | 10,000 | 10,000,000 | Establishment 10,000,000 | None | - |
| 1996.09 | 1,000 | 20,000 | 20,000,000 | 20,000 | 20,000,000 | Capital increase by cash 10,000,000 | None | - |
| 1997.12 | 1,000 | 25,000 | 25,000,000 | 25,000 | 25,000,000 | Capital increase by earnings 5,000,000 | None | - |
| 1998.12 | 1,000 | 28,000 | 28,000,000 | 28,000 | 28,000,000 | Capital increase by earnings 3,000,000 | None | - |
| 1999.04 | 1,000 | 38,000 | 38,000,000 | 38,000 | 38,000,000 | Issuance of new shares for merger 10,000,000 | None | Note 1 |
| 2000.09 | 68 | 5,000,000 | 50,000,000 | 5,000,000 | 50,000,000 | Capital increase by cash 12,000,000 | None | Note 2 |
| 2001.05 | 10 | 15,000,000 | 150,000,000 | 15,000,000 | 150,000,000 | Capital increase by earnings and capital surplus 100,000,000 | None | Note 3 |
| 2001.12 | 13.44 | 17,650,000 | 176,500,000 | 17,650,000 | 176,500,000 | Capital increase by cash 26,500,000 | None | Note 4 |
| 2002.04 | 10 | 21,180,000 | 211,800,000 | 18,532,500 | 185,325,000 | Capital increase by capital surplus 8,825,000 | None | Note 5 |
| 2002.10 | 16.80 | 21,180,000 | 211,800,000 | 21,000,000 | 210,000,000 | Capital increase by cash 24,675,000 | None | Note 6 |
| 2003.08 | 10 | 33,000,000 | 330,000,000 | 24,421,000 | 244,210,000 | Capital increase by earnings 34,210,000 | None | Note7 |
| 2004.09 | 10 | 55,000,000 | 550,000,000 | 28,474,850 | 284,748,500 | Capital increase by earnings and capital surplus 40,538,500 | None | Note 8 |
| 2005.03 | 10 | 55,000,000 | 550,000,000 | 29,793,418 | 297,934,180 | Conversion of convertible bonds 13,185,680 | None | Note 9 |
| 2005.06 | 10 | 55,000,000 | 550,000,000 | 36,886,285 | 368,862,850 | Conversion of convertible bonds 70,928,670 | None | Note 10 |
| 2005.08 | 10 | 55,000,000 | 550,000,000 | 40,239,990 | 402,399,900 | Capital increase by earnings 33,537,050 | None | Note 11 |
| 2005.08 | 10 | 55,000,000 | 550,000,000 | 40,708,497 | 407,084,970 | Conversion of convertible bonds 4,685,070 | None | Note 12 |
| 2006.09 | 10 | 80,000,000 | 800,000,000 | 47,900,397 | 479,003,970 | Capital increase by earnings 71,919,000 | None | Note 13 |
| 2006.10 | 36 | 80,000,000 | 800,000,000 | 55,900,397 | 559,003,970 | Capital increase by cash 80,000,000 | None | Note 14 |
| 2007.07 | 10 | 100,000,000 | 1,000,000,000 | 68,819,597 | 688,195,970 | Capital increase by earnings 129,192,000 | None | Note 15 |
| 2008.08 | 10 | 100,000,000 | 1,000,000,000 | 75,242,797 | 752,427,970 | Capital increase by earnings 64,232,000 | None | Note 16 |
| 2010.03 | 10 | 100,000,000 | 1,000,000,000 | 75,702,797 | 757,027,970 | Exercise of employee stock options 4,600,000 | None | Note 17 |

| Year Month | Issue price | Authorized capital | | Paid-in capital | | Remarks | | |
|---------------|----------------|--------------------|---------------|-----------------|---------------|--------------------------------------------------------------------|-----------------------------------------------|---------|
| | | Shares | Amount | Shares | Amount | Source of share capital | Capital increase by assets other than cash | Others |
| 2010.06 | 10 | 100,000,000 | 1,000,000,000 | 75,721,797 | 757,217,970 | Exercise of employee stock options 190,000 | None | Note 18 |
| 2010.08 | 10 | 150,000,000 | 1,500,000,000 | 88,251,273 | 882,512,730 | Capital increase by earnings and capital surplus 125,294,760 | None | Note 19 |
| 2010.08 | 10 | 150,000,000 | 1,500,000,000 | 88,303,273 | 883,032,730 | Exercise of employee stock options 520,000 | None | Note 20 |
| 2011.03 | 10 | 150,000,000 | 1,500,000,000 | 88,528,273 | 885,282,730 | Exercise of employee stock options 2,250,000 | None | Note 21 |
| 2011.07 | 10 | 150,000,000 | 1,500,000,000 | 104,020,721 | 1,040,207,210 | Capital increase by earnings and capital surplus 154,924,480 | None | Note 22 |
| 2011.08 | 10 | 150,000,000 | 1,500,000,000 | 104,088,721 | 1,040,887,210 | Exercise of employee stock options 680,000 | None | Note 23 |
| 2012.03 | 10 | 150,000,000 | 1,500,000,000 | 104,307,721 | 1,043,077,210 | Exercise of employee stock options 2,190,000 | None | Note 24 |
| 2012.07 | 10 | 150,000,000 | 1,500,000,000 | 114,508,494 | 1,145,084,940 | Capital increase by earnings 102,007,730 | None | Note 25 |
| 2012.12 | 10 | 150,000,000 | 1,500,000,000 | 114,601,494 | 1,146,014,940 | Exercise of employee stock options 930,000 | None | Note 26 |
| 2013.05 | 10 | 150,000,000 | 1,500,000,000 | 115,199,494 | 1,151,994,940 | Exercise of employee stock options 5,980,000 | None | Note 27 |
| 2013.07 | 10 | 150,000,000 | 1,500,000,000 | 128,747,434 | 1,287,474,340 | Capital increase by earnings 135,479,400 | None | Note 28 |
| 2013.11 | 10 | 150,000,000 | 1,500,000,000 | 129,153,434 | 1,291,534,340 | Exercise of employee stock options 4,060,000 | None | Note 29 |
| 2014.08 | 10 | 150,000,000 | 1,500,000,000 | 144,651,847 | 1,446,518,470 | Capital increase by earnings 154,984,130 | None | Note 30 |
| 2014.10 | 10 | 180,000,000 | 1,800,000,000 | 159,018,380 | 1,590,183,800 | Receiving shares from other companies 143,665,330 | None | Note 31 |
| 2015.08 | 10 | 180,000,000 | 1,800,000,000 | 166,969,299 | 1,669,692,990 | Capital increase by earnings 79,509,190 | None | Note 32 |
| 2018.08 | 10 | 180,000,000 | 1,800,000,000 | 178,657,150 | 1,786,571,500 | Capital increase by earnings 116,878,510 | None | Note 33 |
| 2019.08 | 10 | 250,000,000 | 2,500,000,000 | 178,657,150 | 1,786,571,500 | Increase of authorised capital | - | Note 34 |
| 2022.08 | 10 | 250,000,000 | 2,500,000,000 | 182,657,150 | 1,826,571,500 | New restricted employee shares 40,000,000 | None | Note 35 |
| 2022.10 | 10 | 250,000,000 | 2,500,000,000 | 212,657,150 | 2,126,571,500 | Capital increase by private cash placement 300,000,000 | None | Note 36 |

Note 1: approval document number: Chien San Yi No.1155910, Department of Construction of Provincial Government on April 22, 1999

Note 2: approval document number: Jing (89) Jung Tz No. 89500456, Ministry of Economic Affairs on September 28, 2000

Note 3: approval document number: Jing (90) Shang Tzu No. 09001173990, Ministry of Economic Affairs on May 23, 2001

Note 4: approval document number: Jing (90) Shang Tzu No. 09001507840, Ministry of Economic Affairs on December 31, 2001

Note 5: approval document number: approved by (91) Tai Tsai Cheng (1) Tzu No. 115410 letter, Securities and Futures Bureau, Ministry of Finance on April 16, 2002

Note 6: approval document number: approved by Tai Tsai Cheng Yi Tzu No. 0910154417 letter, Securities and Futures Bureau, Ministry of Finance on October 7, 2002

Note 7: approval document number: approved by Tai Tsai Cheng Yi Tzu No. 0920136452 letter, Securities and Futures Bureau, Ministry of Finance on August 12, 2003

Note 8: approval document number: approved by Tai Tsai Cheng Yi Tzu No. 0930127303 letter, Securities and Futures Bureau, Financial Examination Bureau on June 18, 2004

Note 9: approval document number: approved by Ching Shou Chung Tzu No. 09431987220 letter, Ministry of Economic Affairs on April 19, 2005
 Note 10: approval document number: approved by Ching Shou Chung Tzu No. 09432470660 letter, Ministry of Economic Affairs on July 20, 2005
 Note 11: approval document number: approved by Chin Kuan Cheng Yi Tzu No. 0940124270 letter, Financial Examination Bureau, Executive Yuan on June 16, 2005
 Note 12: approval document number: approved by Ching Shou Chung Tzu No. 09432832700 letter, Ministry of Economic Affairs on September 15, 2005
 Note 13: approval document number: approved by Chin Kuan Cheng Yi Tzu No. 0950134249 letter, Financial Examination Bureau, Executive Yuan on August 3, 2006
 Note 14: approval document number: approved by Chin Kuan Cheng Yi Tzu No. 0950134267 letter, Financial Examination Bureau, Executive Yuan on August 10, 2006
 Note 15: approval document number: approved by Chin Kuan Cheng Yi Tzu No. 0960033352 letter, Financial Examination Bureau, Executive Yuan on July 2, 2007
 Note 16: approval document number: approved by Chin Kuan Cheng Yi Tzu No. 0970033084 letter, Financial Examination Bureau, Executive Yuan on July 2, 2008
 Note 17: approval document number: approved by Ching Shou Shang Tzu No. 09901074880 letter, Ministry of Economic Affairs on April 16, 2010
 Note 18: approval document number: approved by Ching Shou Shang Tzu No. 09901143700 letter, Ministry of Economic Affairs on July 8, 2010
 Note 19: approval document number: approved by Ching Shou Shang Tzu No. 09901190360 letter, Ministry of Economic Affairs on August 24, 2010
 Note 20: approval document number: approved by Ching Shou Shang Tzu No. 09901211530 letter, Ministry of Economic Affairs on September 16, 2010
 Note 21: approval document number: approved by Ching Shou Shang Tzu No. 10001070460 letter, Ministry of Economic Affairs on April 12, 2011
 Note 22: approval document number: approved by Ching Shou Shang Tzu No. 10001187370 letter, Ministry of Economic Affairs on August 15, 2011
 Note 23: approval document number: approved by Ching Shou Shang Tzu No. 10001216000 letter, Ministry of Economic Affairs on September 19, 2011
 Note 24: approval document number: approved by Ching Shou Shang Tzu No. 10101059940 letter, Ministry of Economic Affairs on April 9, 2012
 Note 25: approval document number: approved by Ching Shou Shang Tzu No. 10101175740 letter, Ministry of Economic Affairs on August 23, 2012
 Note 26: approval document number: approved by Ching Shou Shang Tzu No. 10101261310 letter, Ministry of Economic Affairs on January 4, 2013
 Note 27: approval document number: approved by Ching Shou Shang Tzu No. 10201097630 letter, Ministry of Economic Affairs on May 24, 2013
 Note 28: approval document number: approved by Ching Shou Shang Tzu No. 10201164280 letter, Ministry of Economic Affairs on August 9, 2013
 Note 29: approval document number: approved by Ching Shou Shang Tzu No. 10201242460 letter, Ministry of Economic Affairs on November 28, 2013
 Note 30: approval document number: approved by Ching Shou Shang Tzu No. 10301175810 letter, Ministry of Economic Affairs on August 22, 2014
 Note 31: approval document number: approved by Ching Shou Shang Tzu No. 10301226010 letter, Ministry of Economic Affairs on October 30, 2014
 Note 32: approval document number: approved by Ching Shou Shang Tzu No. 10401178640 letter, Ministry of Economic Affairs on August 26, 2015
 Note 33: approval document number: approved by Ching Shou Shang Tzu No. 10701106050 letter, Ministry of Economic Affairs on August 24, 2018
 Note 34: approval document number: approved by Ching Shou Shang Tzu No. 10801088280 letter, Ministry of Economic Affairs on August 2, 2019
 Note 35: approval document number: approved by Ching Shou Shang Tzu No. 11101151850 letter, Ministry of Economic Affairs on August 8, 2022
 Note 36: approval document number: approved by Ching Shou Shang Tzu No. 11101202940 letter, Ministry of Economic Affairs on October 25, 2022

April 17, 2023; Unit: share

| Share type | Authorized capital | | | Remarks |
|--------------------------|---------------------------------------------|-----------------|-------------|---------|
| | Outstanding shares | Unissued shares | Total | |
| Registered common shares | 182,657,150 (listed stocks) | 37,342,850 | 250,000,000 | (Note) |
| | 30,000,000 (Private placement of stocks) | | | |

Note: The authorized capital consists of 10,000,000 shares for the exercise of the issued bonds with warrants, preferred stock with warrants, and stock warrants.

Information on shelf registration for the issuance of securities: n/a.

(II) Shareholder structure

April 17, 2023

| Shareholder structure Amount | Government agencies | Financial institutions | Other juridical persons | Natural persons | Foreign institutions and natural persons | Total |
|---------------------------------|---------------------|------------------------|-------------------------|-----------------|------------------------------------------|-------------|
| Nuber of persons (persons) | 0 | 2 | 207 | 40,221 | 98 | 40,528 |
| Shares held (shares) | 0 | 50,210 | 65,583,779 | 126,208,483 | 20,814,678 | 212,657,150 |
| Shareholding ratio (%) | 0.00 | 0.02 | 30.84 | 59.35 | 9.79 | 100.00 |

Information source: Taiwan Depository & Clearing Corporation. The information is based on the shareholding status as of April 17 2023—the latest book closure date.

(III) Distribution of shares

1. Common share(par value of \$10 per share)

April 17, 2023

| Range of shares held | Number of shareholders | Shares held (shares) | Shareholding ratio (%) |
|----------------------|------------------------|----------------------|------------------------|
| 1–999 | 16,630 | 1,106,138 | 0.52 |
| 1,000–5,000 | 19,242 | 38,390,943 | 18.05 |
| 5,001–10,000 | 2,576 | 19,800,730 | 9.31 |
| 10,001–15,000 | 755 | 9,311,348 | 4.38 |
| 15,001–20,000 | 425 | 7,782,615 | 3.66 |
| 20,001–30,000 | 363 | 9,057,355 | 4.26 |
| 30,001–40,000 | 147 | 5,236,150 | 2.46 |
| 40,001–50,000 | 95 | 4,366,962 | 2.05 |
| 50,001–100,000 | 166 | 11,314,161 | 5.32 |
| 100,001–200,000 | 58 | 7,724,740 | 3.63 |
| 200,001–400,000 | 28 | 8,182,729 | 3.85 |
| 400,001–600,000 | 10 | 4,921,862 | 2.31 |
| 600,001–800,000 | 7 | 4,923,429 | 2.32 |
| 800,001–1,000,000 | 5 | 4,430,580 | 2.08 |
| Over 1,000,001 | 21 | 76,107,408 | 35.80 |
| Total | 40,528 | 212,657,150 | 100.00 |

Information source: Taiwan Depository & Clearing Corporation. The information is based on the shareholding status as of April 17,2023—the latest book closure date.

2. Preferred share: none.

(IV) List of major shareholders: List all shareholders with a stake of 5 percent or greater, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list

April 17, 2023

| Name of major shareholder | Share | Shares held (shares) | Shareholding ratio (%) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-----------------------|------------------------|
| WT MICROELECTRONICS CO., LTD. | | 31,000,000 | 14.58 |
| WPG INVESTMENT CO., LTD. CORPORATE | | 5,849,000 | 2.75 |
| ZONG XIN INVESTMENT CO., LTD. CORPORATE | | 5,630,000 | 2.65 |
| WEN QING INVESTMENT CO., LTD. CORPORATE | | 4,400,000 | 2.07 |
| Yuanta Commercial Bank Trust Account (Restricted Stock Awards) | | 4,000,000 | 1.88 |
| CHOU WEI LIN (Note) | | 3,220,000 (Note 1) | 1.51 |
| Series Fund Vanguard Total International Stock Index Fund Investment Account of Vanguard Star Funds under the custody of Taipei Branch, JP Morgan Chase Bank | | 3,091,000 | 1.45 |
| Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds | | 2,809,460 | 1.32 |
| Tiger Venture Capital Ltd. | | 1,809,000 | 0.85 |
| HSUAN YANG INVESTMENT CO.,LTD. CORPORATE | | 1,754,302 | 0.82 |

Information source: Taiwan Depository & Clearing Corporation. The information is based on the shareholding status as of April 17, 2023—the latest book closure date.

Note: Mr. CHOU WEI LIN has retained the power to decide on the use of 1,500,000, entrusted to a trust account with a financial institution, and those shares are included.

(V) Market price, Net Worth, Earnings, Dividends per share for the latest 2 years

Unit: NT\$; share

| Item | Year | | 2021 | 2022 | As of April 17,2023 (Note8) |
|----------------------------------|----------------------------------|---------------------------------|-------------|--------------|-----------------------------|
| | Market price per share | Highest | | 60.00 | 51.40 |
| | Lowest | | 43.20 | 42.10 | 52.20 |
| | Average (Note 1) | | 55.01 | 51.70 | 57.43 |
| Net worth per share | Before dividend distribution | | 25.05 | 31.05 | 32.04 |
| | After dividend distribution | | 21.05 | (Note 2) | NA |
| Earnings per share | Weighted average shares | | 178,657,150 | 185,725,643 | 208,657,150 |
| | Earnings per share (Note 3) | Before retrospective adjustment | 4.59 | 8.02 | 0.72 |
| | | After retrospective adjustment | 4.59 | (Note 2) | NA |
| Dividends per share | Cash dividends (\$) | | 4.00 | 5.50(Note 4) | NA |
| | Stock dividends | From earnings | - | -(Note 4) | NA |
| | | From capital surplus | - | -(Note 4) | NA |
| | Accumulated unpaid dividend | | - | - | NA |
| Analysis of return on investment | Price-to-earnings ratio (Note 5) | | 11.57 | 6.40 | NA |
| | Price-to-dividend ratio (Note 6) | | 13.28 | 9.33 | NA |
| | Cash dividend yield (Note 7) | | 7.53% | 10.71 | NA |

If retained earnings or capital surplus are used for capital increase, the market price and cash dividend information are adjusted retroactively based on the number of shares issued.

Note 1: Calculate each year's average market price based upon that year's transaction value and transaction volume.

Note 2: The distribution amounts are adjusted based on the resolved distributions at the shareholders' meeting in the following year.

Note 3: The calculation of earnings per share is based on the weighted average shares. If capital increases from earnings or capital surplus, adjustments are made retroactively according to the proportion of capital increase.

Note 4: On March 13, 2023, the board of directors proposed to distribute cash dividends to shareholders in the

amount of \$1,169,614. The dividend distribution is subject to approval at the shareholders' meeting.

Note 5: Price-to-earnings ratio = average closing price of the year/earnings per share
(The average closing price of 2021 is \$ 53.10; the average closing price of 2022 is \$51.34)

Note 6: Price-to-dividend ratio = average closing price of the year/cash dividend per share

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

Note 8: The net worth per share and earnings per share are based on the information as of the first quarter of 2023, which has not been reviewed by CPAs. The remaining data are based on the information as of April 17, 2023.

(VI) The corporation's dividend policy and implementation

1. Dividend policy as defined in the Articles of Incorporation

Article 21: If the Corporation's annual financial statements indicate a surplus, the Corporation shall set aside 10% as legal reserve after its taxes have been paid, and losses have been covered. However, when the legal reserve reaches the Corporation's paid-in capital, this shall not apply, and the rest may be appropriated to special reserve based on the business needs or the laws and regulations. The total annual dividends shall not be less than 50% of the current year's earnings, and the board of directors shall prepare a earnings distribution proposal and submit it to the shareholders meeting for resolution of the distribution.

Article 21-1: Considering the environment and the growth stage of the Corporation, the Corporation shall distribute dividends according to Article 21 of the Corporation's Articles of Incorporation in view of the future capital requirements and long-term financial planning.

Besides, annual cash dividends shall not be less than 30% of the total dividends to shareholders.

2. Proposal of dividend distribution at the current shareholders' meeting

On March 13, 2023, the board of directors proposed to distribute cash dividends to shareholders in the amount of \$1,169,614 thousand. The dividend distribution is subject to approval at the shareholders' meeting.

(VII) Impact on business performance and eps due to stock dividend distribution proposed in the current shareholders' meeting: No stock dividend in the proposed dividend distribution of 2022.

(VIII) Bonuses to employees and directors

1. Percentage or scope of bonuses to employees and directors as set forth in the Articles of Incorporation

Article 20: If the Corporation makes a profit in a year, it shall set aside not less than 5% as remuneration to employees and not more than 3% as remuneration to directors. However, the corporation's accumulated losses, if any, shall have been covered. The recipients of the preceding employee remuneration, in the form of stock or cash, may include employees of the affiliates who meet certain criteria.

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

(1) Basis for estimating the amount of bonuses to employee and directors for the current period
The Corporation appropriates not less than 5% of the annual profit as bonus to employees and not more than 3% of the annual profit as bonus to directors.

(2) Basis for calculating the number of shares to be distributed as employees' bonuses
The closing price on the day before the board of directors' resolution is the basis.

(3) Accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure
The discrepancies are treated as changes in accounting estimates and adjusted in the following year.

3. Information on any approval by the board of directors of distribution of bonuses:

(1) Amount of any employee bonuses distributed in cash or stocks and bonuses for directors
On March 13, 2023, the Corporation's board of directors approved the employees' bonus of \$121,401 thousand and the directors' bonus of \$26,014 thousand, both of which are paid in cash.

If there is any discrepancy between that amount and the estimated figure for the year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed: no discrepancy.

(2) The amount of any employee bonuses distributed in stocks, and the size of that amount as a

percentage of the sum of the after-tax net income stated in the parent company only financial reports for the current period and total employee bonuses: The Corporation does not distribute employee bonuses in stocks; therefore, this is not applicable.

4. The actual distribution of employee, director, and supervisor bonuses for the previous year (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee, director, or supervisor bonuses, additionally the discrepancy, cause, and how it is treated.

On March 23, 2022, the Corporation's board of directors resolved to distribute \$71,747 thousand of employee bonus and \$15,374 thousand of director bonus for 2021. As of the publication date of the annual report, the actual distributed employee bonus and director bonus were \$71,747 thousand and \$15,374 thousand, respectively. Therefore, there was no discrepancy from the actual distribution.

(IX) Status of the Corporation repurchasing its own shares: none

II. Status of corporate bonds: none

III. Status of preferred stock: none.

IV. Status of global depository receipts: none.

V. Status of employee stock options: none.

VI. Status of new restricted employee shares

(I) For all new restricted employee shares for which the vesting conditions have not yet been met for the full number of shares, the status and the effect on shareholders' equity

April 17, 2023

| Type of new restricted employee shares | The 1st of new restricted employee shares for 2022 |
|------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Effective registration date and total number of shares | July 12, 2022 4,000,000 shares |
| Issue date | July 22, 2022 |
| Number of new restricted employee shares issued | 4,000,000 shares |
| Number of new restricted employee shares still available for issuance | 0 share |
| Issue price | The shares are issued at a price of NT\$21.93 per share. |
| Ratio of the number of new restricted employee shares issued to the total number of issued shares (Note 1) | 2.24% |
| Vesting conditions of new restricted employee shares | The following criteria for the overall Corporation's performance and individual employee's performance shall all be met (I) Overall Corporation's performance: The following earnings per share (EPS) requirements need to be met. <ol style="list-style-type: none"> 1. Before the expiration of the vesting period, the average earnings per share (EPS) for the latest three years should be higher than the average EPS of the peer companies for the same three years. 2. The said peer companies refer to five companies, namely, Honey Hope Honesty, PODAK, Howteh, Zenitron and WPG. 3. The said earnings per share refers to the basic earnings per share as disclosed in the consolidated statement of comprehensive income of the consolidated financial statements audited by CPAs. |

| Type of new restricted employee shares | The 1st of new restricted employee shares for 2022 |
|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>(II) Individual employee's performance</p> <ol style="list-style-type: none"> 1. After subscribing for new restricted employee shares, if an employee has been employed for two years with performance scores of 81 or higher in the previous two years and has not violated any laws, the Corporation's employment contracts, confidentiality and non-competition agreements, the Corporation's work rules, or other relevant regulations and agreements, 40% of the shares become vested. 2. After subscribing for new restricted employee shares, if an employee has been employed for three years with performance scores of 81 or higher in the third year and has not violated any laws, the Corporation's employment contracts, confidentiality and non-competition agreements, the Corporation's work rules, or other relevant regulations and agreements in the third year, 30% of the shares become vested. 3. After subscribing for new restricted employee shares, if an employee has been employed for four years with performance scores of 81 or higher in the fourth year and has not violated any laws, the Corporation's employment contracts, confidentiality and non-competition agreements, the Corporation's work rules, or other relevant regulations and agreements in the fourth year, 30% of the shares become vested. |
| Restrictions on rights in the new restricted employee shares | <p>(I) Depositing subscribed new restricted employee shares in custody of a trustee, a employee shall not sell, pledge, transfer, donate, encumber or use other manners to dispose the shares, except inheritance, before the vesting condition is reached.</p> <p>(II) Voting rights and election rights at shareholders' meetings: The trustees are appointed to carry out the tasks pursuant to applicable laws and regulations.</p> <p>(III) Holders of new restricted employee shares that do not reach the vesting condition are still entitled to receive stock dividends and cash dividends as holders of the Corporation's issued common shares. However, they shall not have the right to subscribe share by follow-on offering.</p> |
| Custody of the new restricted employee shares | The shares are in the custody of trustees. |
| Treatment of the new restricted shares for which the grantee fails to meet the vesting conditions after receiving or subscribing to the shares | The Corporation will reclaim the granted shares and cancel the same at the initial price; however, the employees are not required to return or pay back the stock and cash dividends generated from the shares. |
| Number of new restricted employee shares that have been retired or bought back | 0 share |
| Number of new restricted shares that have vested | 0 share |
| Number of unvested new restricted shares | 4,000,000 shares |
| The ratio of the number of unvested new restricted shares to the total number of issued shares | 1.88% |

| Type of new restricted employee shares | The 1st of new restricted employee shares for 2022 |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (Note 2) | |
| The effect on shareholders' equity | <p>(I) Using the Corporation's closing price of \$44.70 on July 4, 2022, it is tentatively estimated that the amounts to be expensed from 2022 to 2026 will be NT\$13,969 thousand, NT\$33,525 thousand, NT\$26,075 thousand, NT\$11,920 thousand and NT\$3,911 thousand, respectively, based on the total issue amount and the issue terms stipulated in the issuance rules.</p> <p>(II) Based on the Corporation's 178,657,150 shares issued and outstanding at the time of the issuance, it is tentatively estimated that the dilution of EPS caused by the potential expense from 2022 to 2026 is approximately NT\$0.08, NT\$0.19, NT\$0.15, NT\$0.07 and NT\$0.02, respectively.</p> <p>(III) Based on the overall assessment, the impact on the dilution of the Corporation's earnings per share in future years is limited, and the impact on shareholders' equity is not material.</p> |

Note 1: The percentage is calculated based on the total of 178,657,150 issued shares registered at the Ministry of Economic Affairs on August 24, 2018.

Note 2: The ratio is calculated based on the total of 212,657,150 issued shares registered at the Ministry of Economic Affairs on October 25, 2022.

(II) Names and acquisition status of manages who have acquired new restricted employee shares and of employees who rank among the top ten in the number of new restricted employee shares acquired, cumulative to the date of publication of the annual report

April 17, 2023; Unit: share; \$

| | Title | Name | Number of new restricted employee shares granted | Ratio of the number of new restricted employee shares granted to the total number of issued shares | Vested Restricted Shares | | | | Unvested Restricted Shares | | | |
|---------|----------------------------------------|--------------|--------------------------------------------------|----------------------------------------------------------------------------------------------------|--------------------------|-------------|----------------------|--------------------------------------------------------------------------------------|----------------------------|-------------|----------------------|----------------------------------------------------------------------------------------|
| | | | | | Number of vested shares | Issue price | Total purchase price | Ratio of the number of vested restricted shares to the total number of issued shares | Number of unvested shares | Issue price | Total purchase price | Ratio of the number of unvested restricted shares to the total number of issued shares |
| Manager | CEO | CHOU WEI LIN | 3,080,000 | 1.45% | 0 | 0 | 0 | 0 | 3,080,000 | 21.93 | 67,544,400 | 1.45% |
| | Head of strategic investment committee | HUANG JEN HU | | | | | | | | | | |
| | COO | LEE KUN CHAN | | | | | | | | | | |
| | General manager | YU YAO KUO | | | | | | | | | | |
| | Vice President | LIAO LI SHU | | | | | | | | | | |
| | Vice President and Controller | HOU CHIN HWA | | | | | | | | | | |

| | | | | | | | | | | | | |
|---------------------------------|---------------------------------|---------------|---------|-------|---|---|---|---|---------|-------|------------|-------|
| Employee | Senior Vice President | HUNG CHIN HAN | | | | | | | | | | |
| | Senior Assistant Vice President | LAI NAN CHUN | | | | | | | | | | |
| | Assistant Vice President | YANG WEN CHI | | | | | | | | | | |
| | Assistant Vice President | HSU CHI PING | | | | | | | | | | |
| | Assistant Vice President | LYI PO YI | | | | | | | | | | |
| | Vice President | YU○ JIANG | | | | | | | | | | |
| | Vice President | JIAN○ YI | | | | | | | | | | |
| | Senior Assistant Vice President | SUN○ KE | | | | | | | | | | |
| | Senior Assistant Vice President | CHEN○ GUANG | | | | | | | | | | |
| | Senior Assistant Vice President | YANG○ CONG | 920,000 | 0.43% | 0 | 0 | 0 | 0 | 920,000 | 21.93 | 20,175,600 | 0.43% |
| | Senior Assistant Vice President | CHOU○ TING | | | | | | | | | | |
| Assistant Vice President | SU○ CANG | | | | | | | | | | | |
| Senior Assistant Vice President | YANG○ HUI | | | | | | | | | | | |

Note : The total number of shares issued refers to the number of shares listed in the change of registration data of the Ministry of Economic Affairs.

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

VIII. Implementation of capital allocation plans:

(I) Plan Description:

1. The annual general meeting held on June 15, 2022 resolved to conduct cash capital increase by private placement of common shares within the limit of 30,000,000 shares in accordance with Article 43-6 of the Securities and Exchange Act, which was to be carried out once or twice within one year following the date of the resolution adopted at the annual general meeting.
2. The Company has completed a private placement of 30,000,000 shares, at a price of NT\$44.02 per share, totaling NT\$1,320,600,000. Through this private placement, both parties will begin to cooperate with each other strategically in order to build synergies in new market development, customer promotion, and exchange of warehousing and logistics resources. It is anticipated that the

partnership will enhance the value-added capabilities of both parties in the supply chain, boosting the Company's competitiveness and improving operational efficiency.

(II) Status of implementation:

The proceeds from private placement were fully collected on October 7, 2022 and the offering was completed on November 11, 2022.

The funds privately placed were used to enrich the working capital. As of April 17, 2023, NT\$915,718 thousand from the funds privately placed was used. On April 10, 2023, the quarterly report on the use of fund was completed.

Five. Overview of Business Operations

I. Description of business

(I) Scope of business

1. Main content

- (1) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing
- (2) CC01040 Lighting Equipment Manufacturing
- (3) CC01070 Wireless Communication Mechanical Equipment Manufacturing
- (4) CC01080 Electronics Components Manufacturing
- (5) CC01110 Computer and Peripheral Equipment Manufacturing
- (6) CC01990 Other Electrical Engineering and Electronic Machinery Equipment Manufacturing
- (7) CZ99990 Manufacture of Other Industrial Products Not Elsewhere Classified
- (8) F106010 Wholesale of Hardware
- (9) F113020 Wholesale of Electrical Appliances
- (10) F113070 Wholesale of Telecommunication Apparatus
- (11) F119010 Wholesale of Electronic Materials
- (12) F213060 Retail Sale of Telecommunication Apparatus
- (13) F219010 Retail Sale of Electronic Materials
- (14) F401010 International Trade
- (15) I301010 Information Software Services
- (16) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue breakdown

Unit: NT\$ thousand

| Main products | 2022 | |
|------------------------|------------|------------------------------------------|
| | Amount | As a percentage of operating revenue (%) |
| MLCC | 4,900,895 | 46.94 |
| Electrolytic Capacitor | 1,603,983 | 15.36 |
| Semiconductor IC | 1,398,789 | 13.40 |
| Solid Capacitor | 1,197,759 | 11.47 |
| LED | 373,275 | 3.58 |
| Others | 966,028 | 9.25 |
| Total | 10,440,729 | 100.00 |

3. Main products (services) of the Corporation

- (1) Nichidenbo, Nichidenbo (Shenzhen), Nichidenbo (Suzhou) serve as the agents mainly for electronic components of NIPPON CHEMI-CON, Panasonic and Sumida.
- (2) VIC-DAWN mainly sells KTS battery series under its own brand and serves as the agent for electronic components of AIC tech, FUJITSU and ALPSALPINE.
- (3) Lipers, Scope Technology and Advance Electronic Supply serve as the agents mainly for electronic components of SAMSUNG, KEMET, KYOCERA, AVX, TDK, EVERLIGHT, Rubycon, GENESYS and the own brand, UWA.
- (4) TONSAM serves as the agent for electronic components of Nisshinbo Micro Devices, AsahiKASEI MICRODEVICES Corporation.
- (5) KOHO (Taiwan) serves as the agent mainly for the full series of electronic components of Panasonic.

4. New products (services) planned to be developed

In addition to expanding the sales of various components in various existing markets, the Corporation is also competitive in expanding new markets and adding new products. Furthermore, the Corporation is proactively developing local markets in China and overseas countries (e.g. Vietnam, Thailand, India, etc.) in order to increase business opportunities for its products and enhance the competitiveness.

(II) Industry summary

1. Industry's current condition and development

Passive components are essential electronic components that are widely used in PCs, mobile phones, tablet, servers, AV equipment, automobiles and other products. Among these, MLCCs are preferred due to their physical characteristics, such as high voltage resistance, high heat resistance, wide operating temperature, and low loss rate in high frequency use. The size of MLCCs can also be reduced thanks to waferization and with the advantages of low price and high stability, they are suitable for mass production.

In the first half of 2022, the passive components industry benefitted from the demand in 5G, networking and automotive applications, coupled with the adequate supply capacity in the market, the overall market demand and price for MLCCs and chip resistors have stabilized. In the second half of 2022, aside from the automotive market, which remained stable, the demand for other industries declined. End-customers adjust their inventories in response to changes in the market. Due to this, factories also adjusted their availability/uptime to meet declined order visibility. However, as the supply and demand situation has not yet rebounded, the prices for high-specification products are relatively stable and the shipment target is around 30 weeks. Compared to this, the demand for medium and low specification products has declined.

On the other hand, with fierce competition of electronic component industry for the supply of 5G smartphones, Japanese component manufacturers, who already have a dominant market share in 4G products, expect to keep their leading position from competitors in China and south Korea with MLCC miniaturization technology. In addition, some Japanese component manufactures have been gradually shifting their technology resources to the automotive and industrial controls market in recent years. This has resulted in strong demand for MLCCs in the mobile phone market and consumer product market in China for Taiwanese manufacturers. Through strengthening in the development of new 5G, IoT, and automotive applications, Taiwan's passive components industry has expanded new business opportunities.

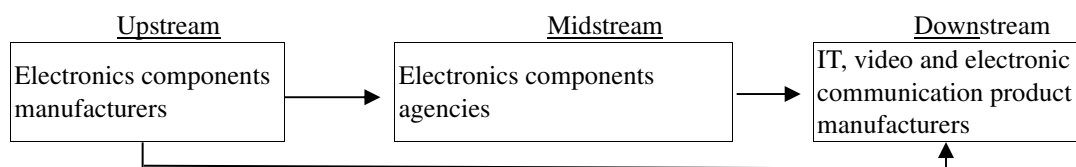
In 2022, the policy direction for China to build a large number of 5G base stations and EVs was clear. Thanks to the increase of 5G and EV-related applications, the price of passive components remains stable, further driving the growth of the passive components industry in Taiwan in 2022. To improve its competitiveness, as well as developing niche products, the passive components industry in Taiwan has also increased the diversity and strengthening of product lines through means of mergers and acquisitions. Overall, benefiting from the increasing applications of networking, gaming machines, EVs, and automotive electronics in 2022, the demand for 5G and automotive passive components remains strong, especially MLCCs for EVs. As a result of this, the demand for high-end polymer capacitors and automotive aluminum capacitors has also increased significantly, resulting in longer delivery periods.

In 2023, it is anticipated that the demand for passive components will gradually normalize, as the first half of the year will be the inventory adjustment period for general MLCCs and chip resistors, making the demand for the second half of the year stable. The demand for high-end special grade MLCCs and automotive specifications is growing steadily at a stable price. In addition, due to high demand for new energy products, networking gaming machines and board products, and raw material shortages, the supply of electrolytic capacitors and polymer capacitors continues to be relatively tight. The cost of raw materials will rise due to shortages, leading to the limited possibility of price reductions. As the possibility of price reductions is limited, global MLCC output is expected to grow by 2% to 2.5%, while global polymer capacitor output is expected to grow by 4% to 5% in 2023 compared to 2022.

2. Relationship between upstream, midstream and downstream of the industry

Professional agents of electronic components are bridges between the upstream electronic component manufacturers and the downstream finished product manufacturers, and they maintain integrated and co-prosperous relationships under the structural model of separation of production and sales of the electronic information industry. For upstream manufacturers, they can build a complete marketing network and save on marketing expenses; for downstream manufacturers, they can quickly deliver required components, thus reducing the manufacturers' own inventory, design-related costs and operational risks. The midstream distributors can integrate the demands of the downstream companies, and purchase from the upstream manufacturers collectively to get better pricing. In addition, they can sell products to downstream companies by their systematic inventory management and diversified distribution brands. With such a professional division of labor, the operational efficiency and industrial competitiveness of the electronics industry can be effectively enhanced.

The upstream, midstream and downstream relationships of the industry are shown below:



3、Various development trends of products

Passive components are essential electronic components that are widely used in PCs, mobile phones, tablets, servers, AV equipment, automobiles and other products. Countries around the world have set timelines for fossil fuel vehicles to retire. With governments providing subsidies and incentives for EVs to attract major car manufacturers to accelerate their investment in the EV market, the demand in EV market is optimistic in the future. Due to this, the development of EVs and AI technology will become the two major driving factors for the growing demand for automotive MLCCs. Additionally, the significantly increasing demand for networking equipment and services will further drive the demand for passive components, such as high-end ceramic capacitors (MLCCs) and aluminum electrolytic capacitors. Overall, benefitting from the fact that the demand for development of AI technology in the industry is still supportive, it is expected that the demand for 5G, AI, IoT, EV, robotics and cloud computing applications will continue to increase, and the order visibility will be relatively high. With orders being highly prospective, the demand for the products is expected to grow in the future.

4. Product competition

The Corporation is specialized in the sales and agency business of electronic components, and its main products are capacitors in passive components. Among the TWSE/TPEX listed companies, only Holy Stone, Honey Hope Honesty and PODAK have products that are similar to those sold by the Corporation. Among the manufacturers, Taiwan Chinsan Electronic, Lelon and Jamicon are companies that sell products similar to those of the Corporation. The business lines of the Corporation and its competitors are listed and analyzed as follows:

| Main competitors | Business lines | Products |
|---------------------------|------------------------|--------------------------------------------------------------------------------------------|
| Nichidenbo | Electronics components | Passive components, Aluminum electrolytic capacitor, solid capacitor, MLCC, Inductor, etc. |
| Holy Stone | Electronics components | Passive components, active components, system module, etc. |
| Honey Hope Honesty | Electronics components | MLCC, Inductor, etc. |
| PODAK | Electronics components | Passive components, active components, etc. |
| Taiwan Chinsan Electronic | Electronics components | Aluminum electrolytic capacitor |
| Lelon | Electronics components | Aluminum electrolytic capacitor, aluminum foil, electronic materials, etc. |
| Jamicon | Electronics components | Aluminum electrolytic capacitor, filters, fan for dc motor, etc. |

Information source: Market Observation Post System and companies' annual reports.

(III) Overview of technology, research and development

The Corporation is a specialized electronic component distributor and is mainly engaged in agency business and sales business, not engaged in research and development.

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

1. Short-term plan

(1) Sales aspect

① To strengthen the management characteristics and become the most distinctive electronic parts agent

② Experienced market development personnel

The Corporation shall strengthen the market development unit, fully grasp the market trends, and assist the sales unit to promote the products in order to provide better services to the customers.

③ Well-trained sales specialists and professional management team

The Corporation has been established for more than 30 years, and its senior managers are all professionals from the passive component industry. The Corporation continues to strengthen

its sales personnel's expertise, which gives it an absolute advantage in promoting current products and securing new product distribution rights in the future.

④ Products covering various electronic industries

As our products expand into the consumer electronics and industrial electronics industries, and medical electronics industries, the Company continues to increase its market share through a sales network, thereby gaining access to more customers.

(2) Operation aspect

① To Enhance employee training

Employees are the main lifeblood of the Corporation. Therefore, the Corporation cultivates employees' skills and their recognition to the Corporation in order to achieve sustainable management.

② To strengthen computer operating system

The Corporation shall enhance the information operation system, strengthen the integration of all units, and improve the overall corporate competitiveness.

(3) Product strategy aspect

The Corporation and its subsidiaries are currently the agents of electronic components of NIPPON CHEMI-CON, Panasonic, AIC tech, KEMET, KYOCERA, AVX, SAMSUNG and EVERLIGHT, and they will use their market development experience to acquire more agency rights for other products.

(4) Financial strategy aspect

The Corporation's highest principle is to maintain sound financial operations. Therefore it has maintains good relationships with banks in order to respond to the needs arising from the increasing operation scale in the future.

2. Long-term plan

(1) Sales aspect

① The Corporation shall build a marketing network in the Asia-Pacific region by extending our marketing experience in Taiwan

② The Corporation shall develop good mutual understanding with main customers and become their main electronic component supplier.

(2) Operation aspect

① The Corporation shall Integrate the resources of investee companies and make overall planning to make the organizational operation more efficient.

② It is Nichidenbo's long-term plan to be globalized and become an internationally renowned corporation.

(3) Product strategy aspect

① The Corporation shall continue to introduce important components to enhance the integrity of agent products.

② The Corporation shall adjust its agent product mix to match the development trend of the product line, thereby increasing operating income.

(4) Financial strategy aspect

The Corporation shall maintain its profitability at a certain level and share the profits with all investors.

II. Overview of market, production and sales

(I) Market analysis

1. Regions where the main products (services) are sold (provided)

(1) The Corporation's main products are capacitor (MLCC, electrolytic capacitor, solid capacitor, etc.), Semiconductor IC and LED.

(2) The Company's products are sold mainly in the Greater China and Asia Pacific regions, and offices are set up in those countries to serve the customers.

2. Market share

Based on the management philosophy of "Integrity is the foundation; service is the principle; growth is the goal; and co-prosperity is the essence.," the Corporation is proactively expanding the content of its agent products; furthermore, it is strengthening its overseas sales points to increase its market share in line with the future market development trend.

3. Supply/demand status and growth of the market in the future

Passive components are essential electronic components widely used in all electronic products, such as PC, cell phone, tablet, server, AV equipment, automobiles, etc. The Corporation's product applications cover various electronic products, and the main sales markets in 2022 are as

follows:

| Market type | Operating revenue | As percentage of Operating revenue (%) | Description of market type |
|-----------------|-------------------|----------------------------------------|---------------------------------------------------------------------------------------------------------------|
| IT | 3,202,591 | 30.67 | Industrial PC (IPCs), server, motherboard, laptop, graphic card, webcam, and all other IT-related industries. |
| OEM/ODM | 2,350,329 | 22.51 | Professional OEM/ODM with a wide range of products. |
| Power supply | 1,715,975 | 16.44 | Industries related to power supply, uninterruptible power supply, inverters, and solar energy. |
| Communications | 997,327 | 9.55 | All communications-related industries, including cell phones, networks and cloud devices. |
| Consumer market | 539,952 | 5.17 | TV, game console, healthcare, signage, appliance and other related industries. |
| Others | 1,634,555 | 15.66 | Industries, such as automotive electronics, industrial control equipment, IOT, etc. |
| Total | 10,440,729 | 100.00 | |

- (1) From the perspective of demand, it is expected that the demand for passive components will continue to grow in 2023 due to the following factors:

With the continuous growth of a number of important trends, such as automotive electronics, artificial intelligence technology, energy storage equipment, solar power generation, and 5G communication, it is predicted that future automation applications, global information networks, communication products, and consumer electronics will grow at a steady pace. The development of products associated with AI application will thrive. Moreover, with the high economic growth in emerging countries, the demand for industrial computers (IPC) will increase significantly. The development of the industries stated above will drive market demand and bring about new business opportunities and challenges. In recent years, emerging industries for products, such as LED lighting, LCD TV/LED TV, automotive electronics, energy saving, AI, and 5G communication applications have been rapidly surfacing, providing the market with a wide range of products and development opportunities. The growth of these new industries has not only increased the demand for products themselves but have driven the development of related industries and technologies, providing a driving force for future product innovation and market development.

- (2) Looking at the supply side, in recent years, as mobile devices (such as cell phones and other handheld devices) have become increasingly popular, the demand for passive components has also risen. In particular, smartphone 5G applications and automobile-related demand are the key growth drivers. Moreover, the significant increase of the use of passive components has driven the overall demand upward, and further pushed the leading companies to expand their plants constantly. However the supply situation is fairly stable. Nevertheless, due to the negative factors, such as the impact of COVID-19 on the global economy, rising price of raw material, problems of long and short term materials and supply chain, Russo-Ukrainian War, power restrictions in China and manpower shortage, the supply and demand issues of 2022 have become more complicated. Nevertheless, due to negative factors, such as the impact of COVID-19 on the global economy, rising prices of raw materials, problems with long and short term materials and supply chain, Russo-Ukrainian War, inflation, geopolitics, natural disasters, and manpower shortages, supply and demand issues will become more complex in 2023.

4. Competitive niche, advantageous and disadvantageous factors for future development and countermeasure

(1) Competitive niche

- ① The agent products are supplied by internationally renowned companies; the products are reliable and complete; and the quality is trustworthy.

The Company and its subsidiaries serve as the agents for products of internationally renowned companies, such as Nippon Chemi-con, PANASONIC, AIC tech, KEMET, KYOCERA, AVX, SAMSUNG, etc. Since these internationally renowned companies possess specialized technology and core components, the quality of their products is excellent, and the technology level is also higher; consequently, there is still a disparity between these companies and the domestic companies. Although these internationally renowned companies produce components at higher prices, their market demand is still quite stable, which also protects the market demand of the Corporation's products. Furthermore, since these internationally renowned companies possess not only professional technology, but also the ability of research and development to meet the market trends, they are able to launch new products with competitive advantages in the market. Under the long-term and stable relationship between the Corporation and these major international companies, the Corporation is always able to obtain the agency rights of new products, which also makes the Corporation more competitive in the market. The Corporation has been engaged in electronic component agency and sales business for more than 30 years; therefore it has keen insight into market changes. Its agent products are mainly capacitors in passive components. Since the Corporation has been devoting itself to the capacitor market for many years, it has a very precise grasp of the channels. Further, the Corporation cooperates well with the major suppliers, so that it can provide its customers with products of complete specifications and reliable quality.

② Complete sales channel network

Sales channels are one of the most important factors to determine whether a professional distributor will survive or not. The Corporation has been engaged in distribution and sales for more than 30 years, and has established great sales channels and reputation. The Corporation also aims to provide customers with complete solutions, and sound and prompt services in order to lessen the inventory pressure of the downstream companies, thus establishing good relationships with customers. In addition, the Corporation is able to provide the latest products, technical services and support promptly, which also deepens the long-term partnership between the Corporation and its customers. In addition to setting up a sales office in Taiwan, we have also established subsidiaries overseas, overseeing the development of the Hong Kong and China markets. Taking into account the increasing demand and importance of the European and Asian markets, we have also moved southbound to proactively expand our product sales through our sales personnel in various parts of Asia. By doing so, we are able to keep abreast of customer development trends and provide timely services. In response to the component needs from the customers who set up factories overseas, and to improve the flexibility of inventory management, the Company has set up a widespread distribution bases, coupled with a complete sales system, to form strong sales channels, which can effectively enhance the actual competitiveness of both the Company and its customers; furthermore, the expansion of the service market has strengthened the Corporation's capability to compete with foreign suppliers for the agency rights of new product lines.

③ Complete logistics operation system

In recent years, electronic products are evolving rapidly, and most customers find it difficult to stock electronic components; thus, they have to rely on the assistance from electronic component agents. As such, the agency's business opportunities are rising. Over the past few years, the Corporation has introduced a computerized inventory management system, which can promptly control the purchase and shipment status, and instantly reflect all kinds of management information. Additionally, the Corporation handles the inventory and shipment operations through logistics companies in Hong Kong and China. With the complete information management and warehouse management system, the Corporation is able to confirm orders, handle and ship products in the shortest possible time to meet customers' needs promptly so as to increase the Corporation's competitive edge.

④ Wide range of product applications across various electronic fields, which makes the impact from the economic cycle of a single industry relatively minor.

Since capacitors are the basic component of various electronic products with mobile devices, 3C market, cloud devices, energy saving products, and automotive electronics thriving in recent years, the demand for passive components in the upstream is strong. In the future, the capacitor market will grow with the said markets. Hence there will be

considerable room for the growth in the capacitor market.

⑤ Professional management team

In the Corporation's main management team, the senior managers have rich marketing experiences, and all of them have worked for internationally renowned electronic component companies. These personnel have more than 20 years of experience in the passive component marketing industry. Therefore, regarding the relevant industries and products, they all have built up good experience and networks and can effectively grasp the trends of the industrial environment and market so as to provide customers with prompt and professional services. As a result, the Corporation's professional management team has the absolute advantage to promote the current products and to compete for the agency rights of new products in the future.

⑥ The vertical division of labor in the industry makes the value of distributors increasingly essential.

The Corporation has a complete logistics and inventory management system, which can confirm orders, prepare products and provide timely delivery services in the shortest possible time. In addition to providing new products and information about new industrial development to help customers design new products, it can also deliver information from downstream markets to upstream suppliers. Thus the distributor can act as a bridge between the upstream and downstream in the electronics and IT industries. Under this industrial structure of vertical division of labor, distributors, upstream suppliers and downstream companies become business partners, which makes the value of the distributor increasingly essential.

(2) Advantageous and disadvantageous factors for future development and countermeasure

① Advantageous factors

A. The agent products are supplied by internationally renowned companies, and the products are reliable

Whether the products distributed by a professional distributor/agent is competitive or not is one of the most crucial factors to determine whether a professional distributor/agent can compete with its competitors in the market. The Corporation and its subsidiaries serve as the agents of the products of internationally renowned companies, such as NIPPON CHEMI-CON, Panasonic, AIC tech, KEMET, KYOCERA, AVX, SAMSUNG, etc. Since these internationally renowned companies possess specialized technology and core components, the quality of their products is excellent, and the technology level is also higher; consequently, domestic companies are not yet able to compete with them. Although these internationally renowned companies produce components at higher prices, their market demand is still quite stable, which also protects the market demand of the Corporation's products. Furthermore, since these internationally renowned companies possess not only professional technology, but also the ability of research and development to meet the market trends, they are able to launch new products with competitive advantages in the market. Under the long-term and stable relationship between the Corporation and these major international companies, the Corporation is always able to obtain the agency rights of new products, which also makes the Corporation more competitive in the market.

B. The sales channels have been cultivated for many years and the marketing services are complete.

Sales channels are one of the most important factors to determine whether a professional distributor will survive or not. The Corporation has been engaged in distribution and sales for more than 30 years, and has established great sales channels and reputation. The Corporation also aims to provide customers with complete solutions, and sound and prompt services in order to lessen the inventory pressure of the downstream companies, thus establishing good relationships with customers. In addition, the Corporation is able to provide the latest products, technical services and support promptly, which also deepens the long-term partnership between the Corporation and its customers.

C. Due to the wide range of product applications, the impact from the economic cycle of a single industry is relatively minor.

Since capacitors are the basic components of various electronic products, and the market of mobile devices, 3C market, cloud devices and energy saving products are thriving in recent years, the demand for passive components in the upstream is strong. Looking

forward, the capacitor market will grow with the said markets. Hence there will be a considerable room for the growth of the capacitor market. The products distributed and sold by the Corporation cover a wide range of markets, including industrial equipment computer power supplies, LCD TV or LED TV power supplies, automotive electronics and LED lighting applications.

Each industry inevitably has a different economic cycle. Nonetheless, the Corporation covers a wide range of fields in the electronics industry, which makes the impact from the economic cycle of a single industry relatively minor.

- D. The vertical division of labor in the industry makes the value of distributors increasingly essential.

The distributing agent has a complete logistics and inventory management system, which can confirm orders, prepare products and provide timely delivery services in the shortest possible time. The distributing agent can not only provide new products and information about new industrial development to help customers design new products, it can also deliver information from downstream markets to upstream suppliers. Thus the distributor can act as a bridge between the upstream and downstream in the electronics and IT industries. Under this industrial structure of vertical division of labor, distributors, upstream suppliers and downstream companies can become business partners, which makes the value of the distributor increasingly essential.

- E. The delivery operation system is complete

In recent years, electronic products are evolving rapidly, and most customers find it difficult to stock electronic components; thus, they have to rely on the assistance from electronic component agents. As such, the agency's business opportunities are rising. With the complete information and warehouse management system, the Corporation is able to confirm orders, handle and deliver products in the shortest possible time, thereby increasing the corporate competitive advantage.

- F. The management team's capabilities are solid

All of the Corporation's senior managers have more than 20 years of experience in the passive component marketing industry, and most of them have worked for internationally renowned passive component companies. Moreover, they have good compatibility in terms of philosophy, value and ambition, and have good industry experience, which is beneficial for the promotion of the Corporation's business.

② Disadvantageous factors and countermeasure

- A. Companies (clients) are moving overseas

Under the industrial structure of vertical division of labor, Mainland China's low production cost, vast domestic demand market and growing industrial infrastructure have led Taiwanese companies to set up factories in Mainland China. Moreover, the low price trend has triggered the fierce competition in the global market, which further caused companies to move out in order to reduce production costs. In recent years, faced with multiple impacts such as economic factors and geopolitics, companies have been stepping up to move their supply chain to other countries, replacing the world's factory, China

Countermeasure:

- a. The Corporation shall increase the number of overseas sales bases, develop talents and collect information; by doing so, it can keep abreast of the market trends and proactively seek the cooperation opportunities from major foreign companies, strive for business opportunities, and adjust its sales strategy flexibly, thus making the products match the market demands and enhancing its competence. At the same time, the Corporation shall participate in industrial alliances established by the domestic electrical and electronic association to facilitate technology exchange. On the other hand, the Corporation shall also make longer-term investments in human resources and technology to further its sales talents.
- b. The Corporation shall spread the information of its products and services to websites worldwide through electronic media and the Internet so as to build up its corporate image and market position. Through the intranet, resources can be shared and reused; and information can be transmitted; and communication can be smooth and accessible, thus enhancing the overall efficiency and competitiveness.
- c. The Corporation shall speed up the installation of computerization upgrade and plan

for corporate resources in order to enhance the efficiency of operation and management.

B. Risk of exchange rate fluctuations

As the Corporation will expand its overseas sales and purchases in the future, fluctuations in exchange rates will have an impact on the Corporation's profitability.

Countermeasure:

- a. The Corporation shall collect information on exchange rate fluctuations from time to time to fully grasp the trend of the exchange rate.
- b. The Corporation shall use natural hedges, i.e. the amounts of payables in foreign currencies arising from purchases from major suppliers are paid in the foreign currency of such purchases directly, in order to minimize the net foreign currency position.
- c. When making quotations to customers, the Corporation shall take the potential impact of exchange rate fluctuations into consideration and adopt a more conservative and stable exchange rate as the basis of the quotations in order to reduce the impact of exchange rate fluctuations on the Corporation's profitability.
- d. The Corporation shall sell forward in advance to promptly hedge the risk arising from exchange rate fluctuations.

(II) Usage and manufacturing processes for main products

1. Main products and their usage

| Product line | Main products | Usage |
|------------------|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Capacitor | MLCC, electrolytic capacitor, solid capacitor, film capacitors, etc. | Power supplies, motherboards, XDSL, electrical ballast, graphic cards, uninterruptible power supply systems, cloud equipment, industrial production equipment, IPC, automotive electronics, ECO green energy, IOT logistics network, AI, 5G communication applications, etc. |
| Semiconductor IC | Integrated Circuit (IC) | Data storage devices, products for the telecommunications market and consumer electronics, etc. |
| LED | Lamp, SMD, Backlight, Digit/Dot Matrix Display, High Power, Flash, and Lighting | Electronic toys, electrical products, industrial instruments, laptops, set top box, ADSL, cable modems, backlight modules for cell phones/TVs/monitors/laptops, flash modules for cell phones, lighting products—bulbs, flat lights, T5/T8 tubes, street lights, downlights, etc. |
| Others | Battery and resistor, etc. | Motherboards, laptops, industrial computers, industrial control equipment, Multi Function Products, e-books, game consoles, consumer electronics, etc. |

2. Manufacturing processes for main products: The Corporation is primarily specialized in distributing agency business and sales business of electronic components, and some of its semiconductor products are for IC design. In the main, it conducts circuit design, software and firmware integration and customized function development with customers. Afterwards, it sells those products to customers after outsourcing production and post-processing.

(III) Supply situation for major raw materials

The Corporation is mainly engaging in professional agency business and sales business of electronic components. The wafer packaging and testing of certain semiconductor products are provided and produced by renowned domestic listed companies. Therefore, the supply condition is good and the quality is stable.

(IV) List of suppliers and consumers

1. Information on suppliers accounting for 10% or more of the Corporation's total purchases in either of the latest 2 years

Unit: NT\$ thousand

| Item | 2021 | | | | 2022 | | | | AS of end of the first quarter of 2023 | | | |
|------|--------------|-----------|----------------------------------------------------|-----------------------------------|--------------|-----------|----------------------------------------------------|-----------------------------------|----------------------------------------|-----------|-------------------------------------------------------------------------------|-----------------------------------|
| | Title | Amount | Percentage of net purchase for the entire year (%) | Relationship with the Corporation | Title | Amount | Percentage of net purchase for the entire year (%) | Relationship with the Corporation | Title | Amount | Percentage of net purchase up to the previous quarter of the current year (%) | Relationship with the Corporation |
| 1 | A company | 3,942,796 | 41.88 | None | A company | 3,179,401 | 36.94 | None | A company | 829,030 | 45.12 | None |
| 2 | C company | 942,334 | 10.01 | None | B Company | 1,359,569 | 15.79 | None | B company | 269,503 | 14.67 | None |
| | Others | 4,528,981 | 48.11 | | Others | 4,068,731 | 47.27 | | Others | 739,032 | 40.21 | |
| | Net purchase | 9,414,111 | 100.00 | | Net purchase | 8,607,701 | 100.00 | | Net purchase | 1,837,565 | 100.00 | |

Reasons for change: The supply condition of the Corporation's suppliers is good, and there is no significant change yet.

2. Information on customers accounting for 10% or more of the Corporation's total sales in either of the latest 2 years

Unit: NT\$ thousand

| Item | 2021 | | | | 2022 | | | | AS of end of the first quarter of 2023 | | | |
|------|-----------|------------|-------------------------------------------------|-----------------------------------|-----------|------------|-------------------------------------------------|-----------------------------------|----------------------------------------|-----------|----------------------------------------------------------------------------|-----------------------------------|
| | Title | Amount | Percentage of net sales for the entire year (%) | Relationship with the Corporation | Title | Amount | Percentage of net sales for the entire year (%) | Relationship with the Corporation | Title | Amount | Percentage of net sales as of the previous quarter of the current year (%) | Relationship with the Corporation |
| 1 | A company | 1,442,006 | 13.92 | None | A company | 1,785,404 | 17.10 | None | A company | 404,473 | 15.79 | None |
| | Others | 8,917,957 | 86.08 | | Others | 8,655,325 | 82.90 | | Others | 2,156,442 | 84.21 | |
| | Net sales | 10,359,963 | 100.00 | | Net sales | 10,440,729 | 100.00 | | Net sales | 2,560,915 | 100.00 | |

Reasons for change: The supply condition of the Corporation to customers is good, and there is no significant change yet.

(V) Production volume and value in the latest 2 years

The Corporation is specialized in the distribution and sales of electronic components. The production of certain products is outsourced, and therefore this is not applicable.

(VI) Sales volume and value in the latest 2 years

Unit: thousand pcs; NT\$ thousand

| Year | 2021 | | | | 2022 | | | |
|------------------------|----------------|-----------|---------------------|-----------|----------------|-----------|---------------------|-----------|
| | Domestic sales | | International Sales | | Domestic sales | | International Sales | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Main products | | | | | | | | |
| MLCC | 6,328,000 | 951,156 | 27,560,752 | 3,784,907 | 5,570,043 | 985,964 | 26,230,359 | 3,914,931 |
| Solid Capacitor | 118,170 | 568,339 | 187,180 | 777,964 | 187,752 | 1,013,703 | 109,029 | 590,280 |
| Electrolytic Capacitor | 92,981 | 468,217 | 245,607 | 1,234,523 | 98,267 | 542,011 | 144,502 | 856,778 |
| Semiconductor IC | 131,469 | 268,600 | 211,476 | 871,207 | 118,952 | 256,257 | 176,952 | 941,502 |
| LED | 185,589 | 170,539 | 505,768 | 304,824 | 112,415 | 107,464 | 386,816 | 265,811 |
| Others | 199,984 | 232,198 | 657,905 | 727,489 | 352,731 | 370,197 | 454,191 | 595,831 |
| Total | 7,056,193 | 2,659,049 | 29,368,688 | 7,700,914 | 6,440,160 | 3,275,596 | 27,501,849 | 7,165,133 |

III. Employees

Number of employees employed by the Group for the latest 2 years, and during the current fiscal year up to the date of publication of the annual report, their average years of service, average age, and percentage of education levels

| Year | | 2021 | | 2022 | | As of April 17, 2023 | |
|--------------------------------|--------------------------|----------------------|--------|-----------------------|--------|-----------------------|--------|
| Number of employees | Sales | 295 | | 285 | | 281 | |
| | Administration | 92 | | 72 | | 71 | |
| | Research and development | 25 | | 0 | | 0 | |
| | Total | 412 | | 357 | | 352 | |
| Average age | | 40.35 | | 40.45 | | 40.70 | |
| Average years of service | | 9 years and 3 months | | 10 years and 2 months | | 10 years and 3 months | |
| Percentage of education levels | Phd. | — | | — | | — | |
| | Master | 28 persons | 6.80% | 13 persons | 3.64% | 15 persons | 4.26% |
| | University/college | 337 persons | 81.80% | 300 persons | 84.04% | 294 persons | 83.53% |
| | High school | 46 persons | 11.16% | 43 persons | 12.04% | 42 persons | 11.93% |
| | Below high school | 1 person | 0.24% | 1 person | 0.28% | 1 person | 0.28% |

Note: 2022 information not include Sentelic employees which the Corporation disposed of its shares in Sentelic on July 31, 2022,

IV. Disbursements for environmental protection

Any losses suffered by the Corporation during the latest year or during the current year up to the date of publication of the annual report due to environmental pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken

(I) The Corporation has not encountered any environment-related issues or penalties during the latest year

or during the current year up to the date of publication of the annual report.

(II) Estimate of current and future possible expenses and countermeasures

The Corporation is specialized in the distribution and sales of electronic components. The production of certain semiconductor products is outsourced. There is no manufacturing or production process in the Corporation's premises. Thus, the Corporation is in a low pollution and low risk industry. In addition, in response to the RoHS and REACH of the EU, all the agent products are strictly controlled by the suppliers and comply with the RoHS, REACH other applicable regulations.

V. Labor relations

(I) Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interests

The Corporation has taken various welfare measures for its employees to benefit their work, life, safety and health, so that they can not only receive regular salary, but also have various kinds of safeguards. As such, employees can concentrate on working for the Corporation without any worries.

1. Employee benefit measures

- (1) Employee insurance: In addition to issuing our employees with labor and national health insurance, we also provide comprehensive group insurance plans, including accidental death and disability, accident insurance, and travel safety insurance, providing full protection to our employees.
- (2) Health checkups: A yearly health checkup is held as well as on-site visits consultation by physician and nurses. Employees with abnormal health checkup data will be followed up with.
- (3) Loan for car purchase: The Company provides preferential loans to employees as part of the capital expenditure for car purchases required by their duties.
- (4) Lactation room and childcare subsidy: The Company provides a friendly environment for lactation. To relieve the childcare burden of employees, the Company offers childcare subsidies to employees with children under 12 years old.
- (5) Mobile phone bill subsidy: The Company provides monthly subsidies for employees who use their own mobile phones for work.
- (6) Subsidy for using private computer equipment for work: The Company provides monthly subsidies for employees who use private computer equipment for work.
- (7) Flexible working hours: To create a friendly workplace, the Company offers flexible shift options so that employees are able to balance between work and family or education needs.
- (8) Employee travel subsidy: 1 to 2 employee trips are arranged each year, in which the Company's Joint Employee Welfare Committee provides subsidies depending on the income and expenditures of the year.
- (9) Annual gifts and allowances: In addition to the gifts or vouchers given for the 3 major holidays, the Company's Joint Employee Welfare Committee also provides allowances for weddings, childbirths, hospitalizations, and funerals.
- (10) Club activities: To enrich leisure activities and promote interaction and the team spirit of employees after work, employees are encouraged to set up clubs with health and educational significance. The clubs set up by the employees are subsidized by the Company's Joint Employee Welfare Committee.
- (11) Birthdays: In principle, the Company's Joint Employee Welfare Committee organizes a birthday celebration every 2 months and offers birthday gifts.

2 Employee continuing education and training

- (1) The Corporation's trainings can be divided into pre-employment training and on-the-job training, etc. It is expected that the employees can strengthen their vocational expertise through continuing education and training. Moreover, the department in charge of training provides various course information from time to time for employees to participate in.
- (2) Status of internal/external employee trainings and continuing education in the latest year.

Unit: hour

| Employee Type | Calculation method | Male | Female | Total |
|---------------|---------------------------------------------------------|------|--------|-------|
| Supervisor | Actual number of persons in the reporting period (A1) | 62 | 44 | 106 |
| | Hours of training during the reporting period (B1) | 203 | 233.5 | 436.5 |

| | | | | |
|----------------|-------------------------------------------------------------------------|-------|-------|-------|
| | Average number of hours of training during the reporting period (B1/A1) | 3.27 | 5.31 | 4.12 |
| Non-supervisor | Actual number of persons in the reporting period (A2) | 94 | 157 | 251 |
| | Hours of training during the reporting period (B2) | 342.5 | 519 | 861.5 |
| | Average number of hours of training during the reporting period (B2/A2) | 3.64 | 3.31 | 3.43 |
| Total | Reporting Period Hours (Q) | 545.5 | 752.5 | 1298 |
| | Total number of employees at the end of the reporting period (R) | 156 | 201 | 357 |
| | Average number of hours of training per employee (Q/R) | 3.5 | 3.74 | 3.64 |

Note: Information not include Sentelic which the Corporation disposed of its shares in Sentelic on July 31, 2022,

3. Employee retirement systems

Applicable employee retirement systems of the Corporation and its subsidiaries according to the operating regions of each company:

(1) Companies operating in Taiwan

①For the retirement systems that are subject to the Labor Standards Act of the Republic of China, they are classified to the defined benefit pension plan. The employee pension payments are calculated based on the employees' length of service and their average salary in the 6 months before their retirement approval dates. Two percent of the employees' monthly salary is contributed to the employees' retirement fund, which is deposited in a special account of the Bank of Taiwan by the supervisory committee of labor retirement reserve in the name of such committee.

②For the retirement systems that are subject to the Labor Pension Act, they are classified to the defined contribution plan. Six percent of the employees' monthly salary is contributed to their personal pension accounts at the Bureau of Labor Insurance.

(2) For Companies operating in China and Hong Kong, their retirement systems are classified to the defined contribution plan, and their pensions are calculated and appropriated as a certain percentage of their wages according to the standards set by the respective local government.

4. Labor-management agreements and measures for preserving employees' rights and interests

The Corporation treats its employees with respect, generosity, beneficence and kindness, and it has enhanced its employee welfare measures. Moreover, labor-management meetings are held regularly as a means of communication between employees and the Corporation, so that the interaction relation between employees and management has always been good in the Corporation over the years. The Corporation aims to uphold this tradition in the future, to maintain this good and harmonious labor relation with its employees, and to strive together for the Corporation's operation without any labor disputes.

5. Codes of conduct and ethics for employees

(1) The Corporation has established its "Work Rules," which are the applicable standards for employees' conduct. Whenever there is a revision of the Work Rules due to amendments of labor laws and regulations, the revision will be announced to employees after reporting to the competent authority in pursuant to regulations, so that employees can clearly know the rules of conduct in the workplace. In the event that an employee meets the requirements for reward or punishment, the employee shall be rewarded or punished appropriately in accordance with

- the "Employee Reward and Punishment Regulations" established by the Corporation.
- (2) All new employees of the Corporation have signed a service contract with the Corporation, the main content of which is that employees shall keep the business secrets they learnt during their employment confidential and shall use the computer software legitimately.
 - (3) The Corporation has established "Codes of Ethical Conduct" to regulate the ethical behavior of all employees of the Corporation. The Corporation places great importance on the ethical conduct of its employees and requires its employees to conduct themselves in conformity with ethical and moral principles. In addition, the Corporation has been proactively developing various internal management rules in accordance with governmental laws, and these rules are disseminated to employees so that they are able to aware of and comply with them
 - (4) The Corporation has established its Prevention Procedure for Insider Trading, which regulate the confidentiality of material internal information prior to public disclosure, the measures for prohibited transactions, and the content, time, manner and personnel for public disclosure. Furthermore, the Corporation promptly conducts education and training for directors, managers and employees on the relevant regulations in order to establish a good mechanism for information handling and disclosure so that information can be prevented from improper leakage, and the consistency and correctness of publicly released information can be secured.
6. Workplace equality and diversity
- (1) We create an equal and inclusive friendly workplace by integrating labor diversity and equality. As well as this, we welcome different perceptions, values, interpersonal relationships and social aspects of all people, so that all workers have the ability to achieve their best performance and contribute to corporate sustainability and value creation.
 - (2) We strive to create a workplace free from discrimination, bullying, harassment, defamation, abuse and violence. We do not treat job seeks or employees any differently because of their gender or sexual orientation, while at the same time gradually deepening equality and diversity concepts in to the company culture.
 - (3) To date, the Company has not been involved in any gender or racial discrimination cases nor has the Company violated any human rights. We do not hire new employees based on their race, class, language, ideology, religion, party affiliation, national origin, place of birth, gender, sexual orientation, age, marriage, physical appearance, physical or mental disability, blood type. All of our employees are promoted or provided with training in an equal manner and there is no preferential treatment of employees due to their background.
7. Working environment and employee safety protection measures
- (1) Cooperating with the park management committee, the Corporation regularly tests and maintains the fire safety equipment and public facilities. Furthermore, smoking is prohibited in all the buildings pursuant to governmental laws.
 - (2) In addition to the management of the park's security, access control guards are also set up to strengthen the safety of the Corporation.
 - (3) "Occupational Safety and Health Work Rules" are formulated and a labor safety and health manager is appointed to coordinately plan, supervise and implement labor safety and health affairs, thereby improving the personal safety protection measures in the workplace for employees.
 - (4) Fire safety training is held regularly in accordance with government regulations to enhance employees' awareness of fire safety at home and workplace, thereby ensuring employees' personal safety.
 - (5) Cleaning and disinfection for all facilities in the workplace are implemented regularly in line with arrangements to ensure a healthy and comfortable work environment.
 - (6) Employee health checkups are held regularly to take care of employees' physical health.
- (II) List any losses suffered by the Corporation during the latest year or during the current year up to the date of publication of the annual report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and disclosing an estimate of possible expenses that could be incurred currently and in the future and measures being or to be taken
1. Since the establishment of the Corporation, there have been no labor disputes that have affected the financial and business operations of the Corporation.
 2. Estimate of current and future possible expenses and countermeasures
The Corporation provides a variety of ways to facilitate the communication between management

and employees, thereby gaining a deeper understanding of how satisfied the employees are with the management and welfare system and maintaining good labor relations. The Corporation's labor relations are good and no labor disputes have occurred, nor have the Corporation suffered any related losses.

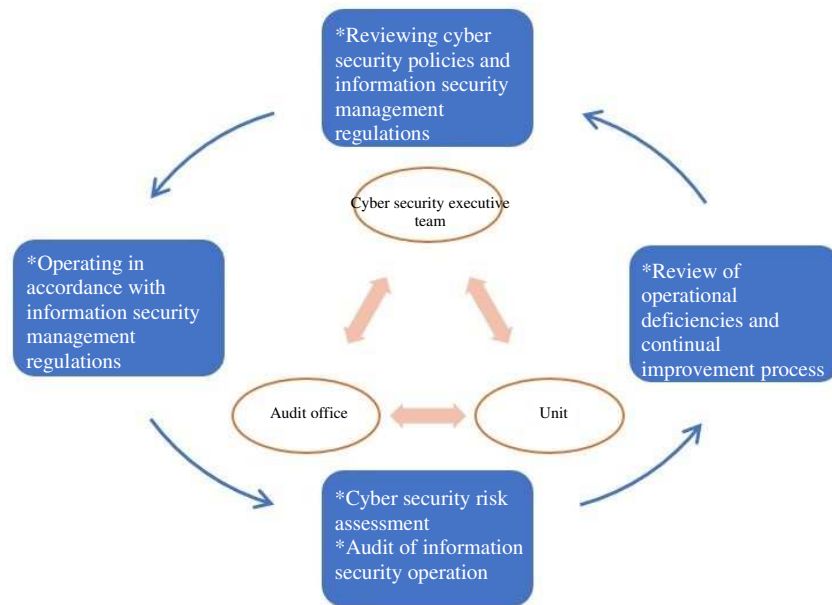
VI. Cyber security management

In order to strengthen the risk management of cyber security, the Corporation has established a cyber security executive team, set up a cyber security risk management framework, formulated cyber security policies and concrete management plans, invested resources in cyber security management, and regularly reviewed cyber security policies to ensure the security of cyber communications.

- (I) Cyber security risk management framework, cyber security policies, concrete management programs, and investments in resources for cyber security management.

1. Cyber security risk management framework

The cyber security executive team regularly reviews the cyber security management policy and related regulations. All members of each department follow the applicable regulations. Equipment such as servers are regularly inspected during daily operations to detect problems promptly. Coupled with the inspection conducted by the audit unit, the accuracy and effectiveness of the operations can be ensured by conducting cyber security risk assessment. When errors, defects and risks are identified, improvement action are taken immediately in order to establish a continuous improvement management cycle for cyber security.



2. Cyber security policies

(1) Purpose

These policies have been established to strengthen the risk management of cyber security and to ensure the security of data, systems, equipment and networks.

(2) Objectives of cyber security

The accuracy, availability, completeness and confidentiality of the Corporation's cyber operations shall be ensured, to avoid the threat from internal and external information security incidents. In case of an accident, the Corporation shall be able to respond promptly and resume normal operation in the shortest possible time to reduce the damage caused by the accident.

(3) Cyber security management measures

- ① A cyber security executive team shall be established to formulate cyber security policies and concrete management plans so as to ensure cyber security.
- ② Personal information shall be handled discreetly in accordance with the Personal Data Protection Act.
- ③ All the personal computers and servers need to have passwords set, anti-virus software installed, and virus codes updated regularly.
- ④ Regulations regarding intellectual property rights shall be observed, and private computers shall be managed to ensure that the installed software is legitimately licensed.
- ⑤ Important data shall be backed up and the validity of the backed up data shall be checked periodically.

- ⑥ Disaster recovery plans shall be planned, so that system operations can be quickly restored when a security incident occurs.
- ⑦ Cyber security dissemination shall be conducted on a regular basis to strengthen employees' awareness of information security and legal concepts.

(4) Revision and amendment

These policies, and any amendments thereto, shall be implemented upon approval by the General Manager of the Group.

3. Concrete management plans

- (1) Considering that cyber security insurance is still a new type of insurance, and the Corporation's current cyber security risk management plan can effectively protect cyber security, after evaluation by the cyber security executive team, the Corporation decided not to purchase cyber security insurance.
- (2) The Corporation's concrete management plans for cyber security can be divided into prevention, daily operational maintenance, and cyber security incident handling based on the timing of the occurrence of cyber security incidents. The concrete management plans are listed as below:

| Type | Remarks | Description |
|----------------------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Information collection and joint information security control | Joined TWCERT/CC Alliance | TWCERT information collected from time to time Vulnerability fixed according to the information security notification. Information personnel participate in TWCERT courses to improve information security protection capabilities. |
| Preventing Data Leakage | Managing accounts and permissions | Reviewing and managing personnel accounts Setting and reviewing system permissions periodically |
| Maintaining daily operations | Data backup and related verification | Backup by data attributes, backup in multiple forms and offsite storage Running regular data recovery tests Performing daily server inspection and system testing Conducting computer inspection regularly |
| Handling of cyber security incidents | Disaster recovery plans | Formulating disaster recovery plans Regular drills when no incidents occur Writing implementation reports of the disaster recovery plans for review and improvement after incidents |

4. Invested resources in cyber security management

- (1) The Company's anti-virus software license expired this year and was reviewed before the expiration date.
- (2) The "regular inspection of operating system permission settings" is completed.
- (3) The "computer inspection" is completed
- (4) Eight information security presentations were conducted.

(II) List any losses suffered by the Corporation during the latest year or during the current year up to the date of publication of the annual report due to significant cyber security incidents, the possible impacts therefrom, and measures being or to be taken. If a reasonable estimate cannot be made, an explanation of the facts of why it cannot be made shall be provided.

During the latest year or during the current year up to the date of publication of the annual report, the Corporation did not encounter any significant information security incidents, such as information security violations, customer information leaks and fines. There have been no complaints to the Corporation resulting from lawsuit for breach of customer personal data protection or loss of customer data either.

VII. Important contracts

Supply/distribution contracts, technical cooperation contracts, engineering/construction contracts, long-term loan contracts, and other contracts that would affect shareholders' equity, where said contracts were either still effective as of the date of publication of the annual report, or expired in the latest year:

April 17, 2023

| Nature of contract | Party | Commencement and expiration date | Main content | Main restrictive terms |
|--------------------|---------------------------------------|----------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------------|
| Insurance contract | Tokio Marine Nawa Insurance Co., Ltd. | 2023.3.31~2024.3.31 | Liability insurance for directors, supervisors and key personnel | The aggregate limit of liability during the insurance period is US\$10,000,000. |

| Nature of contract | Party | Commencement and expiration date | Main content | Main restrictive terms |
|------------------------------------|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Supplier agency contract | TAIWAN CHEMI-CON CORPORATION | April 1, 2023 to March 31, 2024. The expiration date will be automatically extended to March 31, 2027 if no objection is raised by both parties. | Agency and distribution of capacitor products | None |
| Supplier agency contract | Panasonic Industrial Devices Sales Taiwan Co., Ltd. | April 1, 2023 to March 31, 2024 | Agency and distribution of electronics components | None |
| Supplier agency contract | Samsung Electro-Mechanics (Shenzhen) Co., Ltd. | January 1, 2013–December 31, 2013. If either party does not express its intention to not renew the contract 30 days prior to the expiration date, the contract may be automatically extended for one year, and the same applies thereafter. | To sale the agent products | None |
| Supplier agency contract | Everlight Electronics Co., Ltd. | 2022.1.1 ~ 2024.12.31 | To sale the agent products | In the event that the Corporation sells products or services that may be competitive with the distributed products, the Corporation shall obtain a written approval from Everlight Electronics Co., Ltd. |
| Supplier agency contract | Genesys Logic Co., Inc. | 2022.1.1 ~ 2024.12.31 | To sale the agent products | None |
| Endorsement and Guarantee Contract | Panasonic Industrial Devices Sales (Taiwan) Co., Ltd. | 3 years from November 17, 2022. | Guarantor for subsidiary KOHO (Taiwan) Co., Ltd. | The guarantee amount is NT\$80,000,000. |

Six. Overview of Financial Status

I. Condensed balance sheets and statements of comprehensive income for the most recent 5 years

(I) Condensed Balance Sheets

1. Consolidated Financial Report

Unit: NT\$ thousand

| Item | Year | Financial information for the most recent 5 years (Note 1) | | | | | Financial information for the current year up to March 31, 2023 (Note 2) |
|----------------------------------------------------|---------------------|------------------------------------------------------------|-----------|-----------|-----------|-------------------|--------------------------------------------------------------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 (Note 3) | |
| Current assets | | 7,828,846 | 5,951,955 | 6,479,924 | 7,533,514 | 8,150,016 | 8,251,111 |
| Financial assets at FVTPL - non-current | | 3,459 | 2,572 | - | - | - | - |
| Financial assets at FVTOCI - non-current | | 79,507 | 82,857 | 72,509 | 98,711 | 93,384 | 94,888 |
| Property, plant, and equipment | | 16,532 | 228,124 | 241,307 | 259,565 | 178,879 | 183,249 |
| Investment property | | 653,717 | 654,252 | 652,290 | 632,565 | 614,455 | 611,998 |
| Intangible assets | | - | 61,976 | 44,368 | 34,700 | 9,046 | 14,488 |
| Deferred tax assets | | 25,808 | 187,674 | 186,884 | 196,356 | 191,465 | 191,186 |
| Other assets | | 54,746 | 58,673 | 54,837 | 42,386 | 56,727 | 55,625 |
| Total assets | | 113,426 | 79,191 | 54,542 | 54,358 | 64,362 | 60,841 |
| Current assets | | 5,073 | 4,625 | 14,662 | 14,528 | 7,485 | 21,666 |
| Financial assets at FVTPL - non-current | | 8,781,114 | 7,311,899 | 7,801,323 | 8,866,683 | 9,365,819 | 9,485,052 |
| Current liabilities | Before distribution | 3,547,353 | 2,754,306 | 3,138,425 | 3,846,029 | 2,616,807 | 2,517,148 |
| | After distribution | 4,708,624 | 3,379,606 | 3,692,262 | 4,560,658 | Not yet allocated | - |
| Non-current liabilities | | 375,573 | 133,763 | 147,028 | 142,684 | 109,990 | 115,998 |
| Total liabilities | Before distribution | 3,922,926 | 2,888,069 | 3,285,453 | 3,988,713 | 2,726,797 | 2,633,146 |
| | After distribution | 5,084,197 | 3,513,369 | 3,839,290 | 4,703,342 | Not yet allocated | - |
| Equity attributable to parent company shareholders | | 4,633,334 | 4,189,442 | 4,162,294 | 4,475,183 | 6,603,396 | 6,812,844 |
| Share capital | | 1,786,572 | 1,786,572 | 1,786,572 | 1,786,572 | 2,126,572 | 2,126,572 |
| Capital surplus | | 417,508 | 429,685 | 478,163 | 475,353 | 1,621,500 | 1,621,500 |
| Retained earnings | Before distribution | 2,255,622 | 1,804,935 | 1,789,960 | 2,181,792 | 2,963,635 | 3,113,796 |
| | After distribution | 1,094,351 | 1,179,635 | 1,236,123 | 1,467,163 | Not yet allocated | - |
| Other equity | | 173,632 | 168,250 | 107,599 | 31,466 | (108,311) | (49,024) |
| Treasury stock | | - | - | - | - | - | - |
| Non-controlling equity | | 224,854 | 234,388 | 353,576 | 402,787 | 35,626 | 39,062 |
| Total equity | Before distribution | 4,858,188 | 4,423,830 | 4,515,870 | 4,877,970 | 6,639,022 | 6,851,906 |
| | After distribution | 3,696,917 | 3,798,530 | 3,962,033 | 4,163,341 | Not yet allocated | - |

Note 1: The financial information for the past five years has been completely audited by the CPAs.

Note 2: The financial information for the current year up to March 31, 2023 has not yet been reviewed by the CPAs.

Note 3: Earnings distribution for the current year up to April 17, 2023 is pending resolution by the shareholders' meeting.

2. Parent Company-only Financial Report

Unit: NT\$ thousand

| Item | Year | Financial information for the most recent 5 years (Note 1) | | | | |
|--------------------------------------------------|---------------------|------------------------------------------------------------|-----------|-----------|-----------|-------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 (Note 2) |
| Current assets | | 1,529,775 | 1,164,826 | 1,314,402 | 1,303,108 | 3,355,296 |
| Financial assets at FVTOCI - non-current | | 79,507 | 82,857 | 72,509 | 88,711 | 93,384 |
| Financial assets at amortized cost - non-current | | 3,370 | 3,490 | 150 | 150 | 150 |
| Investment under equity method | | 4,063,972 | 3,323,818 | 3,246,952 | 3,740,887 | 3,692,149 |
| Property, plant, and equipment | | 186,615 | 188,976 | 189,125 | 186,637 | 184,304 |
| Investment property | | 85,241 | 84,939 | 84,637 | 84,336 | 84,035 |
| Intangible assets | | 596 | 969 | 713 | 744 | 872 |
| Deferred tax assets | | 10,624 | 13,540 | 11,058 | 9,687 | 13,425 |
| Other assets | | 806 | 806 | 805 | 800 | 815 |
| Total assets | | 5,960,506 | 4,864,221 | 4,920,351 | 5,415,060 | 7,424,430 |
| Current liabilities | Before distribution | 980,485 | 606,745 | 654,491 | 828,571 | 727,634 |
| | After distribution | 2,141,756 | 1,232,048 | 1,208,328 | 1,543,200 | Not yet allocated |
| Non-current liabilities | | 346,687 | 68,031 | 103,566 | 111,306 | 93,400 |
| Total liabilities | Before distribution | 1,327,172 | 674,779 | 758,057 | 939,877 | 821,034 |
| | After distribution | 2,488,443 | 1,300,079 | 1,311,894 | 1,654,506 | Not yet allocated |
| Share capital | | 1,786,572 | 1,786,572 | 1,786,572 | 1,786,572 | 2,126,572 |
| Capital surplus | | 417,508 | 429,685 | 478,163 | 475,353 | 1,621,500 |
| Retained earnings | Before distribution | 2,255,622 | 1,804,935 | 1,789,960 | 2,181,792 | 2,963,635 |
| | After distribution | 1,094,351 | 1,179,635 | 1,236,123 | 1,467,163 | Not yet allocated |
| Other equity | | 173,632 | 168,250 | 107,599 | 31,466 | (108,311) |
| Treasury stock | | - | - | - | - | - |
| Total equity | Before distribution | 4,633,334 | 4,189,442 | 4,162,294 | 4,475,183 | 6,603,396 |
| | After distribution | 3,472,063 | 3,564,142 | 3,608,457 | 3,760,554 | Not yet allocated |

Note 1: The financial information for the past five years has been completely audited by the CPAs.

Note 2: Earnings distribution for the current year up to April 17, 2023 is pending resolution by the shareholders' meeting.

(II) Condensed Statements of Comprehensive Income
1. Consolidated Financial Report

Unit: NT\$ thousand (Except EPS: NT\$)

| Year Item | Financial information for the most recent 5 years (Note 1) | | | | | Financial information for the current year up to March 31, 2023 (Note 2) |
|-------------------------------------------------------------------------|------------------------------------------------------------|-----------|-----------|------------|------------|--------------------------------------------------------------------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Operating revenue | 10,679,189 | 8,820,029 | 9,241,488 | 10,359,963 | 10,440,729 | 2,560,915 |
| Gross profit | 2,973,491 | 1,455,854 | 1,600,562 | 1,748,334 | 1,780,241 | 394,978 |
| Operating profit or loss | 1,852,284 | 790,026 | 886,630 | 1,021,215 | 892,421 | 202,811 |
| Non-operating income and expense | 119,123 | 28,589 | (2,326) | 1,429 | 127,922 | (8,727) |
| Continuing operations Net profit before tax | 1,971,407 | 818,615 | 884,304 | 1,022,644 | 1,020,343 | 194,084 |
| Continuing operations Net profit | 1,574,915 | 615,754 | 627,543 | 772,495 | 790,601 | 153,395 |
| Income from discontinued operations | - | - | - | 105,872 | 759,899 | - |
| Net income (loss) | 1,574,915 | 615,754 | 627,543 | 878,367 | 1,550,500 | 153,395 |
| Other comprehensive income (loss) (Net after tax) | 247,543 | 114,931 | (50,512) | 51,106 | (63,955) | 51,713 |
| Total comprehensive income (loss) for the period | 1,822,458 | 730,685 | 577,031 | 929,473 | 1,486,545 | 205,108 |
| Net income attributable to parent company shareholders | 1,529,066 | 593,240 | 599,758 | 819,419 | 1,488,045 | 150,161 |
| Net profit attributable to non-controlling interests | 45,849 | 22,514 | 27,785 | 58,948 | 62,455 | 3,234 |
| Total comprehensive income attributable to owners of the parent company | 1,778,291 | 705,203 | 549,676 | 869,546 | 1,424,081 | 201,672 |
| Comprehensive income attributable to non-controlling equity | 44,167 | 25,482 | 27,355 | 59,927 | 62,464 | 3,436 |
| Earnings per share (Note 3) | 8.56 | 3.32 | 3.36 | 4.59 | 8.02 | 0.72 |

Note 1: The financial information for the past five years has been completely audited by the CPAs.

Note 2: The financial information for the current year up to March 31, 2023 has not yet been reviewed by the CPAs.

Note 3: The number of shares transferred from earnings and capital surplus is retroactively adjusted to each year to compare earnings per share for each year.

2. Parent Company-only Financial Report

Unit: NT\$ thousand (Except EPS: NT\$)

| Year Item | Financial information for the most recent 5 years (Note 1) | | | | |
|----------------------------------------------------------|------------------------------------------------------------|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Operating revenue | 2,266,176 | 1,602,378 | 1,880,070 | 2,315,539 | 1,915,945 |
| Gross profit | 416,749 | 284,457 | 370,330 | 496,046 | 449,101 |
| Operating profit or loss | 72,760 | 95,338 | 184,410 | 256,854 | 116,121 |
| Non-operating income and expense | 1,504,751 | 574,180 | 553,144 | 611,790 | 734,770 |
| Net profit before tax from continuing operations | 1,577,511 | 669,518 | 737,554 | 868,644 | 850,891 |
| Net income from the continuing operations for the period | 1,529,066 | 593,240 | 599,758 | 768,974 | 781,032 |

| | | | | | |
|---------------------------------------------------|-----------|---------|----------|---------|-----------|
| Income from discontinued operations | - | - | - | 50,445 | 707,013 |
| Net income (loss) | 1,529,066 | 593,240 | 599,758 | 819,419 | 1,488,045 |
| Other comprehensive income (loss) (Net after tax) | 249,225 | 111,963 | (50,082) | 50,127 | (63,964) |
| Total comprehensive income (loss) for the period | 1,778,291 | 705,203 | 549,676 | 869,546 | 1,424,081 |
| Earnings per share (Note 2) | 8.56 | 3.32 | 3.36 | 4.59 | 8.02 |

Note 1: The financial information for the past five years has been completely audited by the CPAs.

Note 2: The number of shares transferred from earnings and capital surplus is retroactively adjusted to each year to compare earnings per share for each year.

(III) Names of CPAs in the most recent five years and their audit opinions

| Year | Name of CPA firm | Attesting CPA | Auditor's opinion |
|------|-------------------|------------------------------------|---------------------|
| 2022 | Deloitte & Touche | SHAO CHIH MING and WONG YA LING | Unqualified opinion |
| 2021 | Deloitte & Touche | SHAO CHIH MING and WONG YA LING | Unqualified opinion |
| 2020 | Deloitte & Touche | SHAO CHIH MING and WONG YA LING | Unqualified opinion |
| 2019 | Deloitte & Touche | SHIH CHING PIN and CHIANG MING NAN | Unqualified opinion |
| 2018 | Deloitte & Touche | SHIH CHING PIN and CHIANG MING NAN | Unqualified opinion |

II. Financial analysis for the most recent 5 years

(I) Financial analysis for the most recent 5 years

1. Consolidated Financial Report

| Analysis item | | Financial analysis for the most recent 5 years (Note 1) | | | | | Current year up to March 31, 2023 (Note 2) |
|-----------------------|-----------------------------------------------------------|---------------------------------------------------------|--------|--------|--------|----------|--------------------------------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Financial structure % | Debt to assets ratio | 44.67 | 39.49 | 42.11 | 44.98 | 29.11 | 27.76 |
| | Long-term capital as a percentage of PP&E | 800.61 | 696.61 | 714.85 | 793.69 | 1,098.37 | 1,138.55 |
| Solvency % | Current ratio | 220.69 | 216.09 | 206.47 | 195.87 | 311.44 | 327.80 |
| | Quick ratio | 144.47 | 160.01 | 154.27 | 132.08 | 222.70 | 248.66 |
| | Interest coverage ratio | 62.68 | 28.81 | 48.28 | 72.90 | 26.51 | 13.20 |
| Operating ability | Accounts receivable turnover (times) | 3.85 | 3.01 | 3.22 | 3.22 | 3.13 | 3.21 |
| | Average collection days | 94.80 | 121.26 | 113.35 | 113.35 | 116.61 | 113.71 |
| | Inventory turnover (times) | 3.32 | 3.29 | 4.63 | 4.09 | 3.50 | 3.85 |
| | Accounts payable turnover (times) | 6.58 | 7.59 | 7.95 | 7.72 | 8.47 | 10.17 |
| | Average inventory turnover days | 109.93 | 110.94 | 78.83 | 89.24 | 104.28 | 94.81 |
| | Property, plant and equipment turnover (times) | 14.35 | 13.48 | 14.14 | 16.12 | 16.74 | 16.70 |
| | Total asset turnover (times) | 1.33 | 1.09 | 1.22 | 1.24 | 1.14 | 1.09 |
| Profitability | Return on assets (%) | 19.94 | 7.94 | 8.50 | 10.67 | 17.35 | 7.05 |
| | Return on equity (%) | 37.97 | 13.26 | 14.03 | 18.70 | 26.92 | 9.10 |
| | Pre-tax net profit as a percentage of paid-in capital (%) | 110.34 | 45.82 | 49.49 | 57.24 | 47.98 | 36.51 |
| | Net profit margin (%) | 14.74 | 6.98 | 6.79 | 8.47 | 14.85 | 5.99 |

| Analysis item \ Year | | Financial analysis for the most recent 5 years (Note 1) | | | | | Current year up to March 31, 2023 (Note 2) |
|----------------------|----------------------------------|---------------------------------------------------------|-------|-------|--------|-------|--------------------------------------------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 | |
| Cash flow | Earnings per share (\$) (Note 3) | 8.56 | 3.32 | 3.36 | 4.59 | 8.02 | 0.71 |
| | Cash flow ratio (%) | 12.65 | 46.76 | 14.78 | 0.71 | 36.39 | 77.56 |
| | Cash flow adequacy ratio (%) | 57.29 | 89.53 | 77.14 | 55.62 | 57.44 | 90.22 |
| | Cash reinvestment ratio (%) | 0.62 | 3.15 | -3.86 | -11.64 | 3.75 | 11.94 |
| Leverage | Operating leverage | 1.26 | 1.37 | 1.37 | 1.32 | 1.45 | 1.40 |
| | Financial leverage ratio | 1.01 | 1.03 | 1.02 | 1.01 | 1.04 | 1.09 |

Reasons for changes in financial ratios over the past 2 fiscal years: (Analysis is not required if the change in increase or decrease is less than 20%)

- 1、 The decrease in the debt to assets ratio was mainly due to the increase in total assets as a result of the increase in financial assets measured at amortized cost - current and cash and cash equivalents.
- 2、 Long-term capital as a percentage of PP&E increased was mainly due to the cash capital increase from private placement and issuance of restricted stock awards, resulting in an increase in total equity.
- 3、 The increase in the current ratio and the quick ratio was mainly due to the increase in the financial assets measured at amortized cost - current and cash and cash equivalent.
- 4、 The decrease in interest coverage ratio was mainly due to the increase in interest expenses.
- 5、 The increase in return on assets, return on equity, net profit margin and earnings per share was mainly due to the increase in net profit after tax.
- 6、 The increase in cash flow ratio was mainly due to the increase in net cash inflow from operating activities.
- 7、 The increase in cash reinvestment ratio was mainly due to the increase in net cash inflow from operating activities.

Note 1: The financial information for the past five years has been completely audited by the CPAs.

Note 2: The financial information for the current year up to March 31, 2023 has not yet been reviewed by the CPAs.

Note 3: The number of shares transferred from earnings and capital surplus is retroactively adjusted to each year to compare earnings per share for each year.

2. Parent Company-only Financial Report

Unit: NT\$ thousand

| Analysis item \ Year | | Financial analysis for the most recent 5 years (Note 1) | | | | |
|-----------------------|------------------------------------------------|---------------------------------------------------------|----------|----------|----------|----------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| Financial structure % | Debt to assets ratio | 22.26 | 13.87 | 15.40 | 17.35 | 11.05 |
| | Long-term capital as a percentage of PP&E | 2,668.60 | 2,252.91 | 2,255.57 | 2,457.43 | 3,633.55 |
| Solvency % | Current ratio | 156.02 | 191.97 | 200.82 | 157.27 | 461.12 |
| | Quick ratio | 104.93 | 133.65 | 162.75 | 124.12 | 392.42 |
| | Interest coverage ratio | 112.81 | 77.66 | 273.86 | 441.26 | 110.49 |
| Operating ability | Accounts receivable turnover (times) | 3.19 | 2.65 | 3.20 | 3.48 | 2.88 |
| | Average collection days | 114.42 | 137.73 | 114.06 | 104.88 | 126.73 |
| | Inventory turnover (times) | 4.68 | 3.03 | 4.84 | 6.78 | 3.69 |
| | Accounts payable turnover (times) | 5.58 | 7.41 | 7.90 | 6.81 | 5.98 |
| | Average inventory turnover days | 77.99 | 120.46 | 75.41 | 53.83 | 98.91 |
| | Property, plant and equipment turnover (times) | 12.06 | 8.53 | 9.94 | 12.32 | 10.33 |
| | Total asset turnover (times) | 0.41 | 0.29 | 0.38 | 0.44 | 0.29 |
| Profitability % | Return on assets (%) | 28.19 | 11.08 | 12.30 | 15.88 | 23.27 |
| | Return on equity (%) | 38.76 | 13.44 | 14.36 | 18.97 | 26.86 |

| Analysis item | | Year | Financial analysis for the most recent 5 years (Note 1) | | | |
|---------------|-----------------------------------------------------------|-------|---------------------------------------------------------|--------|-------|--------|
| | | 2018 | 2019 | 2020 | 2021 | 2022 |
| | Pre-tax net profit as a percentage of paid-in capital (%) | 88.29 | 37.47 | 41.28 | 48.62 | 40.01 |
| | Net profit margin (%) | 67.47 | 37.02 | 31.90 | 35.38 | 77.66 |
| | Earnings per share (NT\$) (Note 2) | 8.56 | 3.32 | 3.36 | 4.59 | 8.02 |
| Cash flow | Cash flow ratio (%) | 3.51 | 25.00 | 20.60 | 37.33 | -1.87 |
| | Cash flow adequacy ratio (%) | 16.91 | 16.66 | 18.39 | 20.02 | 15.56 |
| | Cash reinvestment ratio (%) | -7.82 | -24.21 | -11.74 | -5.43 | -11.01 |
| Leverage | Operating leverage | 2.99 | 1.71 | 1.37 | 1.35 | 2.20 |
| | Financial leverage ratio | 1.24 | 1.10 | 1.01 | 1.00 | 1.07 |

Reasons for changes in financial ratios over the past 2 fiscal years: (Analysis is not required if the change in increase or decrease is less than 20%)

1. The decrease in debt to assets ratio was mainly due to the increase in total assets as a result of the private placement of cash.
2. Long-term capital as a percentage of PP&E increased was mainly due to the cash capital increase from private placement and issuance of restricted stock awards, resulting in an increase in total equity.
3. The increase in the current ratio and the quick ratio was mainly due to the increase in the financial assets measured at amortized cost - current, other receivables - related parties, and cash and cash equivalent.
4. The decrease in interest coverage ratio was mainly due to the increase in interest expenses.
5. The decrease in accounts receivable turnover and increase in average collection days were mainly due to the decrease in operating revenues, resulting the decrease in accounts receivable turnover and increase in average collection days.
6. The decrease in inventory turnover and increase in average inventory turnover days is mainly due to the decrease in operating revenue, and the decrease in operating cost, resulting in the decrease in inventory turnover and increase in average inventory turnover days.
7. The decrease in total asset turnover was mainly due to the decrease in operating revenue and the increase in total average assets, resulting in the decrease in total asset turnover.
8. The increase in return on assets, return on equity, net profit margin and earnings per share was mainly due to the increase in net profit after tax.
9. The decrease in cash flow ratio was mainly due to the decrease in net cash inflow from operating activities, resulting in the increase in inventory.
10. The decrease in cash reinvestment ratio was mainly due to the decrease in net cash inflow from operating activities.
11. The increase in operating leverage was mainly due to the decrease in operating income.

Note 1: The financial information for the past five years has been completely audited by the CPAs.

Note 2: The number of shares transferred from earnings and capital surplus is retroactively adjusted to each year to compare earnings per share for each year.

Note 3: The formula for the financial analysis is as follows:

1. Financial structure

(1) Debt to asset ratio = Total liabilities / total assets.

(2) Long-term capital as a percentage of PP&E = (total equity + non-current liabilities) / net value of PP&E.

2. Solvency

(1) Current ratio = current assets/current liabilities.

(2) Quick ratio = (current assets - inventory - prepayments - other current assets) / current liabilities.

(3) Interest coverage ratio = net profit before income tax and interest expense / interest expense in the current period.

3. Operating ability

(1) Turnover rate of accounts receivable (including accounts receivable and notes receivable generated from operations) = net sales / average balance of accounts receivable (including accounts receivable and notes receivable generating from operations) for each period.

(2) Average collection days = 365 / average receivables turnover.

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

- (4) Turnover rate of accounts payable (including accounts payable and notes payable generating from operations) = cost of goods sold / average balance of accounts payable (including accounts payable and notes payable generating from operations) for each period.
- (5) Average inventory turnover days = 365 / Inventory turnover.
- (6) Turnover rate of property, plant and equipment = net sales / average net property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on assets = [profit after tax + interest expenses × (1 - tax rate)] / average total assets.
- (2) Return on equity = profit after tax / average total equity.
- (3) Net profit margin = profit after tax / net sales.
- (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average shares outstanding.

5. Cash flow

- (1) Cash flow ratio = Cash flow from operating activities / current liabilities.
- (2) Net cash flow adequacy ratio = net cash flow from operating activities for the past 5 years / (capital expenditures + increase in inventories + cash dividends) for the past 5 years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross property, plant and equipment + long-term investment + other non-current assets + working capital).

6. Leverage:

- (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income.
- (2) Financial leverage ratio = operating income / (operating income - interest expenses).

III. Audit committee's report for the latest year's financial statement

Nichidenbo Corporation Audit Committee's Report

The board of directors has prepared the Corporation's 2022 business report, financial statements, and earnings allocation proposal. The CPAs of Deloitte & Touche, namely SHAO CHIH MING and WENG YA LING, were retained to audit the Corporation's financial statements and has issued an audit report relating to the financial statements. The said business report, financial statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the audit committee. According to relevant requirements of the Securities and Exchange Act and the Company Act, we hereby submit this report to 2023 regular shareholders' meeting of Nichidenbo Corporation.

Convener of Audit Committee: YEN KUO LUNG

March 13 , 2023

IV. Financial statement for the latest year

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2022 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

NICHIDENBO CORPORATION

FREDDY CHOU
Chairman

March 13, 2023

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nichidenbo Corporation

Opinion

We have audited the accompanying consolidated financial statements of Nichidenbo Corporation 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 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 matters of the consolidated financial statements for the year ended December 31, 2022 are as follows:

Gain on Disposal of Subsidiaries

The Company participated in Weltrend Semiconductor Incorporated's takeover bid of Sentelic Corporation. The disposal price was \$778,417 thousand, and realized \$660,235 thousand of disposal gain. Since the gain on disposal accounted for net profit of 42.58% was significant to the consolidated financial statements, we considered the gain on disposal of subsidiaries as a key audit matter in our audit for the year ended December 31, 2022.

The main audit procedures that we performed included obtaining the board meeting minutes of Company and confirming the resolution of the disposal. We verified management's compliance in the acquisition and disposal of assets. We checked the bank statement and stock passbook, and confirmed that gains or losses on disposal were properly calculated and expressed.

Valuation of Inventories

Inventories are stated at the lower of cost or net realizable value. The net realizable value was based on significant judgments and accounting estimates made by management; therefore, we identified the valuation of inventories as a key audit matter in our audit for the year ended December 31, 2022.

The main audit procedures that we performed in respect of the valuation of inventories included obtaining the estimated data of inventories stated at the lower of cost or net realizable value by management; sampling recent sales data to evaluate the reasonableness of the net realizable value.

Other Matter

We have also audited the parent company only financial statements of Nichidenbo Corporation 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 International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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

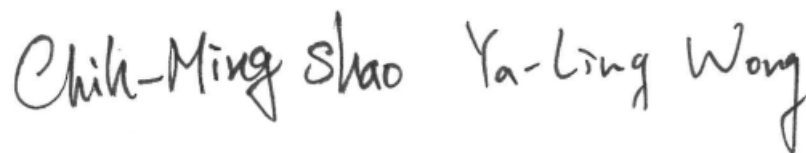
financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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 Chih-Ming Shao and Ya-Ling Wong.

Handwritten signatures of Chih-Ming Shao and Ya-Ling Wong in black ink.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 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.

NICHIDENBO CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

| ASSETS | 2022 | | 2021 | |
|------------------------------------------------------------------------------------------|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 1,424,947 | 15 | \$ 950,184 | 11 |
| Financial assets at fair value through profit or loss - current (Note 7) | 100,006 | 1 | 68,029 | 1 |
| Financial assets at fair value through other comprehensive income - current (Note 8) | 303,715 | 3 | 197,032 | 2 |
| Financial assets at amortized cost - current (Notes 9 and 10) | 810,000 | 9 | 367,812 | 4 |
| Notes receivables, net (Note 11) | 113,680 | 1 | 131,722 | 1 |
| Trade receivables from unrelated parties, net (Notes 11 and 25) | 3,047,033 | 33 | 3,332,017 | 38 |
| Other receivables from unrelated parties (Note 11) | 24,512 | - | 28,793 | - |
| Current tax assets (Note 27) | 3,941 | - | 4,591 | - |
| Inventories (Note 12) | 2,317,061 | 25 | 2,444,386 | 28 |
| Prepayments | 3,657 | - | 7,197 | - |
| Other current assets (Note 19) | 1,464 | - | 1,751 | - |
| Total current assets | <u>8,150,016</u> | <u>87</u> | <u>7,533,514</u> | <u>85</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Note 8) | 93,384 | 1 | 98,711 | 1 |
| Financial assets at amortized cost - non-current (Notes 9, 10 and 37) | 178,879 | 2 | 259,565 | 3 |
| Property, plant and equipment (Notes 14 and 37) | 614,455 | 7 | 632,565 | 7 |
| Right-of-use assets (Note 15) | 9,046 | - | 34,700 | 1 |
| Investment properties (Notes 16 and 37) | 191,465 | 2 | 196,356 | 2 |
| Goodwill (Note 17) | 21,805 | - | 28,990 | - |
| Other intangible assets (Note 18) | 34,922 | - | 13,396 | - |
| Deferred tax assets (Note 27) | 64,362 | 1 | 54,358 | 1 |
| Refundable deposits | 3,442 | - | 3,937 | - |
| Net defined benefit assets - non-current (Note 23) | 4,043 | - | 930 | - |
| Other non-current assets (Note 19) | - | - | 9,661 | - |
| Total non-current assets | <u>1,215,803</u> | <u>13</u> | <u>1,333,169</u> | <u>15</u> |
| TOTAL | <u>\$ 9,365,819</u> | <u>100</u> | <u>\$ 8,866,683</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 20) | \$ 1,170,046 | 12 | \$ 1,898,749 | 21 |
| Short-term bills payable (Note 20) | - | - | 234,939 | 3 |
| Contract liabilities - current (Note 25) | 2,281 | - | 5,692 | - |
| Notes payables (Note 21) | 207 | - | 196 | - |
| Trade payables to unrelated parties (Note 21) | 891,409 | 10 | 1,152,765 | 13 |
| Other payables to unrelated parties (Note 22) | 377,317 | 4 | 329,314 | 4 |
| Current tax liabilities (Note 27) | 118,053 | 1 | 172,127 | 2 |
| Lease liabilities - current (Note 15) | 9,740 | - | 18,355 | - |
| Other current liabilities (Note 22) | 47,754 | 1 | 33,892 | - |
| Total current liabilities | <u>2,616,807</u> | <u>28</u> | <u>3,846,029</u> | <u>43</u> |
| NON-CURRENT LIABILITIES | | | | |
| Deferred tax liabilities (Note 27) | 74,126 | 1 | 76,935 | 1 |
| Lease liabilities - non-current (Note 15) | 544 | - | 18,830 | - |
| Net defined benefit liability - non-current (Note 23) | 29,800 | - | 41,417 | 1 |
| Guarantee deposits received | 5,520 | - | 5,502 | - |
| Total non-current liabilities | <u>109,990</u> | <u>1</u> | <u>142,684</u> | <u>2</u> |
| Total liabilities | <u>2,726,797</u> | <u>29</u> | <u>3,988,713</u> | <u>45</u> |
| EQUITY | | | | |
| Common stock | <u>2,126,572</u> | <u>23</u> | <u>1,786,572</u> | <u>20</u> |
| Capital surplus | <u>1,621,500</u> | <u>17</u> | <u>475,353</u> | <u>5</u> |
| Retained earnings | | | | |
| Legal reserve | 785,382 | 9 | 690,815 | 8 |
| Special reserve | 10,950 | - | 10,950 | - |
| Unappropriated earnings | 2,167,303 | 23 | 1,480,027 | 17 |
| Total retained earnings | <u>2,963,635</u> | <u>32</u> | <u>2,181,792</u> | <u>25</u> |
| Other equity | (108,311) | (1) | 31,466 | - |
| Total equity attributable to owners of the Company | 6,603,396 | 71 | 4,475,183 | 50 |
| NON-CONTROLLING INTERESTS | | | | |
| | <u>35,626</u> | <u>-</u> | <u>402,787</u> | <u>5</u> |
| Total equity | <u>6,639,022</u> | <u>71</u> | <u>4,877,970</u> | <u>55</u> |
| TOTAL | <u>\$ 9,365,819</u> | <u>100</u> | <u>\$ 8,866,683</u> | <u>100</u> |

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

NICHIDENBO CORPORATION 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 (Note 25) | \$ 10,440,729 | 100 | \$ 10,359,963 | 100 |
| OPERATING COSTS (Notes 12 and 26) | <u>8,660,488</u> | <u>83</u> | <u>8,611,629</u> | <u>83</u> |
| GROSS PROFIT | <u>1,780,241</u> | <u>17</u> | <u>1,748,334</u> | <u>17</u> |
| OPERATING EXPENSES (Note 26) | | | | |
| Selling and marketing expenses | 620,316 | 6 | 541,231 | 5 |
| General and administrative expenses | 267,664 | 2 | 199,411 | 2 |
| Expected credit gain | <u>(160)</u> | <u>-</u> | <u>(13,523)</u> | <u>-</u> |
| Total operating expenses | <u>887,820</u> | <u>8</u> | <u>727,119</u> | <u>7</u> |
| PROFIT FROM OPERATIONS | <u>892,421</u> | <u>9</u> | <u>1,021,215</u> | <u>10</u> |
| NON-OPERATING INCOME AND EXPENSES (Note 26) | | | | |
| Interest income | 14,824 | - | 9,128 | - |
| Other income | 45,288 | - | 25,538 | - |
| Other gains and losses | 107,796 | 1 | (19,014) | - |
| Finance costs | <u>(39,986)</u> | <u>-</u> | <u>(14,223)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>127,922</u> | <u>1</u> | <u>1,429</u> | <u>-</u> |
| PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS | 1,020,343 | 10 | 1,022,644 | 10 |
| INCOME TAX EXPENSE (Note 27) | <u>229,742</u> | <u>2</u> | <u>250,149</u> | <u>3</u> |
| NET PROFIT FROM CONTINUING OPERATIONS | 790,601 | 8 | 772,495 | 7 |
| NET PROFIT FROM DISCONTINUED OPERATIONS (Note 13) | <u>759,899</u> | <u>7</u> | <u>105,872</u> | <u>1</u> |
| NET PROFIT FOR THE YEAR | <u>1,550,500</u> | <u>15</u> | <u>878,367</u> | <u>8</u> |

(Continued)

NICHIDENBO CORPORATION 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 | % |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 23, 24 and 27) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | \$ 10,695 | - | \$ 1,273 | - |
| Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income | (96,438) | (1) | 58,894 | 1 |
| Income tax related to items that will not be reclassified subsequently to profit or loss | <u>1,360</u> | <u>-</u> | <u>(255)</u> | <u>-</u> |
| | <u>(84,383)</u> | <u>(1)</u> | <u>59,912</u> | <u>1</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | <u>20,428</u> | <u>-</u> | <u>(8,806)</u> | <u>-</u> |
| Other comprehensive (loss) income for the year, net of income tax | <u>(63,955)</u> | <u>(1)</u> | <u>51,106</u> | <u>1</u> |
| TOTAL COMPREHENSIVE PROFIT FOR THE YEAR | <u>\$ 1,486,545</u> | <u>14</u> | <u>\$ 929,473</u> | <u>9</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owner(s) of the Company | \$ 1,488,045 | 14 | \$ 819,419 | 8 |
| Non-controlling interests | <u>62,455</u> | <u>1</u> | <u>58,948</u> | <u>-</u> |
| | <u>\$ 1,550,500</u> | <u>15</u> | <u>\$ 878,367</u> | <u>8</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owner(s) of the Company | \$ 1,424,081 | 14 | \$ 869,546 | 8 |
| Non-controlling interests | <u>62,464</u> | <u>-</u> | <u>59,927</u> | <u>1</u> |
| | <u>\$ 1,486,545</u> | <u>14</u> | <u>\$ 929,473</u> | <u>9</u> |
| EARNINGS PER SHARE (Note 28) | | | | |
| From continuing and discontinued operations | | | | |
| Basic | <u>\$ 8.02</u> | | <u>\$ 4.59</u> | |
| Diluted | <u>\$ 7.89</u> | | <u>\$ 4.55</u> | |
| From continuing operations | | | | |
| Basic | <u>\$ 4.21</u> | | <u>\$ 4.31</u> | |
| Diluted | <u>\$ 4.14</u> | | <u>\$ 4.27</u> | |

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

(Concluded)

NICHIDENBO CORPORATION 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 | | | | | Other Equity (Notes 24 and 29) | | | Non-controlling Interests (Notes 24, 29, 30, 31 and 32) | Total Equity | |
|----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------|-----------------------------|-----------------|----------------------------|------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|----------------------------------|---------------------------------------------------------------|--------------|--------------|
| | Ordinary Shares (Notes 24 and 29) | Capital Surplus (Notes 24, 29 and 32) | Retained Earnings (Note 24) | | | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Unearned Employee Benefits | | | Total |
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | | | | | | |
| BALANCE AT JANUARY 1, 2021 | \$ 1,786,572 | \$ 478,163 | \$ 629,783 | \$ 10,950 | \$ 1,149,227 | \$ (45,955) | \$ 153,554 | \$ - | \$ 4,162,294 | \$ 353,576 | \$ 4,515,870 |
| Appropriation of 2020 earnings | | | | | | | | | | | |
| Legal reserve | - | - | 61,032 | - | (61,032) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (553,837) | - | - | - | (553,837) | - | (553,837) |
| Total | - | - | 61,032 | - | (614,869) | - | - | - | (553,837) | - | (553,837) |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | (27,489) | (27,489) |
| Other changes in capital surplus | - | 283 | - | - | - | - | - | - | 283 | 12 | 295 |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 819,419 | - | - | - | 819,419 | 58,948 | 878,367 |
| Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax | - | - | - | - | 570 | (8,806) | 58,363 | - | 50,127 | 979 | 51,106 |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | 819,989 | (8,806) | 58,363 | - | 869,546 | 59,927 | 929,473 |
| Changes in percentage of ownership interests in subsidiaries | - | (3,093) | - | - | - | (10) | - | - | (3,103) | 3,103 | - |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | 125,680 | - | (125,680) | - | - | - | - |
| Share-based payment arrangements | - | - | - | - | - | - | - | - | - | 13,658 | 13,658 |
| BALANCE AT DECEMBER 31, 2021 | 1,786,572 | 475,353 | 690,815 | 10,950 | 1,480,027 | (54,771) | 86,237 | - | 4,475,183 | 402,787 | 4,877,970 |
| Appropriation of 2021 earnings | | | | | | | | | | | |
| Legal reserve | - | - | 94,567 | - | (94,567) | - | - | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (714,629) | - | - | - | (714,629) | - | (714,629) |
| Total | - | - | 94,567 | - | (809,196) | - | - | - | (714,629) | - | (714,629) |
| Cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | (54,545) | (54,545) |
| Other changes in capital surplus | - | 189 | - | - | - | - | - | - | 189 | 4 | 193 |
| Net profit for the year ended December 31, 2022 | - | - | - | - | 1,488,045 | - | - | - | 1,488,045 | 62,455 | 1,550,500 |
| Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax | - | - | - | - | 8,427 | 20,427 | (92,818) | - | (63,964) | 9 | (63,955) |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | 1,496,472 | 20,427 | (92,818) | - | 1,424,081 | 62,464 | 1,486,545 |
| Issuance of common stock for cash | 300,000 | 1,020,600 | - | - | - | - | - | - | 1,320,600 | - | 1,320,600 |
| Difference between consideration and carrying amount of subsidiaries' net assets during actual acquisition or disposals | - | (553) | - | - | - | - | - | - | (553) | (2,967) | (3,520) |
| Issuance of restricted shares for employees | 40,000 | 125,911 | - | - | - | - | - | (82,937) | 82,974 | - | 82,974 |
| Share-based payment arrangements | - | - | - | - | - | - | - | 15,551 | 15,551 | 4,381 | 19,932 |
| Changes of non-controlling interests | - | - | - | - | - | - | - | - | - | (376,498) | (376,498) |
| BALANCE AT DECEMBER 31, 2022 | \$ 2,126,572 | \$ 1,621,500 | \$ 785,382 | \$ 10,950 | \$ 2,167,303 | \$ (34,344) | \$ (6,581) | \$ (67,386) | \$ 6,603,396 | \$ 35,626 | \$ 6,639,022 |

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

NICHIDENBO CORPORATION AND SUBSIDIARIES

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

| | 2022 | 2021 |
|------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | | |
| Income before income tax from continuing operations | \$ 1,020,343 | \$ 1,022,644 |
| Income before income tax from discontinued operations | <u>785,072</u> | <u>130,978</u> |
| | <u>1,805,415</u> | <u>1,153,622</u> |
| Adjustments for: | | |
| Depreciation expense | 29,763 | 32,122 |
| Amortization expense | 9,680 | 6,527 |
| Expected credit gain | (150) | (13,364) |
| Net loss (gain) on fair value changes of financial assets or liabilities at fair value through profit or loss | 2,750 | (681) |
| Finance costs | 40,117 | 14,521 |
| Interest income | (17,283) | (12,195) |
| Dividends income | (20,994) | (9,859) |
| Share-based payment | 19,932 | 13,658 |
| Loss (gain) on disposal of property, plant and equipment | 690 | (50) |
| Gain on disposal of subsidiary | (660,235) | - |
| Inventory write-downs | 1,308 | 1,783 |
| Loss on net realizable value of inventories | 12,287 | 40,095 |
| Net gain on lease modification | - | (3) |
| Impairment losses | 3,449 | 13,122 |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | (48,470) | 154,623 |
| Notes receivables | 18,813 | 1,226 |
| Trade receivables from unrelated parties | 270,188 | (547,360) |
| Other receivables from unrelated parties | (95) | (4,143) |
| Inventories | (28,193) | (864,311) |
| Prepayments | (5,142) | (3,331) |
| Other current assets | 4 | 151 |
| Net defined benefit asset | 603 | (5) |
| Financial liabilities held for trading | - | (2,340) |
| Contract liabilities | (3,369) | (13,188) |
| Notes payables | (112) | (24) |
| Trade payables to unrelated parties | (240,470) | 76,588 |
| Other payables to unrelated parties | 81,146 | 72,387 |
| Other current liabilities | 14,266 | 10,717 |
| Net defined benefit liabilities | <u>(3,267)</u> | <u>(2,481)</u> |
| Cash generated from operating activities | 1,282,631 | 117,807 |
| Interest received | 15,030 | 11,701 |
| Interest paid | (37,582) | (13,924) |
| Income tax received | 1,593 | 107,390 |
| Income tax paid | <u>(309,324)</u> | <u>(195,488)</u> |
| Net cash generated from operating activities | <u>952,348</u> | <u>27,486</u> |

(Continued)

NICHIDENBO CORPORATION AND SUBSIDIARIES

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

| | 2022 | 2021 |
|-----------------------------------------------------------------------------------------|---------------------|-------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | \$ - | \$ (1,323) |
| Proceeds from sale of financial assets at fair value through other comprehensive income | - | 315,776 |
| Purchase of financial assets at amortized cost | (1,475,836) | (589,886) |
| Proceeds from sale of financial assets at amortized cost | 818,347 | 413,882 |
| Net cash outflow on acquisition of subsidiary | (62,266) | - |
| Disposal of subsidiaries | 599,270 | - |
| Payments for property, plant and equipment | (1,181) | (4,638) |
| Proceeds from disposal of property, plant and equipment | 28 | 114 |
| Increase in refundable deposits | (206) | (294) |
| Payments for intangible assets | (5,407) | (7,198) |
| Dividends received | <u>20,994</u> | <u>9,859</u> |
| Net cash (used in) generated from investing activities | <u>(106,257)</u> | <u>136,292</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 7,956,348 | 8,642,583 |
| Repayments of short-term borrowings | (8,720,051) | (8,188,851) |
| Proceeds from short-term bills payable | 495,074 | 587,458 |
| Repayments of short-term bills payable | (730,013) | (552,493) |
| Proceeds from long-term borrowings | - | 213,000 |
| Repayments of long-term borrowings | - | (213,000) |
| Guarantee deposits received | 16 | 4,329 |
| Repayment of the principal portion of lease liabilities | (16,786) | (17,678) |
| Cash dividends paid | (714,629) | (553,837) |
| Proceeds from issuance of common stock | 1,320,600 | - |
| Dividends paid to non-controlling interests | (54,545) | (27,489) |
| Changes of non-controlling interests | (3,520) | - |
| Proceeds from issuance of restricted shares for employees | 87,720 | - |
| Dividends from claims extinguished by prescription | 193 | 291 |
| Other financing activities | <u>-</u> | <u>4</u> |
| Net cash used in financing activities | <u>(379,593)</u> | <u>(105,683)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES | <u>8,265</u> | <u>(2,923)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 474,763 | 55,172 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>950,184</u> | <u>895,012</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 1,424,947</u> | <u>\$ 950,184</u> |

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

(Concluded)

NICHIDENBO CORPORATION 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

Nichidenbo Corporation (the “Company”) was established on January 4, 1993 in New Taipei City. The Company engages mainly in sales and marketing of electronic components.

On December 31, 2007, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE).

The consolidated financial statements are presented in the Group’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 13, 2023.

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

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

The initial application of IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies, financial positions and financial performance.

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

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB</u> |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------|
| 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 will be 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 for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of above amendments to standards and interpretations did not have material impact on the Group’s financial position and financial performance.

c. New IFRSs issued by International Accounting Standards Board (IASB) 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 |
| Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - 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 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.

As of the date the consolidated financial statements were authorized for issue, the application of above amendments to standards and interpretations did not have material impact on the Group’s financial position and financial performance.

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 (assets) 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;
- 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 an 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; 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.

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

d. Basis of consolidation

1) The basis for the consolidated financial statements

The consolidated financial statements incorporate the consolidated 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 comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

2) The subsidiaries in the consolidated financial statements

The detail information of the subsidiaries was as follows:

| Name of Investor | Name of Investee | Main Businesses and Products | Percentage of Ownership December 31 | | Note |
|-----------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------|--------|------|
| | | | 2022 | 2021 | |
| Nichidenbo Corporation | Vic-Dawn Enterprise Co., Ltd. (Vic-Dawn) | Sales and marketing of electronic components | 95.31 | 95.31 | |
| | Nichidenbo (Mauritius) Ltd. (NDB (Mauritius)) | Investment activities | 100.00 | 100.00 | |
| | Lipers Enterprise Co., Ltd. (Lipers) | Sales and marketing of electronic components | 99.34 | 99.34 | |
| | Scope Technology Co., Ltd. (Scope) | Sales and marketing of electronic components | 100.00 | 100.00 | 1 |
| | Advance Electronic Supply Inc. (AES) | Sales and marketing of electronic components | 100.00 | 100.00 | 2 |
| | Tonsam Corporation (Tonsam) | Sales and marketing of electronic components | 100.00 | 100.00 | |
| | Sentelic Corporation (Sentelic) | Manufacturing, sales and marketing of electronic components | 9.68 | 46.00 | 3 |
| | Lipers (Hong Kong) Enterprise Co., Ltd. (Lipers (HK)) | Sales and marketing of electronic components | 100.00 | 100.00 | |
| | Koho (Taiwan) Co., Ltd. (Koho) | Sales and marketing of electronic components | 85.00 | - | 4 |
| Nichidenbo (Mauritius) Corporation | Nichidenbo (Shenzhen) Trading Co., Ltd. (NDB (Shenzhen)) | Sales and marketing of electronic components | 100.00 | 100.00 | |
| | Nichidenbo Suzhou Trading Co., Ltd. (NDB (Suzhou)) | Sales and marketing of electronic components | 100.00 | 100.00 | |
| Lipers (Hong Kong) Enterprise Co., Ltd. | Lipers Electronic (Shenzhen) Co., Ltd. (Lipers Electronics (Shenzhen)) | Sales and marketing of electronic components | 100.00 | 100.00 | |
| Sentelic Corporation | Sentelic Holding Co., Ltd. (Holding) | Investment activities | - | 100.00 | 3 |
| Sentelic Ocean | Ocean Prestige Limited (Ocean) | Investment activities | - | 100.00 | 3, 5 |
| | Touchscreen Gestures LLC (Touchscreen) | Research, design | - | - | 3, 6 |

Note 1: Scope's board of directors resolved to increase its capital by \$400,000 thousand by cash on July 7, 2021, and the subscription base date was on August 26, 2021.

Note 2: AES's board of directors resolved to increase the capital from retained earnings by \$97,448 thousand on May 24, 2022, and the subscription base date was on May 31, 2022.

Note 3: As of December 31, 2022, the Company holds 46.00% interest in Sentelic. Sentelic is listed company, and the remaining 54.00% interest in Sentelic is dispersed and held by thousands of shareholders that are unrelated to the company. The directors of the Company considered the Company's absolute size of holding in Sentelic and the relative size of dispersion of the shareholdings owned by the other shareholders and concluded that the Company has the practical ability to direct the relevant activities of Sentelic and, therefore, the Company has control over Sentelic.

The Company participated in Weltrend semiconductor incorporated's takeover bid for 10,710,000 common shares of Sentelic on August 24, 2022. The Company's shareholding in Sentelic decreased from 46.00% to 9.68%. The control of Sentelic was passed to the acquirer. And, the unsold interest was recorded in financial asset

at FVTOCI, and recognized gain on disposal of \$660,235 thousand. (Profit was recorded in net profit from discontinued operations)

Note 4: The Company signed a share sale and purchase agreement with non-related parties, acquiring 2,550,000 common shares of Koho, at a consideration of \$81,600 thousand in total at a price of \$32 on January 26 and March 3, 2022. The Company holds a 85% interest in Koho and, therefore, has control over Koho.

Note 5: Ocean has been deregistered as approved on March 11, 2022.

Note 6: Touchscreen has been deregistered as approved on December 21, 2021.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value.

f. 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 item denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the

foreign currency.

For the purpose of presenting consolidated financial statements, the financial statements of its foreign operations/the Company's foreign operations (including subsidiaries in other countries) 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).

g. Inventories

Inventories 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 Company similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

h. Property, plant and equipment

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

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.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of investment properties is recognized using the straight-line method.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

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

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or Groups of cash-generating units (referred to as "cash-generating units") that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-

generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the Group disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. 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.

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.

1. 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, investment properties 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 smallest group of cash-generating units on a reasonable and consistent basis of allocation

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, 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, cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when an entity 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: 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 and interest earned on such financial assets are recognized in other income and interest income, respectively; 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 35.

ii. Financial assets at amortized cost

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

- i) The financial asset is 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 asset 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 receivables, other receivables, refundable deposits and restricted cash 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 applying the effective interest rate to the gross carrying amount of such a financial asset.

Cash equivalents include time deposits and commercial paper 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 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

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade 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 represent 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.

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 an equity instrument at FVTOCI, 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

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

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the 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) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and 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.

n. 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.

Revenue from the sale of goods comes from sales of electronic components. Sales of electronic components are recognized as revenue when the goods are delivered to the customer's specific location and signed by the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables and sales revenue are recognized concurrently.

o. Leases

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

1) The Group as lessor

All leases are classified as operating leases.

Under finance leases, the 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.

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 by 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, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. 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 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, in-substance 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 Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

p. Borrowing costs

All borrowing costs are recognized in profit or loss in the year in which they are incurred.

q. 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 services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services 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 (including current 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 liabilities (assets) represent the actual deficit in the Group's defined benefit plans. 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.

r. Share-based payment arrangements

Restricted shares for employees granted to employees

The fair value at the grant date of the restricted shares for employees is expensed on a

straight-line basis over the vesting period, based on the Group's best estimates of the number of shares that are expected to ultimately vest, with a corresponding increase in capital surplus - other equity - unearned employee benefits. It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and the considerations received should be returned if employees resign in the vesting period, the amounts expected to be returned are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of restricted shares for employees that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees

s. 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 Act in the ROC, an additional tax on unappropriated earnings is provided for 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 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 and interests in joint ventures, 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 recognized only 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 assets 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 taxes

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, estimations, and assumptions on 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 estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and notes receivables is based on assumptions on probability of default and loss given default. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Valuation of inventories

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

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|---------------------------------------|---------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Cash on hand | \$ 699 | \$ 1,021 |
| Demand deposits and checking accounts | 429,020 | 522,724 |
| Cash equivalents | | |
| Time deposits | 815,038 | 426,439 |
| Commercial paper | <u>180,190</u> | <u>-</u> |
| | <u>\$ 1,424,947</u> | <u>\$ 950,184</u> |

The market rate intervals of time deposits and commercial paper at the end of the year were as follows:

| | <u>December 31</u> | |
|------------------|--------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| Time deposits | 0.965%-4.000% | 0.100%-2.300% |
| Commercial paper | 0.620%-0.850% | - |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31</u> | |
|-----------------------------------------------------|--------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Current</u> | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Domestic mutual funds | \$ 100,000 | \$ 67,500 |
| Unrealized loss on financial assets | <u>6</u> | <u>529</u> |
| | <u>\$ 100,006</u> | <u>\$ 68,029</u> |

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. As of December 31, 2022 and 2021, there wasn't any foreign exchange forward contracts of the Group.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | <u>December 31</u> | |
|-----------------------------------|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Current</u> | | |
| Investments in equity instruments | <u>\$ 303,715</u> | <u>\$ 197,032</u> |
| <u>Non-current</u> | | |
| Investments in equity instruments | <u>\$ 93,384</u> | <u>\$ 98,711</u> |

Investments in equity instruments

| | <u>December 31</u> | |
|--------------------------------------------|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Current</u> | | |
| Domestic investments | | |
| Listed shares | \$ 243,337 | \$ 45,543 |
| Unrealized (loss) gain on financial assets | <u>(56,064)</u> | <u>13,111</u> |
| | <u>187,273</u> | <u>58,654</u> |
| Foreign investments | | |
| Listed shares | 133,933 | 133,933 |
| Unrealized (loss) gain on financial assets | <u>(17,491)</u> | <u>4,445</u> |
| | <u>116,442</u> | <u>138,378</u> |
| | <u>\$ 303,715</u> | <u>\$ 197,032</u> |
| <u>Non-current</u> | | |
| Domestic investments | | |
| Listed shares | \$ 30,000 | \$ 30,000 |
| Unrealized gain on equity instruments | <u>63,384</u> | <u>68,711</u> |
| | <u>\$ 93,384</u> | <u>\$ 98,711</u> |

The Group's hold on Sentelic's interest has declined to 9.68% on August 24, 2022, the date the control of Sentelic passed to the acquirer. At the same time, the carrying amount of the unsold interest, which was recorded in financial assets at fair value through other comprehensive income - current of \$197,794 thousand, calculated based on the closing price at the date of disposal.

The Group holds the domestic listed shares, the domestic unlisted shares and foreign listed shares for medium to long-term strategic purposes, expecting to make a profit from long-term investment. 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</u> | |
|--------------------------------------------------------------|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Current</u> | | |
| Time deposits with original maturities of more than 3 months | \$ 810,000 | \$ 214,968 |
| Commercial paper | <u>-</u> | <u>152,844</u> |
| | <u>\$ 810,000</u> | <u>\$ 367,812</u> |
| <u>Non-current</u> | | |

| | | |
|-----------------------|-------------------|-------------------|
| Pledged time deposits | \$ 165,617 | \$ 246,303 |
| Restricted cash | <u>13,262</u> | <u>13,262</u> |
| | <u>\$ 178,879</u> | <u>\$ 259,565</u> |

a. Refer to Note 10 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

b. Refer to Note 37 for information relating to investments in financial assets at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at amortized cost:

| | <u>At Amortized Cost</u> | |
|----------------------------------------------------|--------------------------|-------------------|
| | <u>December 31</u> | |
| | 2022 | 2021 |
| <u>At amortized cost (current and non-current)</u> | | |
| Gross carrying amount | \$ 988,879 | \$ 627,377 |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> |
| Amortized cost | <u>\$ 988,879</u> | <u>\$ 627,377</u> |

The credit risk of financial instruments such as bank deposits is measured and monitored by the finance department. The Group selects the transaction partners and the performing parties which are all banks with good credit.

11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| <u>Notes receivable</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 114,251 | \$ 132,384 |
| Less: Allowance for impairment loss | <u>(571)</u> | <u>(662)</u> |
| | <u>\$ 113,680</u> | <u>\$ 131,722</u> |
| Notes receivable - operating | \$ 113,677 | \$ 131,722 |
| Notes receivable non-operating | <u>3</u> | <u>-</u> |
| | <u>\$ 113,680</u> | <u>\$ 131,722</u> |

Trade receivables

At amortized cost

Gross carrying amount

\$ 3,067,007

\$ 3,352,515

Less: Allowance for impairment loss

(19,974)

(20,498)

\$ 3,047,033

\$ 3,332,017

(Continued)

| | <u>December 31</u> | |
|--------------------------|--------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Other receivables</u> | | |
| VAT refundable | \$ 19,401 | \$ 24,061 |
| Others | <u>5,111</u> | <u>4,732</u> |
| | <u>\$ 24,512</u> | <u>\$ 28,793</u> |
| | | (Concluded) |

a. Notes receivable

As of December 31, 2022 and 2021, the notes receivable did not expire.

b. Trade receivables

The average credit period on sales of goods is 90 to 150 days. 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 year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, and profitability. 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 a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade 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 trade receivables based on the Group's provision matrix.

December 31, 2022

| | Not Past Due | 1 to 30 Days Past Due | 31 to 60 Days Past Due | 61 to 90 Days Past Due | Over 90 Days Past Due | Total |
|--------------------------------|---------------------|--------------------------|---------------------------|---------------------------|--------------------------|---------------------|
| Expected credit loss rate | 0.50%-1.79% | 0.50%-20.36% | 0.50%-24.75% | 38.02%-63.54% | 100.00% | - |
| Gross carrying amount | \$ 3,038,378 | \$ 23,795 | \$ 2,992 | \$ 284 | \$ 1,558 | \$ 3,067,007 |
| Loss allowance (Lifetime ECLs) | <u>(15,602)</u> | <u>(2,295)</u> | <u>(356)</u> | <u>(163)</u> | <u>(1,558)</u> | <u>(19,974)</u> |
| Amortized cost | <u>\$ 3,022,776</u> | <u>\$ 21,500</u> | <u>\$ 2,636</u> | <u>\$ 121</u> | <u>\$ -</u> | <u>\$ 3,047,033</u> |

December 31, 2021

| | Not Past Due | 1 to 30 Days Past Due | 31 to 60 Days Past Due | 61 to 90 Days Past Due | Over 90 Days Past Due | Total |
|--------------------------------|---------------------|--------------------------|---------------------------|---------------------------|--------------------------|---------------------|
| Expected credit loss rate | 0.50%-2.04% | 0.50%-21.91% | 0.50%-25.68% | 24.74%-62.72% | 100.00% | - |
| Gross carrying amount | \$ 3,321,960 | \$ 25,621 | \$ 3,459 | \$ 184 | \$ 1,291 | \$ 3,352,515 |
| Loss allowance (Lifetime ECLs) | <u>(17,494)</u> | <u>(1,105)</u> | <u>(507)</u> | <u>(101)</u> | <u>(1,291)</u> | <u>(20,498)</u> |
| Amortized cost | <u>\$ 3,304,466</u> | <u>\$ 24,516</u> | <u>\$ 2,952</u> | <u>\$ 83</u> | <u>\$ -</u> | <u>\$ 3,332,017</u> |

The movements of the loss allowance of notes receivable and trade receivables were as follows:

| | For the Year Ended December 31 | |
|-------------------------------------------------|-------------------------------------------|------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 21,160 | \$ 22,730 |
| Add: Acquisitions through business combinations | 62 | - |
| Add: Reclassification of overdue receivables | 20 | 90 |
| Add: Remeasurement of loss allowance | 2,714 | 2,955 |
| Add: Amounts of overdue receivables recovered | - | 11,939 |
| Less: Amounts written off | (20) | (154) |
| Less: Reversal of loss allowance | (2,864) | (16,319) |
| Less: Derecognized on disposal of a subsidiary | (616) | - |
| Foreign exchange gains and losses | <u>89</u> | <u>(81)</u> |
| Balance at December 31 | <u>\$ 20,545</u> | <u>\$ 21,160</u> |

12. INVENTORIES

| | December 31 | |
|--------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Merchandise and finished goods | \$ 2,317,061 | \$ 2,419,444 |
| Work in progress | - | 12,958 |
| Raw materials | <u>-</u> | <u>11,984</u> |
| | <u>\$ 2,317,061</u> | <u>\$ 2,444,386</u> |

The nature of the cost of goods sold is as follows:

| | For the Year Ended December 31 | |
|----------------------------------------------------------|-------------------------------------------|---------------------|
| | 2022 | 2021 |
| Cost of inventories sold | \$ 8,853,959 | \$ 8,857,750 |
| Loss on net realizable value of inventories | 12,287 | 40,095 |
| Inventory write-downs | 1,308 | 1,783 |
| Loss on inventory shrinkage | <u>93</u> | <u>5</u> |
| | 8,867,647 | 8,899,633 |
| Cost of goods sold from discontinued operation (Note 13) | <u>(207,159)</u> | <u>(288,004)</u> |
| | <u>\$ 8,660,488</u> | <u>\$ 8,611,629</u> |

13. DISCONTINUED OPERATION

The Group's hold on Sentelic's interest has declined to 9.68% on August 24, 2022, the date the control of Sentelic passed to the acquirer, and the unsold interest was recorded in financial assets at fair value through other comprehensive income. The Group regarded Sentelic as a cash generating unit; therefore, reclassified the income (loss) of the cash generating unit to discontinued operation. To coordinate with the discontinued operations presentation of consolidated income statement for the year ended December 31, 2022, the Group reclassified the income/loss of discontinued operations for the year ended December 31, 2021 and made the related period information of consolidated income statement more relevant.

The details of profit (loss) from discontinued operations and the related cash flow information were as follows:

| | January 1, 2022 to July 31, 2022 | For the Year Ended December 31, 2021 |
|---------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------|
| Operating revenue | \$ 390,536 | \$ 553,191 |
| Operating costs | <u>(207,159)</u> | <u>(288,004)</u> |
| Gross profit | 183,377 | 265,187 |
| Selling and marketing expenses | (16,855) | (26,544) |
| General and administrative expenses | (20,893) | (32,762) |
| Research and development expenses | (47,705) | (74,873) |
| Expected credit losses | <u>(10)</u> | <u>(159)</u> |
| Profit from operations | 97,914 | 130,849 |
| Interest revenue | 2,459 | 3,067 |
| Other revenue | 119 | 284 |
| Other gains and losses | 24,476 | (2,924) |
| Finance costs | <u>(131)</u> | <u>(298)</u> |
| Profit before income tax | 124,837 | 130,978 |
| Income tax expense | <u>(25,173)</u> | <u>(25,106)</u> |
| Net profit for the year | 99,664 | 105,872 |
| Gain on disposals (Note 31) | <u>660,235</u> | <u>-</u> |
| Net profit from discontinued operations | <u>\$ 759,899</u> | <u>\$ 105,872</u> |
| Net profit from discontinued operations attributable to | | |
| Owners of the Company | \$ 707,013 | \$ 50,445 |
| Non-controlling interests | <u>52,886</u> | <u>55,427</u> |
| | <u>\$ 759,899</u> | <u>\$ 105,872</u> |
| Cash flows | | |
| Operating activities | \$ 48,778 | \$ 127,286 |
| Investing activities | 30,850 | (121,634) |
| Financing activities | <u>(97,600)</u> | <u>(52,217)</u> |
| Net cash outflows | <u>\$ (17,972)</u> | <u>\$ (46,565)</u> |

The carrying amounts of the assets and liabilities of Sentelic at the date of disposal are disclosed in Note 31.

14. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Other Equipment | Total |
|---------------------------------------------------------|-------------------|-------------------|--------------------|-------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2022 | \$ 423,144 | \$ 255,792 | \$ 39,747 | \$ 718,683 |
| Additions | - | - | 1,181 | 1,181 |
| Disposals/derecognition | - | - | (2,673) | (2,673) |
| Acquisitions through business combinations (Note 30) | - | - | 2,171 | 2,171 |
| Derecognized on disposal of a subsidiary (Note 31) | - | - | (15,729) | (15,729) |
| Effects of foreign currency exchange differences | - | 1,050 | 71 | 1,121 |
| Balance at December 31, 2022 | <u>\$ 423,144</u> | <u>\$ 256,842</u> | <u>\$ 24,768</u> | <u>\$ 704,754</u> |
| <u>Accumulated depreciation</u> | | | | |
| Balance at January 1, 2022 | \$ - | \$ 70,097 | \$ 16,021 | \$ 86,118 |
| Depreciation expense | - | 6,753 | 5,328 | 12,081 |
| Disposals/derecognition | - | - | (1,955) | (1,955) |
| Acquisitions through business combinations (Note 30) | - | - | 1,296 | 1,296 |
| Derecognized on disposal of a subsidiary (Note 31) | - | - | (7,675) | (7,675) |
| Effects of foreign currency exchange differences | - | 388 | 46 | 434 |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ 77,238</u> | <u>\$ 13,061</u> | <u>\$ 90,299</u> |
| Carrying amount at December 31, 2022 | <u>\$ 423,144</u> | <u>\$ 179,604</u> | <u>\$ 11,707</u> | <u>\$ 614,455</u> |
| <u>Cost</u> | | | | |
| Balance at January 1, 2021 | \$ 423,144 | \$ 274,267 | \$ 37,338 | \$ 734,749 |
| Additions | - | - | 4,638 | 4,638 |
| Disposals/derecognition | - | - | (2,196) | (2,196) |
| Reclassification (Note 16) | - | (17,784) | - | (17,784) |
| Effects of foreign currency exchange difference | - | (691) | (33) | (724) |
| Balance at December 31, 2021 | <u>\$ 423,144</u> | <u>\$ 255,792</u> | <u>\$ 39,747</u> | <u>\$ 718,683</u> |
| <u>Accumulated depreciation</u> | | | | |
| Balance at January 1, 2021 | \$ - | \$ 70,370 | \$ 12,089 | \$ 82,459 |
| Depreciation expense | - | 7,360 | 6,089 | 13,449 |
| Disposals/derecognition | - | - | (2,132) | (2,132) |
| Reclassification (Note 16) | - | (7,398) | - | (7,398) |
| Effects of foreign currency exchange difference | - | (235) | (25) | (260) |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>\$ 70,097</u> | <u>\$ 16,021</u> | <u>\$ 86,118</u> |
| Carrying amount at December 31, 2021 | <u>\$ 423,144</u> | <u>\$ 185,695</u> | <u>\$ 23,726</u> | <u>\$ 632,565</u> |

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

| | |
|-----------------|-------------|
| Buildings | 20-55 years |
| Other equipment | 3-7 years |

Refer to Note 37 for property, plant and equipment pledged as collateral for the payment of purchase.

15. LEASE ARRANGEMENTS

a. Right-of-use assets

| | <u>December 31</u> | |
|-------------------------------------------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Carrying amounts of right-of-use assets | | |
| Building | <u>\$ 9,046</u> | <u>\$ 34,700</u> |
| | | |
| | <u>For the Year Ended December 31</u> | |
| | 2022 | 2021 |
| Additions to right-of-use assets | <u>\$ 884</u> | <u>\$ 8,666</u> |
| Derecognized on disposal of a subsidiary (Note 31) | <u>\$ 11,008</u> | <u>\$ -</u> |
| Depreciation expense of the right-of-use asset | | |
| Building | \$ 16,076 | \$ 17,749 |
| Less: Depreciation expense of discontinued operations | <u>(2,854)</u> | <u>(4,892)</u> |
| | <u>\$ 13,222</u> | <u>\$ 12,857</u> |

Except for the aforementioned additions and recognized depreciation, there were no material subleases of the Group's right-of-use assets in 2022 and 2021.

b. Lease liabilities

| | <u>December 31</u> | |
|-------------------------|--------------------|------------------|
| | 2022 | 2021 |
| <u>Carrying amounts</u> | | |
| Current | <u>\$ 9,740</u> | <u>\$ 18,355</u> |
| Non-current | <u>\$ 544</u> | <u>\$ 18,830</u> |

Range of discount rate for lease liabilities is as follows:

| | <u>December 31</u> | |
|-----------|--------------------|-------------|
| | 2022 | 2021 |
| Buildings | 1.20%-4.35% | 1.21%-4.35% |

c. Lease liabilities

Refer to Note 16 for lease arrangements under operating leases of investment properties.

| | For the Year Ended December 31 | |
|---------------------------------------------|-------------------------------------------|------------------|
| | 2022 | 2021 |
| Expenses relating to short-term leases | <u>\$ 6,774</u> | <u>\$ 6,029</u> |
| Expenses relating to low-value asset leases | <u>\$ 239</u> | <u>\$ 272</u> |
| Total cash outflow of leases | <u>\$ 24,549</u> | <u>\$ 25,314</u> |

16. INVESTMENT PROPERTIES

| | For the Year Ended December 31 | |
|-------------------------------------------------------|-------------------------------------------|-------------------|
| | 2022 | 2021 |
| <u>Cost</u> | | |
| Balances at January 1 | \$ 224,648 | \$ 206,848 |
| Reclassification (Note 14) | - | 17,784 |
| Effects of foreign currency exchange differences | <u>262</u> | <u>16</u> |
| Balance at December 31 | <u>\$ 224,910</u> | <u>\$ 224,648</u> |
| <u>Accumulated depreciation and impairment losses</u> | | |
| Balance at January 1 | \$ 28,292 | \$ 19,964 |
| Depreciation expense | 1,606 | 924 |
| Impairment losses | 3,449 | - |
| Reclassification (Note 14) | - | 7,398 |
| Effects of foreign currency exchange differences | <u>98</u> | <u>6</u> |
| Balance at December 31 | <u>\$ 33,445</u> | <u>\$ 28,292</u> |
| Carrying amount at December 31 | <u>\$ 191,465</u> | <u>\$ 196,356</u> |

The investment properties are leased out for 1 to 5 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

| | December 31 | |
|------------------|--------------------|-------------|
| | 2022 | 2021 |
| Less than a year | \$ 7,752 | \$ 7,955 |

| | | |
|-----------|------------------|------------------|
| 1-5 years | <u>3,177</u> | <u>6,907</u> |
| | <u>\$ 10,929</u> | <u>\$ 14,862</u> |

The investment properties are depreciated using the straight-line method over 20 to 55 years of their estimated useful lives.

For those located in R.O.C., the fair value of the investment property as of December 31, 2022 and 2021 was \$234,733 thousand and \$275,921 thousand, respectively. The fair value of the investment property was appraised by the Group's management by reference to market evidence of transaction prices for similar properties.

For those located in China, the fair value of the investment property was appraised by the Group's management by reference to the income approach with the discounted cash flow method at the discount rate of 5.20%, and the fair value was measured using Level 3 inputs. The difference between carrying amount and fair value in amount of \$6,166 thousand as of December 31, 2022 was included in other gains and losses.

The investment properties are owned by the Group. The investment properties pledged as collateral for payment of purchase in Note 37.

17. GOODWILL

| | For the Year Ended December 31 | |
|------------------------------------------------------|-------------------------------------------|------------------|
| | 2022 | 2021 |
| <u>Cost</u> | | |
| Balance at January 1 | \$ 28,990 | \$ 42,112 |
| Acquisitions through business combinations (Note 30) | 21,805 | - |
| Derecognized on disposal of a subsidiary (Note 31) | (28,990) | - |
| Impairment losses recognized | <u>-</u> | <u>(13,122)</u> |
| Balance at December 31 | <u>\$ 21,805</u> | <u>\$ 28,990</u> |

The carrying amount of goodwill was allocated to the cash-generating units as follows:

| | December 31 | |
|----------|--------------------|------------------|
| | 2022 | 2021 |
| Koho | \$ 21,805 | \$ - |
| Sentelic | <u>-</u> | <u>28,990</u> |
| | <u>\$ 21,805</u> | <u>\$ 28,990</u> |

The Group's hold on Sentelic's interest has declined to 9.68% on August 24, 2022, the date the control of Sentelic passed to the acquirer, and impairment losses of \$28,990 thousand was recognized.

The Group acquired Koho on January 26, 2022 and recognized goodwill of \$21,805 thousand.

The recoverable amount of Lipers, which was determined based on a value in use calculation that used the discount rate at 16.40%, was lower than the related carrying amount, and impairment losses of \$13,122 thousand was recognized for the year ended December 31, 2021. The main reason that caused impairment was because the profit of Lipers was below expectations.

It was indicated in a valuation report received in the current year that the fair values of other intangible assets and deferred income tax liabilities of Koho at the date of acquisition were \$37,000 thousand and \$7,400 thousand, respectively. The tentative price figures have been restated as if the initial accounting was completed at the acquisition date.

The impact of adjustments on related items of consolidated balance sheets is set out below:

| | Acquisition Date |
|---------------------------|-----------------------------|
| Other intangible assets | <u>\$ 37,000</u> |
| Goodwill adjustments | <u>\$(22,322)</u> |
| Deferred tax liabilities | <u>\$ 7,400</u> |
| Non-controlling interests | <u>\$ 7,278</u> |

18. OTHER INTANGIBLE ASSETS

| | Patents | Computer Software | Supplier Contracts | Total |
|------------------------------------------------------|----------------|------------------------------|-------------------------------|------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2022 | \$ 13,600 | \$ 15,926 | \$ - | \$ 29,526 |
| Acquisitions through business combinations (Note 30) | - | - | 37,000 | 37,000 |
| Additions | - | 5,407 | - | 5,407 |
| Derecognition | - | (264) | - | (264) |
| Derecognized on disposal of a subsidiary (Note 31) | (13,600) | (18,200) | - | (31,800) |
| Effect of foreign currency exchange differences | <u>-</u> | <u>7</u> | <u>-</u> | <u>7</u> |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ 2,876</u> | <u>\$ 37,000</u> | <u>\$ 39,876</u> |
| <u>Accumulated amortization</u> | | | | |
| Balance at January 1, 2022 | \$ 8,257 | \$ 7,873 | \$ - | \$ 16,130 |
| Amortization expenses | 1,133 | 5,155 | 3,392 | 9,680 |
| Derecognition | - | (264) | - | (264) |
| Derecognized on disposal of a subsidiary (Note 31) | (9,390) | (11,209) | - | (20,599) |
| Effect of foreign currency exchange differences | <u>-</u> | <u>7</u> | <u>-</u> | <u>7</u> |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ 1,562</u> | <u>\$ 3,392</u> | <u>\$ 4,954</u> |
| Carrying amount at December 31, 2022 | <u>\$ -</u> | <u>\$ 1,314</u> | <u>\$ 33,608</u> | <u>\$ 34,922</u> |
| <u>Cost</u> | | | | |
| Balance at January 1, 2021 | \$ 13,600 | \$ 9,767 | \$ - | \$ 23,367 |
| Additions | - | 7,198 | - | 7,198 |
| Derecognition | - | (1,036) | - | (1,036) |
| Effect of foreign currency exchange differences | <u>-</u> | <u>(3)</u> | <u>-</u> | <u>(3)</u> |

exchange differences

| | | | | |
|------------------------------|------------------|------------------|-------------|---------------------------------|
| Balance at December 31, 2021 | <u>\$ 13,600</u> | <u>\$ 15,926</u> | <u>\$ -</u> | <u>\$ 29,526</u> (Continued) |
|------------------------------|------------------|------------------|-------------|---------------------------------|

| | Patents | Computer Software | Supplier Contracts | Total |
|----------------------------------------------------|-----------------|----------------------|-----------------------|---------------------------------|
| <u>Accumulated amortization</u> | | | | |
| Balance at January 1, 2021 | \$ 6,314 | \$ 4,328 | \$ - | \$ 10,642 |
| Amortization expenses | 1,943 | 4,584 | - | 6,527 |
| Derecognition | - | (1,036) | - | (1,036) |
| Effect of foreign currency exchange differences | - | (3) | - | (3) |
| Balance at December 31, 2021 | <u>\$ 8,257</u> | <u>\$ 7,873</u> | <u>\$ -</u> | <u>\$ 16,130</u> |
| Carrying amount at December 31, 2021 | <u>\$ 5,343</u> | <u>\$ 8,053</u> | <u>\$ -</u> | <u>\$ 13,396</u> (Concluded) |

The above items of other intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

| | |
|--------------------|-----------|
| Patents | 7 years |
| Computer software | 1-5 years |
| Supplier contracts | 10 years |

19. OTHER ASSETS

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-----------------|
| | 2022 | 2021 |
| <u>Current</u> | | |
| Others | <u>\$ 1,464</u> | <u>\$ 1,751</u> |
| <u>Non-current</u> | | |
| Overdue receivables (Note) | \$ 79,395 | \$ 79,415 |
| Less: Allowance for impairment loss | <u>(79,395)</u> | <u>(79,415)</u> |
| | - | - |
| Others | <u>-</u> | <u>9,661</u> |
| | <u>\$ -</u> | <u>\$ 9,661</u> |

Note: The Group reclassified the impairment loss of trade receivables and relevant allowance for impairment loss, which were evaluated individually, to overdue receivables.

20. BORROWINGS

a. Short-term borrowings

| | December 31 | |
|----------------------|---------------------|---------------------|
| | 2022 | 2021 |
| Unsecured bank loans | <u>\$ 1,170,046</u> | <u>\$ 1,898,749</u> |

The market rate interval of short-term borrowings at the end of the year was as follows:

| | December 31 | |
|----------------------|-------------------------|-------------------------|
| | 2022 | 2021 |
| Unsecured bank loans | 0.528541%- 6.000000% | 0.528541%- 0.900000% |

b. Short-term bills payable

| | December 31 | |
|----------------------------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Commercial paper | \$ - | \$ 235,000 |
| Less: Unamortized discounts on bills payable | <u>-</u> | <u>(61)</u> |
| | <u>\$ -</u> | <u>\$ 234,939</u> |

Outstanding short-term bills payable were as follows:

December 31, 2021

| Promissory Institution | Nominal Amount | Discount Amount | Carrying Amount | Interest Rate |
|---------------------------------|-----------------------|------------------------|------------------------|----------------------|
| <u>Commercial paper</u> | | | | |
| China Bills Finance Corporation | \$ 100,000 | \$ (26) | \$ 99,974 | 0.39% |
| Mega Bills Finance Co., Ltd. | <u>135,000</u> | <u>(35)</u> | <u>134,965</u> | 0.54% |
| | <u>\$ 235,000</u> | <u>\$ (61)</u> | <u>\$ 234,939</u> | |

21. TRADE PAYABLES

| December 31 | |
|--------------------|-------------|
| 2022 | 2021 |

Notes payables

Non-operating \$ 207 \$ 196

Trade payables

Operating \$ 891,409 \$ 1,152,765

22. OTHER LIABILITIES

| | <u>December 31</u> | |
|-----------------------------------|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Current</u> | | |
| Other payables | | |
| Payable for salaries and bonuses | \$ 285,581 | \$ 240,991 |
| Payables for purchase and selling | 27,117 | 29,645 |
| Payables for annual leave | 12,034 | 13,748 |
| Interest payable | 3,934 | 1,399 |
| Payables for business tax | 1,886 | 1,901 |
| Other | <u>46,765</u> | <u>41,630</u> |
| | <u>\$ 377,317</u> | <u>\$ 329,314</u> |
| Other liabilities | | |
| Refund liabilities | \$ 45,275 | \$ 31,243 |
| Other | <u>2,479</u> | <u>2,649</u> |
| | <u>\$ 47,754</u> | <u>\$ 33,892</u> |

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company, Vic-Dawn, Sentelic, Tonsam, Lipers, Scope, AES and Koho adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

NDB (Shenzhen), NDB (Suzhou) Corporation, Lipers (HK) and Lipers Electronics (Shenzhen), which is a state-managed defined contribution plan, makes contributions to employee's pension accounts at a defined rate of standard wages legalized by the local government in the manner of the defined contribution plan.

b. Defined benefit plans

The defined benefit plan adopted by the Company, Vic-Dawn, Sentelic, Tonsam, Lipers and Koho of the Group in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The

Company, Vic-Dawn, Sentelic, Tonsam, Lipers and Koho contribute 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

Lipers had applied a suspension of pension contribution to the pension fund from December 2002 to November 2022, and had been approved by Labor Affairs Department of New Taipei City Government.

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

| | December 31 | |
|---------------------------------------------|--------------------|------------------|
| | 2022 | 2021 |
| Present value of defined benefit obligation | \$ 61,958 | \$ 75,223 |
| Fair value of plan assets | <u>(36,201)</u> | <u>(34,736)</u> |
| Deficit | 25,757 | 40,487 |
| Net defined benefit assets | <u>4,043</u> | <u>930</u> |
| Net defined benefit liability | <u>\$ 29,800</u> | <u>\$ 41,417</u> |

Movements in net defined benefit liability are as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liability |
|-----------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Balance at January 1, 2022 | <u>\$ 75,223</u> | <u>\$(34,736)</u> | <u>\$ 40,487</u> |
| Service cost | | | |
| Current service cost | 1,284 | - | 1,284 |
| Net interest expense (income) | <u>374</u> | <u>(177)</u> | <u>197</u> |
| Recognized in profit or loss | <u>1,658</u> | <u>(177)</u> | <u>1,481</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (2,160) | (2,160) |
| Actuarial gain - changes in financial assumptions | (6,617) | - | (6,617) |
| Actuarial gain - experience adjustments | <u>(1,918)</u> | <u>-</u> | <u>(1,918)</u> |
| Recognized in other comprehensive income | <u>(8,535)</u> | <u>(2,160)</u> | <u>(10,695)</u> |
| Contributions from the employer | - | (4,145) | (4,145) |
| Benefits paid | (3,780) | 3,780 | - |
| Acquisitions through business combinations (Note 30) | 3,212 | (2,638) | 574 |
| Derecognized on disposal of a subsidiary (Note 31) | <u>(5,820)</u> | <u>3,875</u> | <u>(1,945)</u> |
| Balance at December 31, 2022 | <u>\$ 61,958</u> | <u>\$(36,201)</u> | <u>\$ 25,757</u> |
| Balance at January 1, 2021 | <u>\$ 78,451</u> | <u>\$(34,205)</u> | <u>\$ 44,246</u> |
| Service cost | | | |
| Current service cost | 1,269 | - | 1,269 |
| Net interest expense (income) | <u>392</u> | <u>(176)</u> | <u>216</u> |
| Recognized in profit or loss | <u>1,661</u> | <u>(176)</u> | <u>1,485</u> |
| Remeasurement | | | |
| Return on plan assets (excluding | - | (383) | (383) |

| | | | |
|------------------------------------------|------------------|-------------------|------------------|
| amounts included in net interest) | | | |
| Actuarial loss - demographic assumptions | 1,905 | - | 1,905 |
| Actuarial gain - experience adjustments | <u>(2,795)</u> | <u>-</u> | <u>(2,795)</u> |
| Recognized in other comprehensive income | <u>(890)</u> | <u>(383)</u> | <u>(1,273)</u> |
| Contributions from the employer | - | (3,180) | (3,180) |
| Benefits paid | <u>(3,999)</u> | <u>3,208</u> | <u>(791)</u> |
| Balance at December 31, 2021 | <u>\$ 75,223</u> | <u>\$(34,736)</u> | <u>\$ 40,487</u> |

Through the defined benefit plans under the Labor Standards Act, 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 are as follows:

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Discount rate(s) | 1.375%- 1.750% | 0.500% |
| Expected rate(s) of salary increase | 2.000%- 3.000% | 2.000%- 3.000% |

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

| | <u>December 31</u> | |
|------------------|--------------------|------|
| | 2022 | 2021 |
| Discount rate(s) | | |

| | | |
|-------------------------------------|-------------------|-------------------|
| 0.25% increase | <u>\$ (1,310)</u> | <u>\$ (1,880)</u> |
| 0.25% decrease | <u>\$ 1,355</u> | <u>\$ 1,951</u> |
| Expected rate(s) of salary increase | | |
| 0.25% increase | <u>\$ 1,316</u> | <u>\$ 1,876</u> |
| 0.25% decrease | <u>\$ (1,279)</u> | <u>\$ (1,818)</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</u> | |
|----------------------------------------------------------|--------------------|-----------------|
| | 2022 | 2021 |
| The expected contributions to the plan for the next year | <u>\$ 3,609</u> | <u>\$ 2,161</u> |
| The average duration of the defined benefit obligation | 8.1-14.2 years | 9.4-14.4 years |

24. EQUITY

a. Share capital

Common stock

| | December 31 | |
|-------------------------------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| 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>212,657</u> | <u>178,657</u> |
| Shares issued | <u>\$ 2,126,572</u> | <u>\$ 1,786,572</u> |

Common stock issued had a par value of NT\$10, and holders have the right to vote and receive dividends.

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

On July 14, 2022, the Company's board meeting resolved to issue the first time employee restricted stock awards (RSAs) for the year 2022 in a total of 4,000 thousand shares. The aforementioned issuance of new shares was approved and the registration has been completed, and the subscription base date was on July 22, 2022.

In order to enrich operating capital, intensify financial structure and provide capital demands for the company's long term operating development, the Company raised fund and introduced strategic investors. On June 15, 2022, the Company held shareholder's meeting and a resolution was passed to increase cash capital by issuing 30,000 thousand common stock through private placement. On October 6, 2022, the Company's board of directors resolved to offer for subscription with the subscriber - Wt Microelectronics Co., Ltd. at a price of \$44.02 at premium, and a total cash of \$1,320,600 thousand was received. The subscription base date was on October 7, 2022, and the registration has been completed on October 25, 2022.

The aforementioned rights and obligations of private placement of new shares were same as which the common stock the Company had issued. However, in accordance with Article 43-8 under the Securities and Exchange Act, the common stock of this private placement shall not be freely transferred within three years from

the date of subscription, except as otherwise specified in laws and regulations for special circumstances. The board of directors was authorized to finish the public offering procedure ex post facto with the competent authority and apply for trading on the exchange or OTC market.

b. Capital surplus

| | December 31 | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note) | | |
| Issuance of common stock | \$ 1,301,615 | \$ 281,015 |
| Conversion of bonds | 111,200 | 111,200 |
| Treasury share transactions | 19,455 | 19,455 |
| The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | 15,334 | 15,887 |

(Continued)

| | December 31 | |
|--------------------------------------------------------------|---------------------|-------------------|
| | 2022 | 2021 |
| From business combinations | \$ 289 | \$ 289 |
| Other | <u>3,814</u> | <u>3,814</u> |
| | <u>1,451,707</u> | <u>431,660</u> |
| <u>May only be used to offset a deficit</u> | | |
| Changes in percentage of ownership interests in subsidiaries | 42,656 | 42,656 |
| Other | <u>1,226</u> | <u>1,037</u> |
| | <u>43,882</u> | <u>43,693</u> |
| <u>May not be used for any purpose</u> | | |
| Employee restricted shares | <u>125,911</u> | <u>-</u> |
| | <u>\$ 1,621,500</u> | <u>\$ 475,353</u> |

Note: 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 once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the 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 (until the accumulated legal capital reserve equals the Company's paid-in capital), then set aside a special capital reserve for the Company's demand and in accordance with the laws and regulations. Dividends distributed by the Company are limited to 50% of the profit of the year. The Company's board of directors will propose a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 26(g).

Considering the Company's environment and growth stage, dividends shall be distributed under the Articles 21, and the portion of cash dividends shall not be less

than 30% of the dividends distributed to shareholders in response the future demand for funds and long-term financial plan.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset 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 appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings on June 15, 2022 and July 22, 2021, respectively, were as follows:

| | Appropriation of Earnings | |
|---------------------------------|-------------------------------------------|-------------------|
| | For the Year Ended December 31 | |
| | 2021 | 2020 |
| Legal reserve | <u>\$ 94,567</u> | <u>\$ 61,032</u> |
| Cash dividends | <u>\$ 714,629</u> | <u>\$ 553,837</u> |
| Cash dividends per share (NT\$) | <u>\$ 4.0</u> | <u>\$ 3.1</u> |

The appropriation of earnings for 2022, which were proposed by the Company's board of directors on March 13, 2023, were as follows:

| | For the Year Ended December 31, 2022 |
|---------------------------------|---------------------------------------------------------|
| Legal reserve | <u>\$ 149,647</u> |
| Special reserve | <u>\$ 40,925</u> |
| Cash dividends | <u>\$ 1,169,614</u> |
| Cash dividends per share (NT\$) | <u>\$ 5.5</u> |

The above appropriation of earnings for 2022 will be resolved by the shareholders in their meeting to be held on June 15, 2023.

d. Special reserve

| For the Year Ended December 31 | |
|-------------------------------------------|-------------|
| 2022 | 2021 |

| | | |
|--------------------------------------|------------------|------------------|
| Balance at January 1 and December 31 | <u>\$ 10,950</u> | <u>\$ 10,950</u> |
|--------------------------------------|------------------|------------------|

A proportionate share of special reserve relating to exchange differences from the translation of the financial statements of foreign operations (including the subsidiaries of the Company) will be reversed on the Company's disposal of foreign operations; on the Company's loss of significant influence, however, the entire special reserve will be reversed. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

e. Others equity items

- 1) Exchange differences on translation of the financial statements of foreign operations

| | For the Year Ended December | |
|----------------------------------------------------------------------------------------------|------------------------------------|-------------------|
| | 31 | |
| | 2022 | 2021 |
| Balance at January 1 | <u>\$(54,771)</u> | <u>\$(45,955)</u> |
| Recognized for the year | | |
| Exchange differences on the translation of the financial statements of foreign operations | 20,445 | (8,806) |
| Reclassification adjustments | | |
| Share from the disposal of subsidiaries | <u>(18)</u> | <u>-</u> |
| Other comprehensive income recognized for the year | <u>20,427</u> | <u>(8,806)</u> |
| Changes in percentage of ownership interest in subsidiaries | <u>-</u> | <u>(10)</u> |
| Balance at December 31 | <u>\$(34,344)</u> | <u>\$(54,771)</u> |

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

| | For the Year Ended December 31 | |
|---------------------------------------------------------------------------------------------------|-------------------------------------------|--------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 86,237 | \$ 153,554 |
| Recognized for the year | | |
| Unrealized (loss) gain on equity instruments | (96,293) | 58,363 |
| Related income tax | 3,475 | - |
| Other comprehensive income recognized for the year | <u>(92,818)</u> | <u>58,363</u> |
| Cumulative unrealized gain of equity investments transferred to retained earnings due to disposal | - | (125,680) |
| Balance at December 31 | <u>\$ (6,581)</u> | <u>\$ (86,237)</u> |

f. Non-controlling interests

| | For the Year Ended December 31 | |
|-------------------------------------------------------------------------------------|-------------------------------------------|-------------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 402,787 | \$ 353,576 |
| Share in profit for the year | 62,455 | 58,948 |
| Other comprehensive income (loss) during the year | | |
| Exchange differences on translating the financial statements of foreign entities | 1 | - |
| Unrealized (loss) gain on financial assets at FVTOCI | (145) | 531 |
| Remeasurement of defined benefit plans | 162 | 560 |
| Related income tax | (9) | (112) |
| Cash dividends paid by subsidiaries | (54,545) | (27,489) |
| Non-controlling interests of subsidiary's restricted shares for employees (Note 29) | 4,381 | 13,658 |
| Non-controlling interests from acquisition of subsidiaries (Note 30) | 15,071 | - |
| Disposal of subsidiary control was lost (Note 31) | (391,569) | - |
| Changes in the Group's ownership interests in existing subsidiaries (Note 32) | (2,967) | 3,103 |
| Other | <u>4</u> | <u>12</u> |
| Balance at December 31 | <u>\$ 35,626</u> | <u>\$ 402,787</u> |

25. REVENUE

| | For the Year Ended December 31 | |
|---------------------------------------|-------------------------------------------|-------------|
| | 2022 | 2021 |
| Revenue from contracts with customers | | |

| | | |
|-----------------------------------------------|----------------------|----------------------|
| Revenue from the sale of goods | \$ 10,831,265 | \$ 10,913,154 |
| Revenue from discontinued operation (Note 13) | <u>(390,536)</u> | <u>(553,191)</u> |
| | <u>\$ 10,440,729</u> | <u>\$ 10,359,963</u> |

a.Contract information

Revenue from sale of goods

The Group sells electronic components to the manufacturers of the information products, video products, and electronic communication products. The amount of discount and related revenue are estimated using the most likely amount, taking into consideration the customer's historical purchase records. All other goods are sold at their respective amounts as agreed in the contracts.

b. Contact balances

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|----------------------------------|------------------------------|------------------------------|----------------------------|
| Trade receivables, net (Note 11) | <u>\$ 3,047,033</u> | <u>\$ 3,332,017</u> | <u>\$ 2,773,528</u> |
| Contract liabilities - current | | | |
| Advance on contract | <u>\$ 2,281</u> | <u>\$ 5,692</u> | <u>\$ 18,959</u> |

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment. The revenue recognized from the contract liability balance at the beginning for the year, which amounted to \$5,692 thousand and \$18,959 thousand for the years ended December 31, 2022 and 2021, respectively.

c.Contract detail

Refer to Note 41 for the details of revenue information.

26. NET (LOSS) PROFIT FOR THE YEAR

a.Interest income

| | For the Year Ended December 31 | |
|---------------|-------------------------------------------|-------------|
| | 2022 | 2021 |
| Bank deposits | \$ 16,102 | \$ 11,520 |
| Others | <u>1,181</u> | <u>675</u> |

| | | |
|------------------------------------------------------|------------------|-----------------|
| | 17,283 | 12,195 |
| Profit (loss) from discontinued operations (Note 13) | <u>(2,459)</u> | <u>(3,067)</u> |
| | <u>\$ 14,824</u> | <u>\$ 9,128</u> |

b. Other income

| | For the Year Ended December 31 | |
|----------------------------------------------------|-------------------------------------------|------------------|
| | 2022 | 2021 |
| Dividends income | \$ 20,994 | \$ 9,859 |
| Rental income | | |
| Investment properties | 8,578 | 7,719 |
| Depreciation of investment properties | <u>(1,606)</u> | <u>(924)</u> |
| | <u>6,972</u> | <u>6,795</u> |
| Remuneration of director acquired | <u>9,963</u> | <u>6,894</u> |
| Others | <u>7,478</u> | <u>2,274</u> |
| | 45,407 | 25,822 |
| Other income from discontinued operation (Note 13) | <u>(119)</u> | <u>(284)</u> |
| | <u>\$ 45,288</u> | <u>\$ 25,538</u> |

c. Other gains and losses

| | For the Year Ended December 31 | |
|------------------------------------------------------------------|-------------------------------------------|--------------------|
| | 2022 | 2021 |
| Fair value changes of financial assets and financial liabilities | | |
| Financial assets mandatorily classified as at FVTPL | \$ (1,883) | \$ 2,648 |
| Financial liabilities held for trading | (867) | (1,967) |
| Gain on disposal of investment | 660,235 | - |
| Net foreign exchange gains (losses) | 139,424 | (9,042) |
| Net gain on lease modification | - | 3 |
| Impairment loss | (3,449) | (13,122) |
| (Loss) gain on disposal of property, plant, and equipment | (690) | 50 |
| Others | <u>(263)</u> | <u>(508)</u> |
| | 792,507 | (21,938) |
| Other gains and losses from discontinued operation (Note 13) | <u>(684,711)</u> | <u>2,924</u> |
| | <u>\$ 107,796</u> | <u>\$ (19,014)</u> |

d. Finance costs

| | For the Year Ended December 31 | |
|------------------------|-------------------------------------------|-------------|
| | 2022 | 2021 |
| Interest on bank loans | \$ 39,358 | \$ 13,172 |

| | | |
|-------------------------------------------|------------------|------------------|
| Interest on lease liabilities | 750 | 1,335 |
| Interest on rental deposits | <u>9</u> | <u>14</u> |
| | 40,117 | 14,521 |
| Finance costs from discontinued operation | <u>(131)</u> | <u>(298)</u> |
| | <u>\$ 39,986</u> | <u>\$ 14,223</u> |

e. Depreciation and amortization

| | For the Year Ended December | |
|-----------------------------------------------------------|------------------------------------|------------------|
| | 31 | |
| | 2022 | 2021 |
| Property, plant and equipment | \$ 12,081 | \$ 13,449 |
| Right-of-use assets | 16,076 | 17,749 |
| Investment properties | 1,606 | 924 |
| Other intangible assets | <u>9,680</u> | <u>6,527</u> |
| | 39,443 | 38,649 |
| Depreciation and amortization from discontinued operation | <u>(9,956)</u> | <u>(13,046)</u> |
| | <u>\$ 29,487</u> | <u>\$ 25,603</u> |
| An analysis of depreciation by function | | |
| Operating costs | \$ 744 | \$ 1,122 |
| Operating expenses | 27,413 | 30,076 |
| Non-operating income and expenses | <u>1,606</u> | <u>924</u> |
| | 29,763 | 32,122 |
| Depreciation from discontinued operation | <u>(4,316)</u> | <u>(7,148)</u> |
| | <u>\$ 25,447</u> | <u>\$ 24,974</u> |
| An analysis of amortization by function | | |
| Operating costs | \$ 45 | \$ 53 |
| Operating expenses | <u>9,635</u> | <u>6,474</u> |
| | 9,680 | 6,527 |
| Amortization from discontinued operation | <u>(5,640)</u> | <u>(5,898)</u> |
| | <u>\$ 4,040</u> | <u>\$ 629</u> |

f. Employee benefits expense

| | For the Year Ended December | |
|-------------------------------------------------------|------------------------------------|------------------|
| | 31 | |
| | 2022 | 2021 |
| Post-employment benefits | | |
| Defined contribution plans | \$ 16,862 | \$ 17,586 |
| Defined benefit plans (Note 23) | <u>1,481</u> | <u>1,485</u> |
| | 18,343 | 19,071 |
| Share-based payments (Note 29) | | |
| Equity-settled | 19,932 | 13,658 |
| Other employee benefits | <u>614,842</u> | <u>541,986</u> |
| | 653,117 | 574,715 |
| Employee benefits expense from discontinued operation | <u>(69,006)</u> | <u>(111,880)</u> |

| | | |
|-------------------------------------------------------|-------------------|-------------------|
| | <u>\$ 584,111</u> | <u>\$ 462,835</u> |
| An analysis of employee benefits expense by function | | |
| Operating costs | \$ 4,967 | \$ 8,628 |
| Operating expenses | <u>648,150</u> | <u>566,087</u> |
| | 653,117 | 574,715 |
| Employee benefits expense from discontinued operation | <u>(69,006)</u> | <u>(111,880)</u> |
| | <u>\$ 584,111</u> | <u>\$ 462,835</u> |

g. Compensation of employees and remuneration of directors

If the Company made a profit in a fiscal year, the Company accrues compensation of employees and remuneration of directors at rates of no less than 5% and no higher than 3%, respectively. However, the Company should offset a deficit first when the Company has accumulated a deficit. The aforementioned payment objects include employees of affiliated companies who meet certain conditions. The compensation of employees and the remuneration of directors for the years ended December 31, 2022 and 2021, which were calculated on the basis of historical experience and operating conditions, were approved by the Company's board of directors on March 13, 2023 and March 23, 2022, respectively, are as follows (after the shareholders' meeting on July 22, 2021, the Company has set up audit committee to replace the supervisors):

| | For the Year Ended December | |
|-------------------------------------------|------------------------------------|------------------|
| | 31 | |
| | <u>2022</u> | <u>2021</u> |
| | Cash | Cash |
| Compensation of employees | <u>\$ 121,401</u> | <u>\$ 71,747</u> |
| Remuneration of directors and supervisors | <u>\$ 26,014</u> | <u>\$ 15,374</u> |

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

There is 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 in 2022 and 2021 is available at the

27. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

| | For the Year Ended December | |
|----------------------------------------------------------------|------------------------------------|-------------------|
| | 31 | |
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | \$ 256,109 | \$ 266,558 |
| Income tax on unappropriated earnings | 6,960 | - |
| Additional income tax under the Alternative Minimum Tax Act | 9,898 | - |
| Adjustments for prior year | <u>(413)</u> | <u>(436)</u> |
| | <u>272,554</u> | <u>266,122</u> |
| Deferred tax | | |
| In respect of the current year | (17,605) | 9,348 |
| Adjustments for prior years | <u>(34)</u> | <u>(215)</u> |
| | <u>(17,639)</u> | <u>9,133</u> |
| Income tax expense recognized in profit or loss | 254,915 | 275,255 |
| Income tax expense from discontinued operation | <u>(25,173)</u> | <u>(25,106)</u> |
| | <u>\$ 229,742</u> | <u>\$ 250,149</u> |

A reconciliation of accounting loss expense and income tax expense is as follows:

| | For the Year Ended December 31 | |
|-----------------------------------------------------------------------|-------------------------------------------|---------------------|
| | 2022 | 2021 |
| Profit before tax from continuing operations | <u>\$ 1,020,343</u> | <u>\$ 1,022,644</u> |
| Income tax benefit calculated at the statutory rate | \$ 359,929 | \$ 233,964 |
| Nondeductible expenses in determining taxable income | 991 | 129 |
| Deferred tax effect of earnings of subsidiaries | (10,213) | 8,886 |
| Tax exempt income | (136,615) | (1,966) |
| Additional income tax under the Alternative Minimum Tax Act | 9,898 | - |
| Income tax on unappropriated earnings | 6,960 | - |
| Unrecognized deductible temporary differences | - | 2,624 |
| Disposal of investments in equity instruments designated as at FVTOCI | - | 7,175 |
| Adjustments for prior years' tax | (497) | (436) |
| Adjustments for prior years' deferred tax | (34) | (227) |
| Deferred tax from acquisitions through business combinations | <u>(677)</u> | <u>-</u> |
| Income tax expense recognized in profit or loss | <u>\$ 229,742</u> | <u>\$ 250,149</u> |

b. Income tax recognized in other comprehensive income

| | For the Year Ended December 31 | |
|-----------------------------------------------------|-------------------------------------------|---------------|
| | 2022 | 2021 |
| <u>Deferred tax</u> | | |
| In respect of the current year | | |
| Fair value changes of financial assets at FVTOCI | \$ (3,498) | \$ - |
| Remeasurement of defined benefit plans | <u>2,138</u> | <u>255</u> |
| Income tax recognized in other comprehensive income | <u>\$ (1,360)</u> | <u>\$ 255</u> |

c. Current tax assets and liabilities

| | December 31 | |
|-----------------------|--------------------|-----------------|
| | 2022 | 2021 |
| Current tax assets | | |
| Tax refund receivable | <u>\$ 3,941</u> | <u>\$ 4,591</u> |

| | | |
|-------------------------|-------------------|-------------------|
| Current tax liabilities | | |
| Income tax payable | <u>\$ 118,053</u> | <u>\$ 172,127</u> |

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2022

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Acquisitions Through Business Combinations (Note 30) | Derecognized on Disposal of A Subsidiary (Note 31) | Closing Balance |
|-------------------------------------------------------------------|------------------|------------------------------|------------------------------------------|------------------------------------------------------|----------------------------------------------------|------------------|
| <u>Deferred tax assets</u> | | | | | | |
| Temporary differences | | | | | | |
| Provision for loss on inventories | \$ 16,760 | \$ 1,710 | \$ - | \$ 20 | \$ (2,365) | \$ 16,125 |
| Allowance for impairment loss | 13,736 | 88 | - | - | - | 13,824 |
| Defined benefit obligation | 7,722 | (494) | (1,601) | - | - | 5,627 |
| Unrealized sales allowance | 6,249 | 2,806 | - | - | - | 9,055 |
| Unrealized gross profit on sales | 5,758 | 4,491 | - | - | - | 10,249 |
| Payable for annual leave | 2,604 | 146 | - | 12 | (524) | 2,238 |
| Unrealized exchange loss | 1,213 | 2,284 | - | 24 | - | 3,521 |
| Financial assets at fair value through other comprehensive income | - | - | 3,498 | - | - | 3,498 |
| Others | 316 | (91) | - | - | - | 225 |
| | <u>\$ 54,358</u> | <u>\$ 10,940</u> | <u>\$ 1,897</u> | <u>\$ 56</u> | <u>\$ (2,889)</u> | <u>\$ 64,362</u> |
| <u>Deferred tax liabilities</u> | | | | | | |
| Temporary differences | | | | | | |
| Share of profit or loss of subsidiaries | \$ 76,577 | \$(10,056) | \$ - | \$ - | \$ - | \$ 66,521 |
| Defined contribution retirement benefit plan | 235 | 40 | 537 | - | (184) | 628 |
| Unrealized exchange profit | 123 | 3,994 | - | - | (3,863) | 254 |
| Other intangible assets | - | (677) | - | 7,400 | - | 6,723 |
| | <u>\$ 76,935</u> | <u>\$ (6,699)</u> | <u>\$ 537</u> | <u>\$ 7,400</u> | <u>\$ (4,047)</u> | <u>\$ 74,126</u> |

For the year ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|-------------------------------------------------------|-----------------|------------------------------|------------------------------------------|-----------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Allowance for impairment loss | \$ 16,520 | \$ (2,784) | \$ - | \$ 13,736 |
| Provision for loss on inventories | 8,447 | 8,313 | - | 16,760 |
| Defined benefit obligation | 8,239 | (429) | (88) | 7,722 |
| Unrealized exchange loss | 7,088 | (5,875) | - | 1,213 |
| Unrealized gross profit on sales | 4,441 | 1,317 | - | 5,758 |
| Unrealized sales allowance | 4,050 | 2,199 | - | 6,249 |
| Payable for annual leave | 2,404 | 200 | - | 2,604 |
| Financial assets at fair value through profit or loss | 75 | (75) | - | - |

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|---------------------|--------------------|---------------------------------|---------------------------------------------------|------------------|
| Others | - | 316 | - | 316 |
| | 51,264 | 3,182 | (88) | 54,358 |
| Loss carry forwards | 3,278 | (3,278) | - | - |
| | <u>\$ 54,542</u> | <u>\$ (96)</u> | <u>\$ (88)</u> | <u>\$ 54,358</u> |

(Continued)

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehensive Income | Closing Balance |
|-------------------------------------------------|--------------------|---------------------------------|---------------------------------------------------|---------------------------------|
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Share of profit or loss of subsidiaries | \$ 67,731 | \$ 8,846 | \$ - | \$ 76,577 |
| Defined contribution retirement benefit plan | - | 68 | 167 | 235 |
| Unrealized exchange gains | <u>-</u> | <u>123</u> | <u>-</u> | <u>123</u> |
| | <u>\$ 67,731</u> | <u>\$ 9,037</u> | <u>\$ 167</u> | <u>\$ 76,935</u> (Concluded) |

d. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

| | <u>December 31</u> | |
|-----------------------------------------|--------------------|------------------|
| | 2022 | 2021 |
| <u>Deductible temporary differences</u> | | |
| Share of profit or loss of subsidiaries | <u>\$ -</u> | <u>\$ 15,098</u> |
| Impairment loss on goodwill | <u>\$ 50,011</u> | <u>\$ 50,011</u> |
| Impairment loss on financial assets | <u>\$ 11,028</u> | <u>\$ 1,028</u> |

f. Income tax assessments

The income tax returns of the Company, Lipers, Scpoe, AES, Vic-dawn, Tonsam and Koho through 2020 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

| | Unit: NT\$ Per Share | |
|------------------------------|---------------------------------------|-------------|
| | <u>For the Year Ended December 31</u> | |
| | 2022 | 2021 |
| Basic earnings per share | | |
| From continuing operations | \$ 4.21 | \$ 4.31 |
| From discontinued operations | <u>3.81</u> | <u>0.28</u> |

| | | |
|----------------------------------|----------------|----------------|
| Total basic earnings per share | <u>\$ 8.02</u> | <u>\$ 4.59</u> |
| Diluted earnings per share | | |
| From continuing operations | \$ 4.14 | \$ 4.27 |
| From discontinued operations | <u>3.75</u> | <u>0.28</u> |
| Total diluted earnings per share | <u>\$ 7.89</u> | <u>\$ 4.55</u> |

The earnings and weighted average number of common stock outstanding used in computation of earnings per share were as follows:

Net Profit for the Year

| | For the Year Ended December 31 | |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------|
| | 2022 | 2021 |
| Earnings used in the computation of basic earnings per share | \$ 1,488,045 | \$ 819,419 |
| Less: Profit for the year from discontinued operations used in the computation of basic earnings per share from discontinued operations | <u>707,013</u> | <u>50,445</u> |
| Earnings used in the computation of diluted earnings per share from continuing operations | <u>\$ 781,032</u> | <u>\$ 768,974</u> |

Weighted average number of common stock outstanding (in thousand shares):

| | For the Year Ended December 31 | |
|-----------------------------------------------------------------------------------------------|-------------------------------------------|----------------|
| | 2022 | 2021 |
| Weighted average number of common stock used in the computation of basic earnings per share | 185,726 | 178,657 |
| Effect of potentially dilutive common stock | | |
| Compensation of employees | 2,605 | 1,578 |
| Share-based payment arrangements | <u>379</u> | <u>-</u> |
| Weighted average number of common stock used in the computation of diluted earnings per share | <u>188,710</u> | <u>180,235</u> |

The Group may settle compensation or bonuses paid to employees in cash or shares, therefore, the Group assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan of the Company

On March 23, 2022, the Company's board meeting resolved to issue employ restricted stock awards (RSAs), consisting of 4,000 thousand shares with a par value of NT\$10, in a total amount of \$40,000 thousand at a price of 50% of the closing price on the issuing date. This proposal was approved and became effective by the Financial Supervisory Commission (FSC) dated July 12, 2022. The Company's

board meeting resolved to issue the RSAs on July 14, 2022, and the subscription base date was on July 22, 2022. The issue price and the fair value at grant date were \$21.93 per share and \$21.92 per share, respectively. If an employee remains employed by the Company for two years after that grant date, 40% of the restricted shares will be vested; if an employee remains employed by the Company for three years after that grant date, 30% of the restricted shares will be vested; if an employee remains employed by the Company for four years after that grant date, 30% of the restricted shares will be vested. There were 4,000 thousand of shares that had not met the vesting conditions as of the reporting date.

Movements in RSAs are as follows:

| | Common Stock | Capital Surplus - Restricted Stock Units | Capital Surplus - Issue of Shares at Premium | Other Equity - Unearned Stock-based Employee Compensation |
|-----------------------------------------------------|-------------------------|-------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Amounts at July 14, 2022, the grant date of RSAs | \$ 40,000 | \$ 125,911 | \$ - | \$ (82,937) |
| Share-based payments recognized | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,551</u> |
| Balance at December 31, 2022 | <u>\$ 40,000</u> | <u>\$ 125,911</u> | <u>\$ -</u> | <u>\$ (67,386)</u> |

The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting conditions are as follows:

- 1) The RSAs should be held in stock trust. During each vesting period, no employee granted RSAs, except for inheritance, may sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, any shares under the unvested RSAs.
- 2) The voting rights of the shareholders meeting shall be exercised by trust custodians in accordance with relevant laws and regulations.
- 3) Before the vesting conditions are fulfilled, the employees holding these shares are entitled to receive cash and share dividends, which are the same as those of holders of common stock of the Company. However, the employees holding these shares are not entitled with the subscription right of the new shares issued for any capital increase.

b. Employee share option plan of the subsidiaries

On May 24, 2019, Sentelic's shareholders meeting resolved to issue employee restricted stock awards (RSAs), consisting of 800 thousand shares in a total amount of \$8,000 thousand. The employee restricted stock awards was made free of charge and were granted to employees who were on duty before giving day. This proposal was approved and became effective by the Financial Supervisory Commission (FSC) dated October 4, 2019. The Sentelic's board meeting resolved to issue the RSAs on July 31, 2020, and the subscription base date was on August 10, 2020. The fair value at grant date were \$39.50 per share. If an employee remains employed by Sentelic for one year after that grant date, 40% of the restricted shares will be vested; if an employee remains employed by Sentelic for two years after that grant date, 30% of

the restricted shares will be vested; if an employee remains employed by Sentelic for three years after that grant date, 30% of the restricted shares will be vested. There were 63 thousand of forfeited employee restricted shares due to resignation or not reaching the vesting condition. As of July 31, 2022, There were 433 thousand of shares that had not met the vesting conditions.

Movements in RSAs are as follows:

| | Common Stock | Capital Surplus - Restricted Stock Units | Capital Surplus - Issue of Shares at Premium | Other Equity - Unearned Stock-based Employee Compensation |
|-----------------------------------------------------|-----------------|---------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------|
| Amounts at July 31, 2020, the grant date of RSAs | \$ 8,000 | \$ 18,188 | \$ - | \$(26,188) |
| Share-based payments recognized | (130) | 130 | - | 6,728 |
| Adjustment to the movement of resignation | <u>-</u> | <u>(2,477)</u> | <u>-</u> | <u>2,477</u> |
| Balance at December 31, 2020 | 7,870 | 15,841 | - | (16,983) |
| Share-based payments recognized | (304) | 304 | - | 13,658 |
| Vested restricted shares | - | (8,956) | 8,956 | - |
| Adjustment to the movement of resignation | <u>-</u> | <u>2,290</u> | <u>-</u> | <u>(2,290)</u> |
| Balance at December 31, 2021 | 7,566 | 9,479 | 8,956 | (5,615) |
| Share-based payments recognized | (198) | 198 | - | 4,381 |
| Adjustment to the movement of resignation | <u>-</u> | <u>1,020</u> | <u>-</u> | <u>(1,020)</u> |
| Balance at July 31, 2022 | <u>\$ 7,368</u> | <u>\$ 10,697</u> | <u>\$ 8,956</u> | <u>\$ (2,254)</u> |

30. BUSINESS COMBINATIONS

a. Subsidiaries acquired

| Subsidiary | Principal Activity | Date of Acquisition | Proportion of Voting Equity Interests Acquired (%) | Consideration Transferred |
|------------|----------------------------------------------------|------------------------|-------------------------------------------------------------|------------------------------|
| Koho | Sales and marketing of electronic components | January 26, 2022 | 81.33 | <u>\$ 78,080</u> |

b. Consideration transferred

The Group acquired Koho (Taiwan) Co., Ltd. at the consideration of \$78,080 thousand, and was paid in full on January 26, 2022. Acquisition-related costs were excluded from the consideration transferred and were recognized as expenses in the periods incurred under the consolidated statements of comprehensive income.

c.Assets acquired and liabilities assumed at the date of acquisition

| | Koho |
|---------------------------------|------------------|
| Current assets | |
| Cash and cash equivalents | \$ 15,814 |
| Notes receivables | 1,728 |
| Trade receivables, net | 100,018 |
| Inventories | 10,622 |
| Non-current assets | |
| Property, plant and equipment | 875 |
| Other intangible assets | 37,000 |
| Deferred tax assets | 56 |
| Refundable deposits | 3 |
| Current liabilities | |
| Short-term borrowings | (35,000) |
| Notes payables | (103) |
| Trade payables | (46,830) |
| Other payables | (620) |
| Current tax liabilities | (4,213) |
| Other current liabilities | (30) |
| Non-current liabilities | |
| Net defined benefit liabilities | (574) |
| Deferred tax liabilities | <u>(7,400)</u> |
| | <u>\$ 71,346</u> |

d. Non-controlling interests

The non-controlling interest (a 18.67% ownership interest in Koho) recognized at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to \$15,071 thousand. This fair value was estimated at \$26.91 per share, on the basis of the acquisition price of \$32 per share, considering the discount rate of 15.90% with control rights.

e. Goodwill recognized on acquisitions

| | Koho |
|------------------------------------------------------|------------------|
| Consideration transferred | \$ 78,080 |
| Plus: Non-controlling interests (18.67% in Koho) | 15,071 |
| Less: Fair value of identifiable net assets acquired | <u>(71,346)</u> |
| Goodwill recognized on acquisitions | <u>\$ 21,805</u> |

The goodwill recognized in the acquisitions of Koho mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces of Koho. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

f. Net cash outflow on the acquisition of subsidiaries

| | Koho |
|--------------------------------------------------|------------------|
| Consideration paid in cash | \$ 78,080 |
| Less: Cash and cash equivalent balances acquired | <u>(15,814)</u> |
| | <u>\$ 62,266</u> |

g. Impact of acquisitions on the results of the Group

The financial results of the acquirees since the acquisition dates, which are included in the consolidated statements of comprehensive income, were as follows:

| | Koho |
|---------|-------------------|
| | <u>2022/1/26-</u> |
| | <u>12/31</u> |
| Revenue | <u>\$ 535,075</u> |
| Profit | <u>\$ 36,782</u> |

Had Koho concluded the acquisition at the beginning of 2022, the Group's revenue would have been \$10,879,904 thousand, and the profit would have been \$1,553,236 thousand for the year ended December 31, 2022. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the acquisition year, 2022, nor is it intended to be a projection of future results.

31. DISPOSAL OF SUBSIDIARIES

The Group's hold on Sentelic's interest has declined to 9.68% on August 24, 2022, the date the control of Sentelic passed to the acquirer, and the unsold interest was recorded in financial assets at fair value through other comprehensive income.

a. Consideration received from disposals

| | Sentelic |
|-----------------------------------------------------|-------------------|
| Consideration received in cash and cash equivalents | <u>\$ 778,417</u> |

b. Analysis of assets and liabilities on the date control was lost

| | Sentelic |
|-----------------------------------------------------------------|-----------------|
| Current assets | |
| Cash and cash equivalents | \$ 179,147 |
| Financial assets at fair value through profit or loss - current | 13,743 |
| Financial assets at amortized cost - current | 284,123 |
| Notes receivables, net | 2,642 |
| Trade receivables, net | 119,926 |
| Trade receivables from related parties | 945 |
| Other receivables | 6,652 |
| Current tax assets | 30 |
| Inventories | 154,173 |
| Prepayments | 6,941 |
| Other current assets | 283 |
| | (Continued) |

| | Sentelic |
|--------------------------------------------------|----------------------------------|
| Non-current assets | |
| Financial assets at amortized cost - non-current | \$ 15,297 |
| Property, plant and equipment | 8,054 |
| Right-of-use assets | 11,008 |
| Goodwill | 28,990 |
| Other intangible assets | 11,201 |
| Deferred tax assets | 2,889 |
| Refundable deposits | 855 |
| Other non-current assets | 11,416 |
| Current liabilities | |
| Contract liabilities | (69) |
| Trade payables | (67,808) |
| Trade payables to related parties | (679) |
| Other payables | (41,240) |
| Other payables to related parties | (283) |
| Deferred tax liabilities | (22,665) |
| Lease liabilities - current | (5,073) |
| Other current liabilities | (438) |
| Non-current liabilities | |
| Deferred tax liabilities | (4,047) |
| Lease liabilities - non-current | (6,505) |
| Net defined benefit liabilities - non-current | <u>(1,945)</u> |
| Net assets disposed of | <u>\$ 707,563</u> (Concluded) |

c. Gain on disposal of subsidiaries

| | Sentelic |
|---------------------------------------------------------------------------|-------------------|
| Consideration received | \$ 778,417 |
| Net assets disposed of | (707,563) |
| Non-controlling interests | 391,569 |
| Reclassification of other comprehensive income in respect of subsidiaries | 18 |
| Fair value of the residual assets (the day with loss of control) | <u>197,794</u> |
| Gain on disposals | <u>\$ 660,235</u> |

For the year ended December 31, 2022, the gain on the disposal of Sentelic includes the unrealized gain of \$130,303 thousand (i.e., the difference between the fair value of the residual interest in the former subsidiary and the carrying amount of the residual interest in the former subsidiary).

The gains on disposal of Sentelic was included in the profit from discontinued operations.

d. Net cash inflow on disposals of subsidiaries

| | Sentelic |
|-----------------------------------------------------|-------------------|
| Consideration received in cash and cash equivalents | \$ 778,417 |
| Less: Cash and cash equivalent balances disposed of | <u>(179,147)</u> |
| | <u>\$ 599,270</u> |

32. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

a. On August 10, 2022, 304 thousand RSAs were vested, and that increased the outstanding shares entitled to receive cash and share dividends. Therefore, the Group's shareholding in Sentelic decreased from 46.48% to 46.00%. The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

| | Sentelic |
|---------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests | \$ (3,103) |
| Reattribution of other equity from non-controlling interests - exchange differences on translating the financial statements of foreign operations | <u>10</u> |
| Differences recognized from equity transactions | <u>\$ (3,093)</u> |
| <u>Line items adjusted for equity transactions</u> | |
| Capital surplus - changes in percentage of ownership interests in subsidiaries | <u>\$ (3,093)</u> |

b. The Group acquired a partial of shares of Koho on March 3, 2023. Therefore, the Group's shareholding in Sentelic increased from 81.33% to 85.00%. The above transactions were accounted for as equity transactions, since the Group did not cease to have control over these subsidiaries.

| | Koho |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------|
| Consideration paid | \$ (3,520) |
| The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests | <u>2,967</u> |
| Differences recognized from equity transactions | <u>\$ (553)</u> |

Differences recognized from equity transactions

| | Koho |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| Capital surplus - the difference between consideration received or paid and the carrying amount of the subsidiaries net assets during actual disposal or acquisition | <u>\$ (553)</u> |

33. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2022

| | Opening Balance | Cash Flows | Non-cash Changes | | | | Closing Balance |
|------------------------------------------------|---------------------|-----------------------|--------------------|--------------------------------|-----------------------------|-----------------------------------|---------------------|
| | | | Leases Movement | Acquisition of Subsidiaries | Disposal of Subsidiaries | Effects of Foreign Currency | |
| Short-term borrowings | \$ 1,898,749 | \$ (763,703) | \$ - | \$ 35,000 | \$ - | \$ - | \$ 1,170,046 |
| Short-term bills payable | 234,939 | (234,939) | - | - | - | - | - |
| Guarantee deposits received | 5,502 | 16 | - | - | - | 2 | 5,520 |
| Lease liabilities (current and non-current) | <u>37,185</u> | <u>(16,786)</u> | <u>884</u> | <u>-</u> | <u>(11,578)</u> | <u>579</u> | <u>10,284</u> |
| | <u>\$ 2,176,375</u> | <u>\$ (1,015,412)</u> | <u>\$ 884</u> | <u>\$ 35,000</u> | <u>\$ (11,578)</u> | <u>\$ 581</u> | <u>\$ 1,185,850</u> |

For the year ended December 31, 2021

| | Opening Balance | Cash Flows | Non-cash Changes | | Closing Balance |
|---------------------------------------------|---------------------|-------------------|------------------|-----------------------------|---------------------|
| | | | Leases Movement | Effects of Foreign Currency | |
| Short-term borrowings | \$ 1,445,017 | \$ 453,732 | \$ - | \$ - | \$ 1,898,749 |
| Short-term bills payable | 199,974 | 34,965 | - | - | 234,939 |
| Guarantee deposits received | 1,173 | 4,329 | - | - | 5,502 |
| Lease liabilities (current and non-current) | <u>46,799</u> | <u>(17,678)</u> | <u>8,447</u> | <u>(383)</u> | <u>37,185</u> |
| | <u>\$ 1,692,963</u> | <u>\$ 475,348</u> | <u>\$ 8,447</u> | <u>\$ (383)</u> | <u>\$ 2,176,375</u> |

34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern to fund its working capital needs, repayment of bank loan, and dividend expense over the next 12 months while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt and equity attributable to owners of the Company

The Group is not subject to any externally imposed capital requirements.

35. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values

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 |
|-----------------------------------------------------|-------------------|-------------|-------------|-------------------|
| Financial assets mandatorily classified as at FVTPL | | | | |
| Domestic mutual funds | <u>\$ 100,006</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 100,006</u> |

Financial assets at FVTOCI

| | | | | |
|-----------------------------------|-------------------|-------------|------------------|-------------------|
| Investments in equity instruments | | | | |
| Domestic listed shares | \$ 187,273 | \$ - | \$ - | \$ 187,273 |
| Unlisted shares | - | - | 93,384 | 93,384 |
| Foreign listed shares | <u>116,442</u> | <u>-</u> | <u>-</u> | <u>116,442</u> |
| | <u>\$ 303,715</u> | <u>\$ -</u> | <u>\$ 93,384</u> | <u>\$ 397,099</u> |

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|-----------------------------------------------------|-------------------|----------------|------------------|-------------------|
| Financial assets mandatorily classified as at FVTPL | | | | |
| Domestic mutual funds | <u>\$ 68,029</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 68,029</u> |
| <u>Financial assets at FVTOCI</u> | | | | |
| Investments in equity instruments | | | | |
| Domestic listed shares | \$ 58,654 | \$ - | \$ - | \$ 58,654 |
| Unlisted shares | - | - | 98,711 | 98,711 |
| Foreign listed shares | <u>138,378</u> | <u>-</u> | <u>-</u> | <u>138,378</u> |
| | <u>\$ 197,032</u> | <u>\$ -</u> | <u>\$ 98,711</u> | <u>\$ 295,743</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

For the year ended December 31, 2022

| Financial Assets | Financial Assets at FVTOCI Equity Instruments |
|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| Balance at January 1, 2022 | \$ 98,711 |
| Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI) | <u>(5,327)</u> |
| Balance at December 31, 2022 | <u>\$ 93,384</u> |

For the year ended December 31, 2021

| Financial Assets | Financial Assets at FVTOCI Equity Instruments |
|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| Balance at January 1, 2021 | \$ 72,509 |
| Reclassification | 10,000 |
| Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI) | <u>16,202</u> |

Balance at December 31, 2021

\$ 98,711

3) Valuation techniques and inputs applied for Level 3 fair value measurement

| <u>Financial Instruments</u> | <u>Valuation Techniques and Inputs</u> |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Unlisted shares - domestic | <p>a) The asset-based approach is used for evaluation based on the total value of individual assets and individual liabilities to show the overall value of the investment target. Significant unobservable inputs are discounted by considering market liquidity.</p> <p>b) The market approach is used for evaluation determined with reference to the share prices of listed companies with similar businesses as the Corporation to show the overall value of the investment target. Significant unobservable inputs are discounted by considering market liquidity.</p> |

c. Categories of financial instruments

| | <u>December 31</u> | |
|--------------------------------------------------------------------------|--------------------|-------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Financial assets</u> | | |
| FVTPL | | |
| Mandatorily classified as at FVTPL | \$ 100,006 | \$ 68,029 |
| Financial assets at amortized cost | | |
| Cash and cash equivalents | 1,424,947 | 950,184 |
| Notes receivables, net | 113,680 | 131,722 |
| Trade receivable from unrelated parties, net | 3,047,033 | 3,332,017 |
| Other receivables from unrelated parties | 5,111 | 4,732 |
| Refundable deposits | 3,442 | 3,937 |
| Overdue receivables (included in other non-current assets) | - | - |
| Financial assets at amortized cost (included in current and non-current) | 988,879 | 627,377 |
| Financial assets at FVTOCI (included in current and non-current) | | |
| Equity instruments | 397,099 | 295,743 |
| <u>Financial liabilities</u> | | |
| Amortized cost | | |
| Short-term borrowings | 1,170,046 | 1,898,749 |
| Short-term bills payable | - | 234,939 |
| Notes payables | 207 | 196 |
| Trade payables to unrelated parties | 891,409 | 1,152,765 |
| Other payables to unrelated parties | 77,816 | 72,674 |
| Guarantee deposits received | 5,520 | 5,502 |

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, trade receivables, trade payables, long term and short term borrowings, and lease liabilities. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the shareholders' meeting, which provided written principles on foreign currency risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed them primarily to the financial risks of changes in foreign currency exchange rates (see "a. foreign currency risk" below) and interest rates (see "b. interest rate risk" below). The Group entered into foreign exchange forward contracts to manage their exposure to foreign currency risk and interest rate risk.

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of foreign exchange forward contracts to manage the Group's activities exposure to foreign currency risk.

a) Foreign currency risk

The Group have foreign currency denominated sales and purchases, which expose the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts.

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 39.

Sensitivity analysis

The Group was mainly exposed to USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit, For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

| | USD Impact | |
|----------------|------------------------------------|------------------|
| | For the Year Ended December | |
| | 31 | |
| | 2022 | 2021 |
| Profit or loss | <u>\$ 50,162</u> | <u>\$ 36,030</u> |

b) Interest rate risk

Interest rate risk refers to the risk that the change in market value will influence the fair value of financial instruments. The Group's interest rate risk arises primarily from investment at fixed interest rates and borrowings at floating interest rates.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Fair value interest rate risk | | |
| Financial assets | \$ 1,719,457 | \$ 729,379 |
| Financial liabilities | 460,207 | 1,743,944 |
| Cash flow interest rate risk | | |
| Financial assets | 680,408 | 833,479 |
| Financial liabilities | 720,123 | 426,929 |

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2022 and 2021 would have (decreased) increased by \$(199) thousand and \$2,033 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities.

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 been 1% higher, the post-tax other comprehensive income for the year ended December 31, 2022 and 2021 would have increased by \$3,037 thousand and \$1,970 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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 year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group transacts with all kinds of customers, which separated in different industries and geographical location, the Group's exposure and the operating performance of its counterparties are continuously monitored. The Group transacted with a large number of customers from various

industries and geographical locations. The Group continuously assesses the financial positions of customers.

The receivables from Group A amounted to \$520,143 thousand and \$619,266 thousand, respectively. The Group transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

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.

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 have 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 the agreed repayment dates.

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the year.

The non-interest-bearing financial liabilities of the Group's current liabilities are due within one year and not required to be paid off. Guarantee deposits received in non-current financial liabilities are mainly deposited by lessee as credit guarantees and have no specific maturity date.

December 31, 2022

| | On Demand or Less than 1 Month | 1-6 Months | 7 Months to 1 Year | 1-5 Years | 5+ Years |
|------------------------------------|-----------------------------------------------|-------------------|-------------------------------|------------------|-----------------|
| Lease liabilities | \$ 887 | \$ 4,435 | \$ 4,597 | \$ 549 | \$ - |
| Variable interest rate liabilities | 36,622 | 690,922 | - | - | - |
| Fixed interest rate liabilities | <u>162,797</u> | <u>290,661</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 200,306</u> | <u>\$ 986,018</u> | <u>\$ 4,597</u> | <u>\$ 549</u> | <u>\$ -</u> |

December 31, 2021

| | On Demand or Less than 1 Month | 1-6 Months | 7 Months to 1 Year | 1-5 Years | 5+ Years |
|------------------------------------|-----------------------------------------------|-------------------|-------------------------------|------------------|-----------------|
| Lease liabilities | \$ 1,600 | \$ 8,001 | \$ 9,565 | \$ 19,145 | \$ - |
| Variable interest rate liabilities | 168,156 | 259,283 | - | - | - |
| Fixed interest rate liabilities | <u>1,034,172</u> | <u>673,969</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,203,928</u> | <u>\$ 941,253</u> | <u>\$ 9,565</u> | <u>\$ 19,145</u> | <u>\$ -</u> |

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the year.

36. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

Remuneration of Key Management Personnel

| | For the Year Ended December 31 | |
|------------------------------|-----------------------------------|-------------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 150,208 | \$ 122,652 |
| Post-employment benefits | 2,244 | 2,371 |
| Share-based payments | <u>12,690</u> | <u>3,363</u> |
| | <u>\$ 165,142</u> | <u>\$ 128,386</u> |

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends.

37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for lawsuits and payment of purchase. The carrying amounts were as follows:

| | December 31 | |
|--------------------------------------------------|-------------------|-------------------|
| | 2022 | 2021 |
| Financial assets at amortized cost - non-current | \$ 178,879 | \$ 259,565 |
| Property, plant and equipment | 73,334 | 73,561 |
| Investment properties | <u>15,874</u> | <u>15,913</u> |
| | <u>\$ 268,087</u> | <u>\$ 349,039</u> |

38. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant contingencies and unrecognized commitments of the Group were as follows:

Significant Unrecognized Commitments

a. Unused letters of credit for purchases of inventories amounted to \$1,025 thousand U.S dollars in total.

b. As of December 31, 2022, the amount of Mega bank's bank guaranteed

letter provided as collateral for payment of purchases was \$100,000 thousand.

39. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2022

| | Foreign Currency | Exchange Rate | Carrying Amount |
|-------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 102,958 | 30.7100 (USD:NTD) | \$ 3,161,833 |
| USD | 73 | 6.9646 (USD:RMB) | 2,254 |
| USD | 2,889 | 7.7984 (USD:HKD) | 88,731 |

Financial liabilities

| | | | |
|----------------|--------|----------------------|-----------|
| Monetary items | | | |
| USD | 69,852 | 30.7100 (USD:NTD) | 2,145,167 |
| USD | 3,177 | 6.9646 (USD:RMB) | 97,536 |
| USD | 223 | 7.7984 (USD:HKD) | 6,851 |

December 31, 2021

| | Foreign Currency | Exchange Rate | Carrying Amount |
|-------------------------|-----------------------------|----------------------|----------------------------|
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 125,402 | 27.6800 (USD:NTD) | \$ 3,471,124 |
| USD | 286 | 6.3757 (USD:RMB) | 7,911 |
| USD | 3,233 | 7.7994 (USD:HKD) | 89,500 |

Financial liabilities

| | | | |
|----------------|--------|---------|-----------|
| Monetary items | | | |
| USD | 96,077 | 27.6800 | 2,659,424 |

| | | | | |
|-----|-------|--|-----------|---------|
| | | | (USD:NTD) | |
| | | | 6.3757 | |
| USD | 6,160 | | (USD:RMB) | 170,610 |
| | | | 7.7994 | |
| USD | 650 | | (USD:HKD) | 17,987 |

For the years ended December 31, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were \$139,424 thousand and \$(9,042) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

40. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others: Table 1 (attached)
- 2) Endorsements/guarantees provided: Table 2 (attached)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Table 3 (attached)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- 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 5 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- 9) Trading in derivative instruments: Table 7 (attached)
- 10) Intercompany relationships and significant intercompany transactions: Table 7 (attached)

b. Information on investees: Table 8 (attached)

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 period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 9 (attached)
- 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:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: Table 7 (attached)
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.: Table 7 (attached)
 - c) The amount of property transactions and the amount of the resultant gains or losses: None.

- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: Table 2 (attached)

- e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds: Table 1 (attached)
- f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 10 (attached)

41. SEGMENT INFORMATION

The Group's reportable segments (including discontinued segments) under IFRS 8 "Operating Segments" were as follows:

- Taiwan
- Others

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

| | Segment Revenue | | Segment Income | |
|---------------------------------------------|-----------------------------|----------------------|----------------|------------|
| | For the Year Ended December | | December 31 | |
| | 2022 | 2021 | 2022 | 2021 |
| Taiwan area | | | | |
| From external customers | \$ 10,080,617 | \$ 10,014,327 | | |
| From other segments | 1,407,767 | 1,371,419 | | |
| | 11,488,384 | 11,385,746 | \$ 883,380 | \$ 996,138 |
| Others | | | | |
| From external customers | 750,648 | 898,827 | | |
| From other segments | 60,809 | 62,312 | | |
| | 811,457 | 961,139 | 77,893 | 125,991 |
| Eliminating the transactions among segments | (1,468,576) | (1,433,731) | 29,062 | 29,935 |
| | <u>\$ 10,831,265</u> | <u>\$ 10,913,154</u> | 990,335 | 1,152,064 |
| Interest revenue | | | 17,283 | 12,195 |

| | | |
|--------------------------|---------------------|---------------------|
| Other income | 45,407 | 25,822 |
| Other gains and losses | 792,507 | (21,938) |
| Finance costs | <u>(40,117)</u> | <u>(14,521)</u> |
| Income before income tax | <u>\$ 1,805,415</u> | <u>\$ 1,153,622</u> |

Revenues reported above were from transactions with external customers. The intersegment sales for the years ended December 31, 2022 and 2021 have been eliminated completely in preparing the consolidated financial statements.

Segment profit represents the profit before tax earned by each segment without other income, other gains and losses, 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. Total segment assets and liabilities

| | December 31 | |
|--------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| <u>Segment assets</u> | | |
| Assets in Taiwan | \$ 8,554,024 | \$ 7,889,380 |
| Assets in other area | <u>821,795</u> | <u>977,303</u> |
| Consolidated total assets | <u>\$ 9,365,819</u> | <u>\$ 8,866,683</u> |
| <u>Segment liabilities</u> | | |
| Liabilities in Taiwan | \$ 2,671,633 | \$ 3,885,408 |
| Liabilities in other area | <u>55,164</u> | <u>103,305</u> |
| Consolidated total liabilities | <u>\$ 2,726,797</u> | <u>\$ 3,988,713</u> |

For the purpose of monitoring segment performance and allocating resources between segments:

- 1) All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and current and deferred tax assets. Goodwill was allocated to the reportable segments; and
- 2) All liabilities were allocated to reportable segments other than borrowings, other financial liabilities, current and deferred tax liabilities.

c. Other segment information

| | Depreciation and Amortization | | Decrease (Increase) in Non- | |
|--------|--------------------------------------|------------------|------------------------------------|-------------------|
| | For the Year Ended December | | current Assets | |
| | 31 | | December 31 | |
| | 2022 | 2021 | 2022 | 2021 |
| Taiwan | \$ 22,312 | \$ 21,897 | \$(24,936) | \$(21,205) |
| Others | <u>17,131</u> | <u>16,752</u> | <u>(19,039)</u> | <u>(8,947)</u> |
| | <u>\$ 39,443</u> | <u>\$ 38,649</u> | <u>\$(43,975)</u> | <u>\$(30,152)</u> |

d. Revenue from major products and services

| | For the Year Ended December | |
|----------------|------------------------------------|----------------------|
| | 31 | |
| | 2022 | 2021 |
| Capacitor-line | \$ 8,084,436 | \$ 7,967,762 |
| Others | <u>2,746,829</u> | <u>2,945,392</u> |
| | <u>\$ 10,831,265</u> | <u>\$ 10,913,154</u> |

e. Geographical information

The Group operates in mainly Taiwan and other two areas.

The Group's revenue from continuing operations from external customers by location of operations and information on its non-current assets by location of assets are detailed below.

| | Revenue from External Customers | | Non-current Assets | |
|--------|----------------------------------------|----------------------|---------------------------|-------------------|
| | For the Year Ended December 31 | | December 31 | |
| | 2022 | 2021 | 2022 | 2021 |
| Taiwan | \$ 10,080,617 | \$ 10,014,327 | \$ 814,873 | \$ 839,809 |
| Others | <u>750,648</u> | <u>898,827</u> | <u>56,820</u> | <u>75,859</u> |
| | <u>\$ 10,831,265</u> | <u>\$ 10,913,154</u> | <u>\$ 871,693</u> | <u>\$ 915,668</u> |

Non-current assets exclude financial instruments, deferred tax assets, and net defined benefit assets.

f. Information on major customers

Included in revenue arising from sales of goods of \$10,831,265 thousand and \$10,913,154 thousand in 2022 and 2021, respectively, is revenue of approximately \$1,785,404 thousand and \$1,442,006 thousand which arose from sales to the Group's largest customer. No other single customers contributed 10% or more to the Group's revenue for both 2022 and 2021.

NICHIDENBO CORPORATION AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Year | Ending Balance | Actual Amount Borrowed | Interest Rate (%) | Nature of Financing (Note 4) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limits |
|-----|------------------------|--------------|----------------------------------------|---------------|------------------------------|---------------------------------------|---------------------------------------|-------------------|------------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|-----------------------------------|----------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | Nichidenbo Corporation | AES | Other receivables from related parties | Yes | \$ 190,000 | \$ 190,000 | \$ 70,000 | 1.670 | (b) | \$ - | Operational needs | \$ - | - | \$ - | \$ 1,981,018 (Note 1) | \$ 2,641,358 (Note 1) |
| | | Scope | Other receivables from related parties | Yes | 600,000 | 600,000 | 200,000 | 1.510 | (b) | - | Operational needs | - | - | - | 1,981,018 (Note 1) | 2,641,358 (Note 1) |
| | | Lipers | Other receivables from related parties | Yes | 340,000 | 340,000 | 210,000 | 1.510 | (b) | - | Operational needs | - | - | - | 1,981,018 (Note 1) | 2,641,358 (Note 1) |
| | | Koho | Other receivables from related parties | Yes | 80,000 | 80,000 | 57,000 | 1.520-1.595 | (b) | - | Operational needs | - | - | - | 1,981,018 (Note 1) | 2,641,358 (Note 1) |
| 1 | Vic-Dawn | Lipers | Other receivables from related parties | Yes | 40,000 | 25,000 | 25,000 | 1.405 | (b) | - | Operational needs | - | - | - | 87,263 (Note 2) | 116,350 (Note 2) |
| | | Tonsam | Other receivables from related parties | Yes | 10,000 | 10,000 | 10,000 | 1.530 | (b) | - | Operational needs | - | - | - | 87,263 (Note 2) | 116,350 (Note 2) |
| 2 | NDB (Shenzhen) | NDB (Suzhou) | Other receivables from related parties | Yes | 88,780 (RMB 20,000 thousand) | 44,080 (RMB 10,000 thousand) (Note 5) | 44,080 (RMB 10,000 thousand) (Note 5) | 3.700 | (b) | - | Operational needs | - | - | - | 290,328 (Notes 3 and 5) | 290,328 (Notes 3 and 5) |

Note 1: Aggregate financing limits should not exceed 40% of Nichidenbo Corporation's net worth. The limit of short-term financing for each counterparty should not exceed 30% of Nichidenbo Corporation's net worth as shown in the audited financial statements for the year ended 2022. For the borrower needing short-term financing with direct or indirect holding of 100% voting right on corporation not established in the ROC, financing limits should not exceed 100% of Nichidenbo Corporation's net worth.

Note 2: Aggregate financing limits should not exceed 40% of Vic-Dawn's net worth. The limit of short-term financing for each counterparty should not exceed 30% of Vic-Dawn's net worth as shown in the audited financial statements for the year ended 2022.

Note 3: Aggregate financing limits should not exceed 40% of NDB (Shenzhen)'s net worth in the audited financial statements for the year ended 2022

Note 4: Reasons for the nature of financing are as follows:

- a. Business relationship.
- b. Necessity of short-term financing

Note 5: Calculated by the exchange rate as of December 31, 2022, RMB1=NT\$4.408.

Note 6: All intra-group transactions have been eliminated upon consolidation of the financial statements.

NICHIDENBO CORPORATION AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsement/Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/Guaranteed During the Year | Outstanding Endorsement/Guarantee at the End of the Year | Actual Amount Borrowed | Amount Endorsed/Guaranteed by Collateral | Ratio of Accumulated Endorsement/Guarantee to Net Equity in Latest Financial Statements (%) (Note 3) | Aggregate Endorsement/Guarantee Limit (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 | Nichidenbo Corporation | Scope | b. | \$ 9,905,094 | \$ 2,828,740 | \$ 2,494,910 | \$ 808,630 | \$ - | 37.78 | \$ 19,810,188 | Y | N | N |
| | | AES | b. | 9,905,094 | 840,000 | 740,000 | - | - | 11.21 | 19,810,188 | Y | N | N |
| | | Tonsam | b. | 9,905,094 | 230,000 | 230,000 | 45,056 | - | 3.48 | 19,810,188 | Y | N | N |
| | | NDB (Suzhou) (Note 4) | b. | 9,905,094 | 90,120 | 88,160 | - | - | 1.34 | 19,810,188 | Y | N | Y |
| | | Lipers | b. | 9,905,094 | 1,012,753 | 827,485 | 57,084 | - | 12.53 | 19,810,188 | Y | N | N |
| | | Vic-Dawn | b. | 9,905,094 | 240,000 | 180,000 | 16,269 | - | 2.73 | 19,810,188 | Y | N | N |
| | | Koho | b. | 9,905,094 | 330,000 | 330,000 | 130,000 | - | 5.00 | 19,810,188 | Y | N | N |

Note 1: Relationship between the endorser/guarantor and the endorsee/guarantee is classified as follows:

- a. Having a business relationship.
- b. The endorser/guarantor directly or indirectly owns more than 50% of the common stock of the endorsee/guarantee.
- c. The endorsee/guarantee directly or indirectly owns more than 50% of the common stock of the endorser/guarantor.
- d. Company in which the public company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other.
- e. Due to joint venture, all shareholders provide endorsements/guarantees to the endorsee/guarantee in proportion to its ownership.
- f. Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or joint builders for the purposes of undertaking a construction project.
- g. Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The aggregate limits on endorsements/guarantees given by Nichidenbo Corporation should not exceed 300% of the Company's the net equity as shown in the audited financial statements for the year ended 2022; the individual limit on endorsement/guarantee given by Nichidenbo Corporation should not exceed 150% of the Company's the net equity as shown in the audited financial statements for the year ended 2022.

Note 3: The ratio of the outstanding endorsement/Guarantee to the net value of the Company providing guarantees or endorsements.

Note 4 NDB (Suzhou) and NDB (Shenzhen) have both become endorsees/guarantees since they share the limit of endorsement/guarantee of RMB20,000 thousand.

NICHIDENBO CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note |
|-----------------------------|----------------------------------------------------------|---------------------------------------|-----------------------------------------------------------------------------------------------|-------------------|-----------------|-------------------------|------------|--------|
| | | | | Shares/Units | Carrying Amount | Percentage of Ownership | Fair Value | |
| Nichidenbo Corporation | <u>Shares</u> Sentelic Corporation | - | Financial assets at fair value through other comprehensive income - current | 2,908,732 | \$ 130,748 | 9.68 | \$ 130,748 | |
| | Honey Hope Honesty Enterprise Co., Ltd. | - | Financial assets at fair value through other comprehensive income - current | 2,129,000 | 56,525 | 2.66 | 56,525 | |
| | Concord Advanced Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 8,270,816 | 93,384 | 8.53 | 93,384 | |
| | <u>Mutual funds</u> Hua Nan Phoenix Money Market Fund | | Financial assets mandatorily classified as at fair value through profit or loss - current | 6,053,818.50 | 100,006 | - | 100,006 | |
| Lipers Enterprise Co., Ltd. | <u>Shares</u> Nippon Chemi-Con Corporation | - | Financial assets at fair value through other comprehensive income - current | 321,800 | 116,442 | 1.58 | 116,442 | |
| | Hatsushiba Tech Co., Ltd. | - | Financial assets mandatorily classified as at fair value through profit or loss - non-current | 102,807 | - | 3.67 | - | Note 1 |
| Tonsam Corporation | <u>Shares</u> Amazing Cool Technology Corporation. | - | Financial assets at fair value through other comprehensive income - non-current | 500,000 | - | 3.66 | - | Note 1 |

Note 1: Both Hatsushiba Tech Co., Ltd. and Amazing Cool Technology Corporation. have recognized impairment losses for all amounts.

Note 2: Refer to Tables 8 and 9 for information relating to investments in subsidiaries.

NICHIDENBO CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Others | Ending Balance | |
|------------------------|------------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------|--------------|-------------------|------------|------------------|---------|------------------|------------|-----------------|-------------------------|----------------------|------------------|---------------------|
| | | | | | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | | Number of Shares | Amount |
| Nichidenbo Corporation | Shares Sentelic | Investments accounted for using equity method | Weltrend Semiconduct or Incorporated | N/A | 13,618,732 | \$ 314,515 | - | \$ - | 10,710,000 | \$ 778,417 | \$ 315,994 | \$ 660,235 (Note 1) | \$ (65,567) (Note 2) | 2,908,732 | \$ 130,748 (Note 3) |
| | Beneficiary certificate Jih Sun Money Market Fund | Financial assets mandatorily classified as at fair value through profit or loss - current | - | - | 4,003,442.96 | 60,000 | 24,766,584.35 | 372,000 | 28,770,027.31 | 432,096 | 432,000 | 96 | - | - | - |

Note 1: Including the actual gain on disposal in the amount of \$529,932 thousand and the gain of unsold interest recognized at fair value in the amount of \$130,303 thousand.

Note 2: Including share of profit of subsidiaries accounted for using the equity method in the amount of \$45,058 thousand, realized gross margin from downstream transactions in the amount of \$1 thousand, cash dividends paid in the amount of \$43,580 thousand, and unrealized loss of the financial assets at fair value through other comprehensive income in the amount of \$(67,046) thousand.

Note 3: The Company's hold on Sentelic Corporation's interest has declined to 9.68% on August 24, 2022, the date the control of Sentelic passed to the acquirer. At the same time, the carrying amount of the unsold interest, which was recorded in financial assets at fair value through other comprehensive income - current of \$197,794 thousand, calculated based on the closing price at the date of disposal.

NICHIDENBO CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

| Buyer | Related Party | Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/Accounts Receivable (Payable) | | Note Amount |
|------------------------|------------------------|-------------------------------|---------------------|--------------|------------|---------------------------------------|----------------------|--------------|-------------------------------------|---------------|-------------|
| | | | Purchase/Sale | Amount | % to Total | Payment Term | Unit Price | Payment Term | Ending Balance | Purchase/Sale | |
| Lipers | Scope | Sister company | Sales | \$ (221,900) | (13.91) | Net 90 days from the end of the month | \$ - | - | \$ 55,008 | 13.42 | |
| Scope | Lipers | Sister company | Purchases | 221,900 | 5.97 | Net 90 days from the end of the month | - | - | (55,008) | (15.14) | |
| | Lipers | Sister company | Sales | (149,006) | (3.27) | Net 90 days from the end of the month | - | - | 33,131 | 2.30 | |
| Lipers | Scope | Sister company | Purchases | 149,006 | 11.07 | Net 90 days from the end of the month | - | - | (33,131) | (22.25) | |
| | AES | Sister company | Sales | (187,715) | (11.77) | Net 90 days from the end of the month | - | - | 24,856 | 6.07 | |
| AES | Lipers | Sister company | Purchases | 187,715 | 15.10 | Net 90 days from the end of the month | - | - | (24,856) | (9.63) | |
| | Nichidenbo Corporation | Parent company and subsidiary | Sales | (100,024) | (6.74) | Net 90 days from the end of the month | - | - | 43,042 | 9.81 | |
| Nichidenbo Corporation | AES | Parent company and subsidiary | Purchases | 100,024 | 5.91 | Net 90 days from the end of the month | - | - | (43,042) | (20.62) | |
| AES | Scope | Sister company | Sales | (104,143) | (7.02) | Net 90 days from the end of the month | - | - | 30,631 | 6.98 | |
| Scope | AES | Sister company | Purchases | 104,143 | 2.80 | Net 90 days from the end of the month | - | - | (30,631) | (8.43) | |

Note: All intra-group transactions have been eliminated upon consolidation of the financial statements.

NICHIDENBO CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Impairment Loss |
|------------------------|---------------|--------------|------------------------|---------------|---------|---------------|--------------------------------------|-------------------------------|
| | | | | | Amount | Actions Taken | | |
| Nichidenbo Corporation | Lipers | Subsidiary | \$ 229,834 (Note 1) | 3.75 | \$ - | - | \$ 10,567 | \$ - |
| | Scope | Subsidiary | 218,349 (Note 2) | 2.97 | - | - | 15,333 | - |

Note 1: Including trade receivables in the amount of \$18,469 thousand and other receivables in the amount of \$211,365 thousand (mainly \$210,000 thousand of financing provided to others);Other receivables were not applicable for calculating turnover rate.

Note 2: Including trade receivables in the amount of \$14,503 thousand and other receivables in the amount of \$203,846 thousand (mainly \$200,000 thousand of financing provided to others);Other receivables were not applicable for calculating turnover rate.

Note 3: All intra-group transactions have been eliminated upon consolidation of the financial statements.

NICHIDENBO CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)

| No. (Note 1) | Investee Company | Counterparty | Relationship (Note 2) | Transaction Details | | | % of Total Sales or Assets (Note 3) |
|-------------------------------|------------------------|-------------------------------|--------------------------|----------------------------------------|--------------------|---------------------------|-------------------------------------------|
| | | | | Financial Statement Accounts | Amount (Note 4) | Payment Terms | |
| 0 | Nichidenbo Corporation | Lipers | a | Trade receivables from related parties | \$ 18,469 | At arm's length | - |
| | | | a | Operating revenue | 62,692 | Internal transfer pricing | 1 |
| | | | a | Other receivables from related parties | 211,365 | - | 2 |
| | | Scope | a | Trade receivables from related parties | 14,503 | At arm's length | - |
| | | | a | Operating revenue | 25,480 | Internal transfer pricing | - |
| | | | a | Other receivables from related parties | 203,846 | - | 2 |
| | | AES | a | Other receivables from related parties | 70,942 | - | 1 |
| | | Vic-Dawn | a | Operating revenue | 17,113 | Internal transfer pricing | - |
| | | Koho | a | Other receivables from related parties | 57,903 | - | 1 |
| NDB (Suzhou) | a | Operating revenue | 11,384 | Internal transfer pricing | - | | |
| 1 | Lipers | Scope. | c | Trade receivables from related parties | 55,008 | At arm's length | 1 |
| | | | c | Operating revenue | 221,900 | Internal transfer pricing | 2 |
| | | AES | c | Trade receivables from related parties | 24,856 | At arm's length | - |
| | | | c | Operating revenue | 187,715 | Internal transfer pricing | 2 |
| | | Lipers (HK) | c | Operating revenue | 22,760 | Internal transfer pricing | - |
| | | Lipers Electronics (Shenzhen) | c | Trade receivables from related parties | 11,831 | At arm's length | - |
| | | NDB (Suzhou) | c | Operating revenue | 42,036 | Internal transfer pricing | - |
| | | | c | Operating revenue | 11,914 | Internal transfer pricing | - |
| 2 | Scope | Nichidenbo Corporation | b | Operating revenue | 15,443 | Internal transfer pricing | - |
| | | | c | Trade receivables from related parties | 33,131 | At arm's length | - |
| | | Lipers | c | Operating revenue | 149,006 | Internal transfer pricing | 1 |
| | | | c | Trade receivables from related parties | 26,154 | At arm's length | - |
| | | AES | c | Operating revenue | 71,306 | Internal transfer pricing | 1 |
| | | | c | Operating revenue | 15,544 | Internal transfer pricing | - |
| Lipers Electronics (Shenzhen) | c | Operating revenue | 34,103 | Internal transfer pricing | - | | |
| 3 | AES | Nichidenbo Corporation | b | Trade receivables from related parties | 43,042 | At arm's length | - |
| | | | b | Operating revenue | 100,024 | Internal transfer pricing | 1 |
| | | Lipers | c | Trade receivables from related parties | 15,962 | At arm's length | - |
| | | | c | Operating revenue | 61,720 | Internal transfer pricing | 1 |
| | | Scope | c | Trade receivables from related parties | 30,631 | At arm's length | - |
| | | | c | Operating revenue | 104,143 | Internal transfer pricing | 1 |
| | | Lipers Electronics (Shenzhen) | c | Operating revenue | 71,284 | Internal transfer pricing | 1 |
| | | NDB (Suzhou) | c | Trade receivables from related parties | 47,772 | At arm's length | 1 |
| c | Operating revenue | | 89,125 | Internal transfer pricing | 1 | | |

(Continued)

| No. | Investee Company | Counterparty | Relationship | Transaction Details | | | |
|-----|------------------|--------------|--------------|----------------------------------------|-----------|---------------------------|----------------------------|
| | | | | Financial Statement Accounts | Amount | Payment Terms | % of Total Sales or Assets |
| 4 | Vic-Dawn | Lipers | c | Operating revenue | \$ 13,755 | Internal transfer pricing | - |
| | | | c | Other receivables from related parties | 25,059 | - | - |
| | | | c | Other receivables from related parties | 10,035 | - | - |
| 5 | NDB (Shenzhen) | NDB (Suzhou) | c | Trade receivables from related parties | 13,988 | At arm's length | - |
| | | | c | Operating revenue | 26,562 | Internal transfer pricing | - |
| | | | c | Other receivables from related parties | 44,130 | - | - |

Note 1: Transactions between the Company and its subsidiaries should be remarked, as well as numbered in the first column. Rules are as follows:

- a. Nichidenbo Corporation - 0
- b. Subsidiaries are numbered in Arabic figures

Note 2: Related party transactions are divided into two categories as follows:

- a. Nichidenbo Corporation to its subsidiaries.
- b. Subsidiaries to Nichidenbo Corporation.
- c. Subsidiaries to subsidiaries

Note 3: When calculating the ratio of the amount of transactions to consolidated total assets, use the balance amount as the amount of transactions when they are regarded as assets or liabilities; use the accumulated amount as the amount of transactions when they are regarded as profits or losses.

Note 4: It is considered as the disclosure criterion when the amount of the intercompany relationships and significant intercompany transactions reaches \$10,000 thousand.

Note 5: All intra-group transactions have been eliminated upon consolidation of the financial statements.

(Concluded)

NICHIDENBO CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Business and Product | Original Investment Amount | | As of December 31, 2022 | | | Net Income (Loss) of the Investee | Share of Profit (Loss) | Note |
|------------------------|------------------------|-----------------------------------|-------------------------------------------------------------|----------------------------|-------------------|-------------------------|--------|----------------|-----------------------------------|------------------------|------------|
| | | | | December 31, 2022 | December 31, 2021 | Number of Shares | % | Carrying Value | | | |
| Nichidenbo Corporation | Vic-Dawn | Xindian District, New Taipei City | Sales and marketing of electronic components | \$ 187,646 | \$ 187,646 | 14,296,603 | 95.31 | \$ 277,011 | \$ 75,015 | \$ 71,465 (Note 1) | Subsidiary |
| | Nichidenbo (Mauritius) | Mauritius | Investment activities | 154,382 | 154,382 | 5,050,000 | 100.00 | 446,063 | 20,822 | 20,822 | Subsidiary |
| | Lipers | Xindian District, New Taipei City | Sales and marketing of electronic components | 729,615 | 729,615 | 31,788,710 | 99.34 | 702,976 | 139,186 | 137,006 (Note 2) | Subsidiary |
| | Scope | Xindian District, New Taipei City | Sales and marketing of electronic components | 814,502 | 814,502 | 53,016,276 | 100.00 | 1,103,005 | 207,013 | 207,013 (Note 1) | Subsidiary |
| | AES (Note 3) | Xindian District, New Taipei City | Sales and marketing of electronic components | 383,887 | 383,887 | 37,224,808 | 100.00 | 546,168 | 104,992 | 105,404 (Note 1) | Subsidiary |
| | Tonsam | Xindian District, New Taipei City | Sales and marketing of electronic components | 358,430 | 358,430 | 15,000,000 | 100.00 | 282,700 | 16,634 | 16,601 (Note 2) | Subsidiary |
| | Sentelic (Note 4) | Neihu District, Taipei City | Sales and marketing of electronic components | - | 202,376 | - | - | - | 97,942 | 45,058 (Note 1) | - |
| | Lipers (HK) | Hong Kong | Manufacturing, sales and marketing of electronic components | 216,454 | 216,454 | 29,642,793 | 100.00 | 223,823 | 30,015 | 30,015 | Subsidiary |
| | Koho (Note 5) | Xindian District, New Taipei City | Sales and marketing of electronic components | 81,600 | - | 2,550,000 | 85.00 | 110,403 | 36,782 | 28,939 (Note 2) | Subsidiary |
| Sentelic Holding | Mauritius | Investment activities | - | 18,782 | - | - | - | (1) | (1) | - | |
| Holdings | Ocean (Note 6) | Samoa | Investment activities | - | 300 | - | - | - | - | - | - |

Note 1: The difference between an investee's net income in the Corporation's share and share of profits was a unrealized gross margin from upstream transactions.

Note 2: The difference between an investee's net income in the Corporation's share and share of profits were a amortization between fair value and carrying amount of investee's assets and unrealized gross margin from upstream transactions.

Note 3: AES's board of directors resolved to increase the capital from retained earnings by \$97,448 thousand on May 24, 2022, and the subscription base date was on May 31, 2022.

Note 4: The Company participated in Weltrend semiconductor incorporated's takeover bid for 10,710,000 common shares of Sentelic corporation on August 24, 2022. The Company's shareholding in Sentelic decreased from 46.00% to 9.68%. The control of Sentelic was passed to the acquirer. And, the unsold interest was recorded in financial asset at FVTOCI.

Note 5: The Company acquired Koho at a consideration of \$81,600 thousand on January 26 and March 3, 2022. The Company holds a 85% interest in Koho and, therefore, has control over Koho.

Note 6: Ocean has been deregistered as approved on March 11, 2022.

Note 7: Refer to Tables 9 for information relating to investments in mainland China.

Note 8: All intra-group transactions have been eliminated upon consolidation of the financial statements.

NICHIDENBO CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital (Note 4) | 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 (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2022 (Note 1) | Accumulated Repatriation of Investment Income as of December 31, 2022 |
|-------------------------------|----------------------------------------------|--------------------------------------------------------------------|------------------------------------|---------------------------------------------------------------------------------|---------------------|--------|-----------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------|---------------------------------|--------------------------------------------------|-----------------------------------------------------------------------|
| | | | | | Outward | Inward | | | | | | |
| NDB (Shenzhen) | Sales and marketing of electronic components | \$ 90,499 (US\$ 2,744 thousand) and (HK\$ 2,000 thousand) | Invested by Nichidenbo (Mauritius) | \$ 90,499 | \$ - | \$ - | \$ 90,499 | \$ 22,380 | 100 | \$ 22,380 | \$ 290,329 | \$ 109,625 |
| NDB (Suzhou) (Note 3) | Sales and marketing of electronic components | 101,712 (US\$ 3,396 thousand) | Invested by Nichidenbo (Mauritius) | 59,900 | - | - | 59,900 | (958) | 100 | (958) | 153,712 | 4,475 |
| Lipers Electronics (Shenzhen) | Sales and marketing of electronic components | 29,385 (US\$ 1,000 thousand) | Invested by Lipers (HK) | 61,911 | - | - | 61,911 | 16,018 | 100 | 16,018 | 123,265 | 22,930 |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022 | Investment Amount Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| \$212,310 (HK\$2,000 thousand, US\$4,744 thousand and NT\$61,911 thousand) | \$254,122 (HK\$2,000 thousand, US\$6,140 thousand and NT\$61,911 thousand) | \$3,983,413 (Note 2) |

Note 1: The investment gain (loss) and carrying amount as of December 31, 2022 are recognized based on the audited financial statements.

Note 2: The upper limit on investment in mainland China is determined by sixty percent (60%) of the Company's consolidated net worth.

Note 3: The \$59,900 thousand (US\$2,000 thousand) among paid-in capital of NDB (Suzhou) was shift in invested through third area to mainland China from Taiwan output, remaining of paid-in capital was indirectly invested by retained earnings of Nichidenbo (Mauritius), which was received from Nichidenbo Shanghai Trading Co., Ltd.

Note 4: Total amount of paid-in capital was translated into NTD at historical rate.

Note 5: All intra-group transactions have been eliminated upon consolidation of the financial statements.

TABLE 10**NICHIDENBO CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS
DECEMBER 31, 2022**

| Name of Major Shareholder | Shares | |
|----------------------------------|-------------------------|------------------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| WT MICROELECTRONICS CO., LTD. | 31,000,000 | 14.57 |

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of common stock and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

V. Parent company only financial statement for the latest year audited by CPAs

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nichidenbo Corporation

Opinion

We have audited the accompanying financial statements of Nichidenbo Corporation (the “Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the 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 matters of the financial statements for the year ended December 31, 2022 are as follows:

Gain on Disposal of Subsidiaries

The Company participated in Weltrend Semiconductor Incorporated's takeover bid of Sentelic Corporation. The disposal price was \$778,417 thousand, and realized \$660,235 thousand of disposal gain. Since the gain on disposal accounted for net profit of 44.37% was significant to the financial statements, we considered the gain on disposal of subsidiaries as a key audit matter in our audit for the year ended December 31, 2022.

The main audit procedures that we performed included obtaining the board meeting minutes of Company and confirming the resolution of the disposal. We verified management's compliance in the acquisition and disposal of assets. We checked the bank statement and stock passbook, and confirmed that gains or losses on disposal were properly calculated and expressed.

Valuation of Inventories

Inventories are stated at the lower of cost or net realizable value. The net realizable value was based on significant judgments and accounting estimates made by management; therefore, we identified the valuation of inventories as a key audit matter in our audit for the year ended December 31, 2022.

The main audit procedures that we performed in respect of the valuation of inventories included obtaining the estimated data of inventories stated at the lower of cost or net realizable value by management; sampling recent sales data to evaluate the reasonableness of the net realizable value.

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 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 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 Chih-Ming Shao and Ya-Ling Wong.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 13, 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.

NICHIDENBO CORPORATION

BALANCE SHEETS

DECEMBER 31, 2022 AND 2021

(In Thousands of New Taiwan Dollars)

| ASSETS | 2022 | | 2021 | |
|------------------------------------------------------------------------------------------|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Note 6) | \$ 612,381 | 8 | \$ 173,385 | 3 |
| Financial assets at fair value through profit or loss - current (Note 7) | 100,006 | 1 | 60,000 | 1 |
| Financial assets at fair value through other comprehensive income - current (Note 8) | 187,273 | 3 | 58,654 | 1 |
| Financial assets at amortized cost - current (Notes 9 and 10) | 810,000 | 11 | - | - |
| Notes receivables, net (Note 11) | 2,599 | - | 5,035 | - |
| Trade receivables from unrelated parties, net (Notes 11 and 25) | 543,830 | 7 | 687,372 | 13 |
| Trade receivables from related parties (Note 36) | 49,810 | 1 | 33,117 | 1 |
| Other receivables (Note 11) | 4,727 | - | 3,935 | - |
| Other receivables from related parties (Note 36) | 544,778 | 7 | 6,929 | - |
| Inventories (Note 12) | 498,713 | 7 | 273,603 | 5 |
| Prepayments | 581 | - | 506 | - |
| Other current assets (Notes 19 and 36) | 598 | - | 572 | - |
| Total current assets | <u>3,355,296</u> | <u>45</u> | <u>1,303,108</u> | <u>24</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through other comprehensive income - non-current (Note 8) | 93,384 | 1 | 88,711 | 2 |
| Financial assets at amortized cost - non-current (Notes 9, 10 and 37) | 150 | - | 150 | - |
| Investments accounted for using the equity method (Notes 13, 14, 30, 31 and 32) | 3,692,149 | 50 | 3,740,887 | 69 |
| Property, plant and equipment (Notes 15 and 37) | 184,304 | 3 | 186,637 | 3 |
| Investment properties (Notes 17 and 37) | 84,035 | 1 | 84,336 | 2 |
| Intangible assets (Note 18) | 872 | - | 744 | - |
| Deferred tax assets (Note 27) | 13,425 | - | 9,687 | - |
| Refundable deposits (Note 36) | 815 | - | 800 | - |
| Total non-current assets | <u>4,069,134</u> | <u>55</u> | <u>4,111,952</u> | <u>76</u> |
| TOTAL | <u>\$ 7,424,430</u> | <u>100</u> | <u>\$ 5,415,060</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 20) | \$ 259,783 | 4 | \$ 345,467 | 6 |
| Contract liabilities - current (Note 25) | 357 | - | 1,237 | - |
| Trade payables to unrelated parties (Note 21) | 151,810 | 2 | 249,102 | 5 |
| Trade payables to related parties (Note 36) | 56,964 | 1 | 31,824 | - |
| Other payables to unrelated parties (Note 22) | 225,738 | 3 | 147,716 | 3 |
| Other payables to related parties (Note 36) | 180 | - | 156 | - |
| Current tax liabilities (Note 27) | 30,940 | - | 51,452 | 1 |
| Other current liabilities (Note 22) | 1,862 | - | 1,617 | - |
| Total current liabilities | <u>727,634</u> | <u>10</u> | <u>828,571</u> | <u>15</u> |
| NON-CURRENT LIABILITIES | | | | |
| Deferred tax liabilities (Note 27) | 66,521 | 1 | 76,577 | 1 |
| Net defined benefit liability - non-current (Note 23) | 25,785 | - | 33,671 | 1 |
| Guarantee deposits received (Note 36) | 1,094 | - | 1,058 | - |
| Total non-current liabilities | <u>93,400</u> | <u>1</u> | <u>111,306</u> | <u>2</u> |
| Total liabilities | <u>821,034</u> | <u>11</u> | <u>939,877</u> | <u>17</u> |
| EQUITY | | | | |
| Common stock | 2,126,572 | 29 | 1,786,572 | 33 |
| Capital surplus | 1,621,500 | 22 | 475,353 | 9 |
| Retained earnings | | | | |
| Legal reserve | 785,382 | 11 | 690,815 | 13 |
| Special reserve | 10,950 | - | 10,950 | - |
| Unappropriated earnings | 2,167,303 | 29 | 1,480,027 | 27 |
| Total retained earnings | 2,963,635 | 40 | 2,181,792 | 40 |
| Other equity | (108,311) | (2) | 31,466 | 1 |
| Total equity | <u>6,603,396</u> | <u>89</u> | <u>4,475,183</u> | <u>83</u> |
| TOTAL | <u>\$ 7,424,430</u> | <u>100</u> | <u>\$ 5,415,060</u> | <u>100</u> |

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

NICHIDENBO CORPORATION

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 25 and 36) | \$ 1,915,945 | 100 | \$ 2,315,539 | 100 |
| OPERATING COSTS (Notes 12 and 36) | <u>1,466,056</u> | <u>77</u> | <u>1,819,689</u> | <u>79</u> |
| GROSS PROFIT | 449,889 | 23 | 495,850 | 21 |
| UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES | 788 | - | - | - |
| REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES | <u>-</u> | <u>-</u> | <u>196</u> | <u>-</u> |
| REALIZED GROSS PROFIT | <u>449,101</u> | <u>23</u> | <u>496,046</u> | <u>21</u> |
| OPERATING EXPENSES (Notes 26 and 36) | | | | |
| Selling and marketing expenses | 149,939 | 8 | 117,307 | 5 |
| General and administrative expenses | 183,778 | 9 | 121,199 | 5 |
| Expected credit (gain) loss | <u>(737)</u> | <u>-</u> | <u>686</u> | <u>-</u> |
| Total operating expenses | <u>332,980</u> | <u>17</u> | <u>239,192</u> | <u>10</u> |
| PROFIT FROM OPERATIONS | <u>116,121</u> | <u>6</u> | <u>256,854</u> | <u>11</u> |
| NON-OPERATING INCOME AND EXPENSES (Notes 26 and 36) | | | | |
| Interest income | 6,340 | 1 | 3,400 | - |
| Other income | 118,583 | 6 | 83,995 | 4 |
| Other gains and losses | 2,073 | - | (14,499) | - |
| Finance costs | (7,771) | - | (1,973) | - |
| Share of profit of subsidiaries | <u>615,545</u> | <u>32</u> | <u>540,867</u> | <u>23</u> |
| Total non-operating income and expenses | <u>734,770</u> | <u>39</u> | <u>611,790</u> | <u>27</u> |
| PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS | 850,891 | 45 | 868,644 | 38 |
| INCOME TAX EXPENSE (Note 27) | <u>69,859</u> | <u>4</u> | <u>99,670</u> | <u>4</u> |
| NET PROFIT FROM CONTINUING OPERATIONS | <u>781,032</u> | <u>41</u> | <u>768,974</u> | <u>34</u> |
| NET PROFIT FROM DISCONTINUED OPERATIONS (Note 13) | <u>707,013</u> | <u>37</u> | <u>50,445</u> | <u>2</u> |
| NET PROFIT FOR THE YEAR | <u>1,488,045</u> | <u>78</u> | <u>819,419</u> | <u>36</u> |

(Continued)

NICHIDENBO CORPORATION

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 | % |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| (Notes 23, 24 and 27) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | \$ 5,534 | - | \$ (226) | - |
| Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income | (64,502) | (4) | 20,291 | 1 |
| Share of other comprehensive (loss) income of subsidiaries accounted for using the equity method | (24,316) | (1) | 38,823 | 1 |
| Income tax related to items that will not be reclassified subsequently to profit or loss | <u>(1,107)</u> | <u>-</u> | <u>45</u> | <u>-</u> |
| | <u>(84,391)</u> | <u>(5)</u> | <u>58,933</u> | <u>2</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | 12,889 | 1 | (5,586) | - |
| Share of other comprehensive income (loss) of subsidiaries accounted for using the equity method | <u>7,538</u> | <u>-</u> | <u>(3,220)</u> | <u>-</u> |
| | <u>20,427</u> | <u>1</u> | <u>(8,806)</u> | <u>-</u> |
| Other comprehensive (loss) income for the year, net of income tax | <u>(63,964)</u> | <u>(4)</u> | <u>50,127</u> | <u>2</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 1,424,081</u> | <u>74</u> | <u>\$ 869,546</u> | <u>38</u> |
| EARNINGS PER SHARE (Note 28) | | | | |
| From continuing and discontinued operations | | | | |
| Basic | <u>\$ 8.02</u> | | <u>\$ 4.59</u> | |
| Diluted | <u>\$ 7.89</u> | | <u>\$ 4.55</u> | |
| From continuing operations | | | | |
| Basic | <u>\$ 4.21</u> | | <u>\$ 4.31</u> | |
| Diluted | <u>\$ 4.14</u> | | <u>\$ 4.27</u> | |

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

(Concluded)

NICHIDENBO CORPORATION

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

| | Common Stock (Notes 24 and 29) | Capital Surplus (Notes 24 and 29) | Retained Earnings (Note 24) | | | Other Equity (Notes 24 and 29) | | | Total Equity |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------|-----------------------------|-----------------|----------------------------|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|---------------------------------|--------------|
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Unearned Employee Benefit | |
| | | | | | | | | | |
| BALANCE AT JANUARY 1, 2021 | \$ 1,786,572 | \$ 478,163 | \$ 629,783 | \$ 10,950 | \$ 1,149,227 | \$ (45,955) | \$ 153,554 | \$ - | \$ 4,162,294 |
| Appropriation of 2020 earnings | | | | | | | | | |
| Legal reserve | - | - | 61,032 | - | (61,032) | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (553,837) | - | - | - | (553,837) |
| Total | - | - | 61,032 | - | (614,869) | - | - | - | (553,837) |
| Other changes in capital surplus | - | 283 | - | - | - | - | - | - | 283 |
| Net profit for the year ended December 31, 2021 | - | - | - | - | 819,419 | - | - | - | 819,419 |
| Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax | - | - | - | - | 570 | (8,806) | 58,363 | - | 50,127 |
| Total comprehensive income (loss) for the year ended December 31, 2021 | - | - | - | - | 819,989 | (8,806) | 58,363 | - | 869,546 |
| Changes in percentage of ownership interests in subsidiaries | - | (3,093) | - | - | - | (10) | - | - | (3,103) |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | 125,680 | - | (125,680) | - | - |
| BALANCE AT DECEMBER 31, 2021 | 1,786,572 | 475,353 | 690,815 | 10,950 | 1,480,027 | (54,771) | 86,237 | - | 4,475,183 |
| Appropriation of 2021 earnings | | | | | | | | | |
| Legal reserve | - | - | 94,567 | - | (94,567) | - | - | - | - |
| Cash dividends distributed by the Company | - | - | - | - | (714,629) | - | - | - | (714,629) |
| Total | - | - | 94,567 | - | (809,196) | - | - | - | (714,629) |
| Other changes in capital surplus | - | 189 | - | - | - | - | - | - | 189 |
| Net profit for the year ended December 31, 2022 | - | - | - | - | 1,488,045 | - | - | - | 1,488,045 |
| Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax | - | - | - | - | 8,427 | 20,427 | (92,818) | - | (63,964) |
| Total comprehensive income (loss) for the year ended December 31, 2022 | - | - | - | - | 1,496,472 | 20,427 | (92,818) | - | 1,424,081 |
| Issuance of common stock for cash | 300,000 | 1,020,600 | - | - | - | - | - | - | 1,320,600 |
| Difference between consideration and the carrying amount of subsidiaries' net assets during actual acquisition or disposals | - | (553) | - | - | - | - | - | - | (553) |
| Issuance of restricted shares for employees | 40,000 | 125,911 | - | - | - | - | - | (82,937) | 82,974 |
| Share-based payment arrangements | - | - | - | - | - | - | - | 15,551 | 15,551 |
| BALANCE AT DECEMBER 31, 2022 | \$ 2,126,572 | \$ 1,621,500 | \$ 785,382 | \$ 10,950 | \$ 2,167,303 | \$ (34,344) | \$ (6,581) | \$ (67,386) | \$ 6,603,396 |

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

NICHIDENBO CORPORATION

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

| | 2022 | 2021 |
|---------------------------------------------------------------------------------------------------------|------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | | |
| Income before income tax from continuing operations | \$ 850,891 | \$ 868,644 |
| Income before income tax from discontinued operations | <u>707,013</u> | <u>50,445</u> |
| | 1,557,904 | 919,089 |
| Adjustments for: | | |
| Depreciation expense | 3,489 | 3,541 |
| Amortization expense | 474 | 428 |
| Expected credit (gain) loss | (737) | 686 |
| Net gain on fair value changes of financial assets and liabilities at fair value through profit or loss | (150) | (68) |
| Finance costs | 7,771 | 1,973 |
| Interest income | (6,340) | (3,400) |
| Dividend income | (20,994) | (9,685) |
| Share-based payment | 11,974 | - |
| Share of profit of subsidiaries | (662,323) | (591,312) |
| Gain on disposal of subsidiary | (660,235) | - |
| Loss on (reversed) net realizable value of inventories | 7,421 | (312) |
| Unrealized gain on transactions | 788 | - |
| Realized gain on transactions | - | (196) |
| Impairment loss | - | 13,122 |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | (39,856) | 160,072 |
| Notes receivables | 2,448 | (1,864) |
| Trade receivables from unrelated parties | 144,267 | (134,843) |
| Trade receivables from related parties | (16,693) | 8,554 |
| Other receivables from unrelated parties | 976 | 175 |
| Other receivables from related parties | (122) | (131) |
| Inventories | (232,531) | (25,823) |
| Prepayments | (75) | 569 |
| Other current assets | (26) | 61 |
| Contract liabilities | (880) | (431) |
| Trade payables to unrelated parties | (97,292) | 9,375 |
| Trade payables to related parties | 25,140 | 18,305 |
| Other payables to unrelated parties | 72,559 | 27,812 |
| Other payables to related parties | 24 | (14) |
| Other current liabilities | 245 | 381 |
| Net defined benefit liabilities | <u>(2,352)</u> | <u>(1,332)</u> |
| Cash generated from operating activities | 94,874 | 394,732 |
| Interest received | 3,845 | 3,407 |
| Interest paid | (7,054) | (1,933) |
| Income tax paid | <u>(105,272)</u> | <u>(86,838)</u> |
| Net cash (used in) generated from operating activities | <u>(13,607)</u> | <u>309,368</u> |

(Continued)

NICHIDENBO CORPORATION

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

| | 2022 | 2021 |
|-----------------------------------------------------------------------------------------|-------------------|-------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of financial assets at fair value through other comprehensive income | \$ - | \$ 68,419 |
| Purchase of financial assets at amortized cost | (1,110,000) | - |
| Proceeds from sale of financial assets at amortized cost | 300,000 | - |
| Acquisition of investments accounted for using equity method | (78,080) | (400,000) |
| Proceeds from investments accounted for using equity method | 778,417 | - |
| Payments for property, plant and equipment | (855) | (752) |
| (Increase) decrease in refundable deposits | (15) | 5 |
| Other receivables from related parties - increase in financing of funds | (779,000) | (200,000) |
| Other receivables from related parties - decrease in financing of funds | 242,000 | 200,000 |
| Payments for intangible assets | (602) | (459) |
| Dividends received | <u>496,110</u> | <u>521,252</u> |
| Net cash (used in) generated from investing activities | <u>(152,025)</u> | <u>188,465</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 1,583,615 | 1,964,105 |
| Repayments of short-term borrowings | (1,669,299) | (1,848,063) |
| Proceeds from long-term borrowings | - | 213,000 |
| Repayments of long-term borrowings | - | (213,000) |
| Guarantee deposits received | 36 | - |
| Cash dividends paid | (714,629) | (553,837) |
| Proceeds from issuance of common stock | 1,320,600 | - |
| Acquisition of additional interests in subsidiary | (3,520) | - |
| Proceeds from issuance of restricted shares for employees | 87,720 | - |
| Dividends from claims extinguished by prescription | <u>105</u> | <u>81</u> |
| Net cash generated from (used in) financing activities | <u>604,628</u> | <u>(437,714)</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 438,996 | 60,119 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>173,385</u> | <u>113,266</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 612,381</u> | <u>\$ 173,385</u> |

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

(Concluded)

NICHIDENBO CORPORATION

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

Nichidenbo Corporation (the “Company”) was established on January 4, 1993 in New Taipei City. The Company engages mainly in sales and marketing of electronic components.

On December 31, 2007, the Company’s shares were listed on the Taiwan Stock Exchange (TWSE).

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 13, 2023.

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

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

The initial application of IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies, financial position and financial performance.

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

| <u>New, Amended and Revised Standards and Interpretations</u> | <u>Effective Date Announced by IASB</u> |
|---------------------------------------------------------------------------------------------------------|---------------------------------------------|
| 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 will be 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 for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the financial statements were authorized for issue, the Company assessed that the application of above amendments to standards and interpretations did not have material impact on the Company’s financial position and financial performance.

c. New IFRSs issued by International Accounting Standards Board (IASB) 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 |
| Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - 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 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.

As of the date the financial statements were authorized for issue, the application of above amendments to standards and interpretations did not have material impact on the Company’s financial position and financial performance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The 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;
- 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 an asset or liability.

When preparing these parent company only financial statements, the Company used equity method to account for its investment in subsidiaries. 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 accompanying financial statements, adjustments arising from the differences in accounting treatment between parent company only basis and accompanying basis were made to investments accounted for using the 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; 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.

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

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree

over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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 that are measured at historical cost in a foreign currency are not retranslated.

f. Inventories

Inventories 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 Company similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Investment in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity (including structured entity) that is controlled by the Company.

Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of 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 attributable to the Company.

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.

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.

Profits or losses resulting from downstream transactions are eliminated in full in the parent company only financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized in the parent company only financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

h. Property, plant and equipment

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

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.

i. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation of investment properties is recognized using the straight-line method.

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

j. 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.

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.

k. Impairment of property, plant and equipment, investment property and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment, investment property and intangible assets 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 smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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, cash-generating unit or assets related to contract costs 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, cash-generating unit or assets related to contract costs in prior years (less amortization and depreciation). A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when an entity 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: 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 and interest earned on such financial assets are recognized in other income and interest income, respectively; 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 35.

ii. Financial assets at amortized cost

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

- i) The financial asset is 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 asset 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 receivables, other receivables, refundable deposits and restricted cash 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 applying the effective interest rate to the gross carrying amount of such a financial asset.

Cash equivalents include time deposits and commercial paper 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 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

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade 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 represent 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.

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 an equity instrument at FVTOCI, 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

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

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the 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.

m. 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 comes from sales of electronic components. Sales of electronic components are recognized as revenue when the goods are delivered to the customer's specific location and signed by the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables and sales revenue are

recognized concurrently.

n. Leases

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

1) The Company as lessor

All leases are classified as operating leases.

Under finance leases, the 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.

2) The Company as lessee

Short-term leases and low-value asset leases accounted by applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

o. Borrowing costs

All borrowing costs are recognized in profit or loss in the year in which they are incurred.

p. 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 services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services 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 (including current service cost) and net interest on the net defined benefit liabilities 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 liabilities represent the actual deficit in the Company's defined benefit plans. 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.

q. Share-based payment arrangements

1) Restricted shares for employees granted to employees

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares that are expected to ultimately vest, with a corresponding increase in capital surplus - other equity - unearned employee benefits. It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. If restricted shares for employees are granted for consideration and the considerations received should be returned if employees resign in the vesting period, the amounts expected to be returned are recognized as payables. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Company revises its estimate of the number of restricted shares for employees that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees.

2) Equity-settled share-based payment arrangements granted to the employees of a subsidiary

The grant by the Company of its equity instruments to the employees of a subsidiary under share-based payment arrangements is treated as a capital contribution. The fair value of employee services received under the arrangement is measured by reference to the grant-date fair value and is recognized over the vesting period as an addition to the investment in the subsidiary, with a corresponding credit to other equity - unearned employee benefits.

r. 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 Act in the ROC, an additional tax on unappropriated earnings is provided for 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 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 and interests in joint ventures, 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 recognized only 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 assets 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 taxes

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, estimations, and assumptions on 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 estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Key Sources of Estimation Uncertainty

a. Estimated impairment of financial assets

The provision for impairment of trade receivables and notes receivables is based on assumptions on probability of default and loss given default. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Valuation of inventories

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical

experience in the sale of product of a similar nature. Changes in market conditions may have a material impact on the estimation of the net realizable value.

6. CASH AND CASH EQUIVALENTS

| | <u>December 31</u> | |
|------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Cash on hand | \$ 93 | \$ 97 |
| Demand deposits | 21,338 | 52,133 |
| Cash equivalents | | |
| Time deposits | 554,950 | 121,155 |
| Commercial paper | <u>36,000</u> | <u>-</u> |
| | <u>\$ 612,381</u> | <u>\$ 173,385</u> |

The market rate intervals of time deposits and commercial paper at the end of the year were as follows:

| | <u>December 31</u> | |
|------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Time deposits | 0.965%- 1.270% | 2.000%- 2.300% |
| Commercial paper | 0.630% | - |

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | <u>December 31</u> | |
|--------------------------------------------------------------------------------|--------------------|------------------|
| | 2022 | 2021 |
| <u>Financial assets at fair value through profit or loss (FVTPL) - current</u> | | |
| Financial assets mandatorily classified as at FVTPL | | |
| Domestic mutual funds | \$ 100,000 | \$ 60,000 |
| Unrealized gain on financial assets | <u>6</u> | <u>-</u> |
| | <u>\$ 100,006</u> | <u>\$ 60,000</u> |

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in Equity Instruments at FVTOCI

| | <u>December 31</u> | |
|--------------------------------------------|--------------------|------------------|
| | 2022 | 2021 |
| <u>Current</u> | | |
| Domestic investments | | |
| Listed shares | \$ 243,337 | \$ 45,543 |
| Unrealized (loss) gain on financial assets | <u>(56,064)</u> | <u>13,111</u> |
| | <u>\$ 187,273</u> | <u>\$ 58,654</u> |

Non-current

| | | |
|-------------------------------------|------------------|------------------|
| Domestic investments | | |
| Unlisted shares | \$ 20,000 | \$ 20,000 |
| Unrealized gain on financial assets | <u>73,384</u> | <u>68,711</u> |
| | <u>\$ 93,384</u> | <u>\$ 88,711</u> |

The Company's hold on Sentelic Corporation's interest has declined to 9.68% on August 24, 2022, the date the control of Sentelic Corporation passed to the acquirer. At the same time, the carrying amount of the unsold interest, which was recorded in financial assets at fair value through other comprehensive income - current of \$197,794 thousand, calculated based on the closing price at the date of disposal.

The Company holds the domestic listed shares and the domestic unlisted shares for medium to long-term strategic purposes, expecting to make a profit from long-term investment. 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</u> | |
|--------------------------------------------------------------|--------------------|---------------|
| | 2022 | 2021 |
| <u>Current</u> | | |
| Time deposits with original maturities of more than 3 months | <u>\$ 810,000</u> | <u>\$ -</u> |
| <u>Non-current</u> | | |
| Restricted cash | <u>\$ 150</u> | <u>\$ 150</u> |

a. Refer to Note 10 for information relating to the credit risk management and impairment of investments in financial assets at amortized cost.

b. Refer to Note 37 for information relating to investments in financial assets at amortized cost pledged as security.

10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at amortized cost:

| | <u>December 31</u> | |
|----------------------------------------------------|--------------------|----------|
| | 2022 | 2021 |
| <u>At amortized cost (current and non-current)</u> | | |
| Gross carrying amount | \$ 810,150 | \$ 150 |
| Less: Allowance for impairment loss | <u>-</u> | <u>-</u> |

Amortized cost

\$ 810,150

\$ 150

The credit risk of financial instruments such as bank deposits is measured and monitored by the finance department. The Company selects the transaction partners and the performing parties which are all banks with good credit.

11. NOTES RECEIVABLES, TRADE RECEIVABLES AND OTHER RECEIVABLES

| | <u>December 31</u> | |
|-------------------------------------|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Notes receivables</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 2,612 | \$ 5,060 |
| Less: Allowance for impairment loss | <u>(13)</u> | <u>(25)</u> |
| | <u>\$ 2,599</u> | <u>\$ 5,035</u> |
| Notes receivables - operating | \$ 2,596 | \$ 5,035 |
| Notes receivables - non-operating | <u>3</u> | <u>-</u> |
| | <u>\$ 2,599</u> | <u>\$ 5,035</u> |
| <u>Trade receivables</u> | | |
| At amortized cost | | |
| Gross carrying amount | \$ 546,559 | \$ 690,826 |
| Less: Allowance for impairment loss | <u>(2,729)</u> | <u>(3,454)</u> |
| | <u>\$ 543,830</u> | <u>\$ 687,372</u> |
| <u>Other receivables</u> | | |
| VAT refundable | \$ 1,664 | \$ 3,324 |
| Others | <u>3,063</u> | <u>611</u> |
| | <u>\$ 4,727</u> | <u>\$ 3,935</u> |

a. Notes receivables

As of December 31, 2022 and 2021, the notes receivables did not expire.

b. Trade receivables

The average credit period on sales of goods is 90 to 150 days. 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 year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit

risk was significantly reduced.

The Company measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The expected credit losses on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, and profitability. 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 a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade 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 trade receivables based on the Company's provision matrix.

December 31, 2022

| | Not Past Due | 1 to 30 Days Past Due | 31 to 60 Days Past Due | 61 to 90 Days Past Due | Over 90 Days Past Due | Total |
|--------------------------------|---------------------|------------------------------|-------------------------------|-------------------------------|------------------------------|-------------------|
| Expected credit loss rate | 0.50% | 0.50% | 0.50% | 0.50% | 100.00% | - |
| Gross carrying amount | \$ 545,752 | \$ 65 | \$ 742 | \$ - | \$ - | \$ 546,559 |
| Loss allowance (Lifetime ECLs) | <u>(2,725)</u> | <u>(1)</u> | <u>(3)</u> | <u>-</u> | <u>-</u> | <u>(2,729)</u> |
| Amortized cost | <u>\$ 543,027</u> | <u>\$ 64</u> | <u>\$ 739</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 543,830</u> |

December 31, 2021

| | Not Past Due | 1 to 30 Days Past Due | 31 to 60 Days Past Due | 61 to 90 Days Past Due | Over 90 Days Past Due | Total |
|--------------------------------|---------------------|------------------------------|-------------------------------|-------------------------------|------------------------------|-------------------|
| Expected credit loss rate | 0.50% | 0.50% | 0.50% | 0.50% | 100.00% | - |
| Gross carrying amount | \$ 689,344 | \$ 1,402 | \$ 80 | \$ - | \$ - | \$ 690,826 |
| Loss allowance (Lifetime ECLs) | <u>(3,446)</u> | <u>(7)</u> | <u>(1)</u> | <u>-</u> | <u>-</u> | <u>(3,454)</u> |
| Amortized cost | <u>\$ 685,898</u> | <u>\$ 1,395</u> | <u>\$ 79</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 687,372</u> |

The movements of the loss allowance of notes receivables and trade receivables were as follows:

| | For the Year Ended December 31 | |
|----------------------------------------------|---------------------------------------|-----------------|
| | 2022 | 2021 |
| Balance at January 1 | \$ 3,479 | \$ 2,793 |
| Add: Reclassification of overdue receivables | 21 | - |
| Add: Remeasurement of loss allowance | - | 686 |
| Less: Amounts written off | (21) | - |
| Less: Reversal of loss allowance | <u>(737)</u> | <u>-</u> |
| Balance at December 31 | <u>\$ 2,742</u> | <u>\$ 3,479</u> |

12. INVENTORIES

| | <u>December 31</u> | |
|-------------|--------------------|-------------------|
| | 2022 | 2021 |
| Merchandise | <u>\$ 498,713</u> | <u>\$ 273,603</u> |

The nature of the cost of goods sold is as follows:

| | For the Year Ended December 31 | |
|--------------------------------------------------------|-------------------------------------------|----------------------------|
| | 2022 | 2021 |
| Cost of inventories sold | \$ 1,458,542 | \$ 1,820,001 |
| Loss on (reversed) net realizable value of inventories | 7,421 | (312) |
| Loss on inventory shrinkage | <u>93</u> | <u>-</u> |
| | <u>\$ 1,466,056</u> | <u>\$ 1,819,689</u> |

13. DISCONTINUED OPERATION

The Company's hold on Sentelic Corporation's interest has declined to 9.68% on August 24, 2022, the date the control of Sentelic Corporation passed to the acquirer, and the unsold interest was recorded in financial assets at fair value through other comprehensive income. The Company regarded Sentelic Corporation as a cash generating unit; therefore, reclassified the income (loss) of the cash generating unit to discontinued operation.

For details about the carrying amounts of the assets and liabilities of Sentelic Corporation at the date of disposal, refer to Note 31 to the Company's consolidated financial statements for the year ended December 31, 2022.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Subsidiaries

| | December 31 | |
|-----------------------------------------|----------------------------|----------------------------|
| | 2022 | 2021 |
| Scope Technology Co., Ltd. | \$ 1,103,005 | \$ 1,016,448 |
| Lipers Enterprise Co., Ltd. | 702,976 | 728,227 |
| Advance Electronic Supply Inc. | 546,168 | 440,181 |
| Nichidenbo (Maritius) Ltd. | 446,063 | 483,810 |
| Tonsam Corporation | 282,700 | 287,693 |
| Vic-Dawn Enterprise Co., Ltd. | 277,011 | 253,815 |
| Lipers (Hong Kong) Enterprise Co., Ltd. | 223,823 | 216,198 |
| Koho (Taiwan) Co., Ltd. | 110,403 | - |
| Sentelic Corporation | <u>-</u> | <u>314,515</u> |
| | <u>\$ 3,692,149</u> | <u>\$ 3,740,887</u> |

| | Percentage of Ownership and Voting Rights | |
|-----------------------------------------|------------------------------------------------------|-------------|
| | December 31 | |
| | 2022 | 2021 |
| Scope Technology Co., Ltd. (Note 1) | 100.00% | 100.00% |
| Lipers Enterprise Co., Ltd. (Note 2) | 99.34% | 99.34% |
| Advance Electronic Supply Inc. (Note 3) | 100.00% | 100.00% |
| Nichidenbo (Maritius) Ltd. | 100.00% | 100.00% |
| Tonsam Corporation | 100.00% | 100.00% |
| Vic-Dawn Enterprise Co., Ltd. | 95.31% | 95.31% |
| Lipers (Hong Kong) Enterprise Co., Ltd. | 100.00% | 100.00% |
| Koho (Taiwan) Co., Ltd. (Note 4) | 85.00% | - |
| Sentelic Corporation (Note 5) | - | 46.00% |

Refer to Note 30 and Note 31 to the Company's consolidated financial statements for the year ended December 31, 2022 for the disclosures of the Company's acquisitions of Koho (Taiwan) Co., Ltd. and disposal of Sentelic Corporation, respectively.

Note 1: Scope Technology Co., Ltd.'s board of directors resolved to increase its capital by \$400,000 thousand by cash on July 7, 2021, and the subscription base date was on August 26, 2021.

Note 2: The recoverable amount of Lipers Enterprise Co., Ltd., which was determined based on a value in use calculation that used the discount rate at 16.40%, was lower than the related carrying amount, and impairment losses of \$13,122 thousand was recognized for the year ended December 31, 2021. The main reason that caused impairment was because the benefit of Lipers Enterprise Co., Ltd. was below expectations.

Note 3: Advance Electronic Supply Inc.'s board of directors resolved to increase the capital from retained earnings by \$97,448 thousand on May 24, 2022, and the subscription base date was on May 31, 2022.

Note 4: The Company signed a share sale and purchase agreement with non-related parties, acquiring 2,550,000 common shares of Koho (Taiwan) Co., Ltd. at a consideration of \$81,600 thousand in total at a price of \$32 on January 26 and March 3, 2022. The Company holds a 85% interest in Koho (Taiwan) Co., Ltd. and, therefore, has control over Koho (Taiwan) Co., Ltd.

Note 5: On August 10, 2022, 304 thousand RSAs were vested, and that increased the outstanding shares entitled to receive cash and share dividends. Therefore, the Company's shareholding in Sentelic Corporation decreased from 46.48% to 46.00%. (453 thousand RSAs were excluded from calculation.)

As of December 31, 2022, the Company holds 46.00% interest in Sentelic Corporation. Sentelic Corporation is listed company, and the remaining 54.00% interest in Sentelic Corporation is dispersed and held by thousands of shareholders that are unrelated to the company. The directors of the Company considered the Company's absolute size of holding in Sentelic Corporation and the relative size of dispersion of the shareholdings owned by the other shareholders and concluded that the Company has the practical ability to direct the relevant activities of Sentelic Corporation and, therefore, the Company has control over Sentelic Corporation.

The Company participated in Weltrend semiconductor incorporated's takeover bid for 10,710,000 common shares of Sentelic corporation on August 24, 2022. The Company's shareholding in Sentelic Corporation decreased from 46.00% to 9.68%. The control of Sentelic Corporation was passed to the acquirer. And, the unsold interest was recorded in financial asset through FVOCI, and recognized gain on disposal of \$660,235 thousand (profit was recorded in net profit from discontinued operations).

For the years ended December 31, 2022 and 2021, the share of profit or loss and OCI of subsidiaries was based on the audited financial statements for the years then ended.

15. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Other Equipment | Total |
|-----------------------------------------|-------------------|------------------|----------------------------|-------------------|
| <u>Cost</u> | | | | |
| Balance at January 1, 2022 | \$ 163,257 | \$ 17,418 | \$ 16,547 | \$ 197,222 |
| Additions | - | - | 855 | 855 |
| Disposals | <u>-</u> | <u>-</u> | <u>(329)</u> | <u>(329)</u> |
| Balance at December 31, 2022 | <u>\$ 163,257</u> | <u>\$ 17,418</u> | <u>\$ 17,073</u> | <u>\$ 197,748</u> |
| <u>Accumulated depreciation</u> | | | | |
| Balance at January 1, 2022 | \$ - | \$ 4,728 | \$ 5,857 | \$ 10,585 |
| Depreciation expense | - | 332 | 2,856 | 3,188 |
| Disposals | <u>-</u> | <u>-</u> | <u>(329)</u> | <u>(329)</u> |
| Balance at December 31, 2022 | <u>\$ -</u> | <u>\$ 5,060</u> | <u>\$ 8,384</u> | <u>\$ 13,444</u> |
| Carrying amount at December 31, 2022 | <u>\$ 163,257</u> | <u>\$ 12,358</u> | <u>\$ 8,689</u> | <u>\$ 184,304</u> |
| <u>Cost</u> | | | | |
| Balance at January 1, 2021 | \$ 163,257 | \$ 17,418 | \$ 16,529 | \$ 197,204 |
| Additions | - | - | 752 | 752 |
| Disposals | <u>-</u> | <u>-</u> | <u>(734)</u> | <u>(734)</u> |
| Balance at December 31, 2021 | <u>\$ 163,257</u> | <u>\$ 17,418</u> | <u>\$ 16,547</u> | <u>\$ 197,222</u> |
| <u>Accumulated depreciation</u> | | | | |
| Balance at January 1, 2021 | \$ - | \$ 4,396 | \$ 3,683 | \$ 8,079 |
| Depreciation expense | - | 332 | 2,908 | 3,240 |
| Disposals | <u>-</u> | <u>-</u> | <u>(734)</u> | <u>(734)</u> |

| | | | | |
|-----------------------------------------|-------------------|------------------|------------------|-------------------|
| Balance at December 31, 2021 | <u>\$ -</u> | <u>\$ 4,728</u> | <u>\$ 5,857</u> | <u>\$ 10,585</u> |
| Carrying amount at December 31, 2021 | <u>\$ 163,257</u> | <u>\$ 12,690</u> | <u>\$ 10,690</u> | <u>\$ 186,637</u> |

Depreciation is calculated on a straight-line basis over the estimated useful lives as follows:

| | |
|-----------------|-------------|
| Buildings | 50-55 years |
| Other equipment | 5 years |

Refer to Note 37 for property, plant and equipment pledged as collateral for the payment of purchase.

16. LEASE ARRANGEMENTS

Other Lease Information

Refer to Note 17 for lease arrangements under operating leases of investment properties.

| | For the Year Ended December 31 | |
|---------------------------------------------|-------------------------------------------|-----------------|
| | 2022 | 2021 |
| Expenses relating to short-term leases | <u>\$ 6,631</u> | <u>\$ 6,550</u> |
| Expenses relating to low-value asset leases | <u>\$ 59</u> | <u>\$ 59</u> |
| Total cash outflow of leases | <u>\$ 6,690</u> | <u>\$ 6,609</u> |

17. INVESTMENT PROPERTIES

| | For the Year Ended December 31 | |
|---------------------------------------|-------------------------------------------|------------------|
| | 2022 | 2021 |
| <u>Cost</u> | | |
| Balances at January 1 and December 31 | <u>\$ 89,545</u> | <u>\$ 89,545</u> |
| <u>Accumulated depreciation</u> | | |
| Balance at January 1 | \$ 5,209 | \$ 4,908 |
| Depreciation expense | <u>301</u> | <u>301</u> |
| Balance at December 31 | <u>\$ 5,510</u> | <u>\$ 5,209</u> |
| Carrying amount at December 31 | <u>\$ 84,035</u> | <u>\$ 84,336</u> |

The investment properties are leased out for 1 to 2 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

| | December 31 | |
|------------------|--------------------|-------------|
| | 2022 | 2021 |
| Less than a year | \$ 7,312 | \$ 7,405 |
| 1-5 years | <u>1,283</u> | <u>405</u> |

\$ 8,595

\$ 7,810

The investment properties are depreciated using the straight-line method over 50 to 55 years of their estimated useful lives.

For those located in R.O.C., the fair value of the investment property as of December 31, 2022 and 2021 was \$253,748 thousand and \$241,793 thousand, respectively. The fair value of the investment property was appraised by the Company's management by reference to market evidence of transaction prices for similar properties.

The investment properties are owned by the Company. The investment properties pledged as collateral for payment of purchase in Note 37.

18. INTANGIBLE ASSETS

| | Computer Software |
|--------------------------------------|------------------------------|
| <u>Cost</u> | |
| Balance at January 1, 2022 | \$ 1,408 |
| Additions | 602 |
| Derecognition | <u>(185)</u> |
| Balance at December 31, 2022 | <u>\$ 1,825</u> |
| <u>Accumulated amortization</u> | |
| Balance at January 1, 2022 | \$ 664 |
| Amortization expense | 474 |
| Derecognition | <u>(185)</u> |
| Balance at December 31, 2022 | <u>\$ 953</u> |
| Carrying amount at December 31, 2022 | <u>\$ 872</u> |
| <u>Cost</u> | |
| Balance at January 1, 2021 | \$ 1,702 |
| Additions | 459 |
| Derecognition | <u>(753)</u> |
| Balance at December 31, 2021 | <u>\$ 1,408</u> |
| <u>Accumulated amortization</u> | |
| Balance at January 1, 2021 | \$ 989 |
| Amortization expense | 428 |
| Derecognition | <u>(753)</u> |
| Balance at December 31, 2021 | <u>\$ 664</u> |

Carrying amount at December 31, 2021 \$ 744

The above items of intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

Computer software 3-5 years

19. OTHER ASSETS

| | December 31 | |
|-------------------------------------|--------------------|---------------|
| | 2022 | 2021 |
| <u>Current</u> | | |
| Others | \$ <u>598</u> | \$ <u>572</u> |
| <u>Non-current</u> | | |
| Overdue receivables (Note) | \$ - | \$ 21 |
| Less: Allowance for impairment loss | <u>-</u> | <u>(21)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

Note: The Company reclassified the impairment loss of trade receivables and relevant allowance for impairment loss, which were evaluated individually, to overdue receivables.

20. SHORT-TERM BORROWINGS

Short-term Borrowings

| | December 31 | |
|----------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Unsecured bank loans | \$ <u>259,783</u> | \$ <u>345,467</u> |

The range of interest rates of unsecured bank loans was 5.150%-5.952% and 0.562%-0.830% at December 31, 2022 and 2021, respectively.

21. TRADE PAYABLES

| | December 31 | |
|----------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| <u>Trade payables</u> | | |
| Trade payables - operating | \$ <u>151,810</u> | \$ <u>249,102</u> |

22. OTHER LIABILITIES

| | <u>December 31</u> | |
|----------------------------------|--------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Current</u> | | |
| Other payables | | |
| Payable for salaries and bonuses | \$ 192,098 | \$ 126,279 |
| Payable for annual leave | 6,176 | 6,192 |
| Payable for purchase and selling | 5,426 | 5,860 |
| Interest payable | 851 | 134 |
| Other | <u>21,187</u> | <u>9,251</u> |
| | <u>\$ 225,738</u> | <u>\$ 147,716</u> |
| Other liabilities | | |
| Other | <u>\$ 1,862</u> | <u>\$ 1,617</u> |

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute 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 parent company only balance sheets in respect of the Company's defined benefit plans are as follows:

| | December 31 | |
|---------------------------------------------|--------------------|------------------|
| | 2022 | 2021 |
| Present value of defined benefit obligation | \$ 41,376 | \$ 46,255 |
| Fair value of plan assets | <u>(15,591)</u> | <u>(12,584)</u> |
| Net defined benefit liability | <u>\$ 25,785</u> | <u>\$ 33,671</u> |

Movements in net defined benefit liability are as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liability |
|-----------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------|----------------------------------------------|
| Balance at January 1, 2022 | <u>\$ 46,255</u> | <u>\$(12,584)</u> | <u>\$ 33,671</u> |
| Service cost | | | |
| Current service cost | 1,284 | - | 1,284 |
| Net interest expense (income) | <u>231</u> | <u>(68)</u> | <u>163</u> |
| Recognized in profit or loss | <u>1,515</u> | <u>(68)</u> | <u>1,447</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (518) | (518) |
| Actuarial gain - changes in financial assumptions | (3,869) | - | (3,869) |
| Actuarial gain - experience adjustments | <u>(1,147)</u> | <u>-</u> | <u>(1,147)</u> |
| Recognized in other comprehensive income | <u>(5,016)</u> | <u>(518)</u> | <u>(5,534)</u> |
| Contributions from the employer | <u>-</u> | <u>(3,799)</u> | <u>(3,799)</u> |
| Benefits paid | <u>(1,378)</u> | <u>1,378</u> | <u>-</u> |
| Balance at December 31, 2022 | <u>\$ 41,376</u> | <u>\$(15,591)</u> | <u>\$ 25,785</u> |
| Balance at January 1, 2021 | <u>\$ 47,246</u> | <u>\$(12,469)</u> | <u>\$ 34,777</u> |
| Service cost | | | |
| Current service cost | 1,269 | - | 1,269 |
| Net interest expense (income) | <u>236</u> | <u>(66)</u> | <u>170</u> |
| Recognized in profit or loss | <u>1,505</u> | <u>(66)</u> | <u>1,439</u> |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (86) | (86) |
| Actuarial loss - demographic assumptions | 1,158 | - | 1,158 |
| Actuarial gain - experience adjustments | <u>(846)</u> | <u>-</u> | <u>(846)</u> |
| Recognized in other comprehensive income | <u>312</u> | <u>(86)</u> | <u>226</u> |
| Contributions from the employer | <u>-</u> | <u>(2,771)</u> | <u>(2,771)</u> |
| Benefits paid | <u>(2,808)</u> | <u>2,808</u> | <u>-</u> |
| Balance at December 31, 2021 | <u>\$ 46,255</u> | <u>\$(12,584)</u> | <u>\$ 33,671</u> |

Through the defined benefit plans under the Labor Standards Act, the Company 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 are as follows:

| | December 31 | |
|-------------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Discount rate(s) | 1.375% | 0.500% |
| Expected rate(s) of salary increase | 2.750% | 3.000% |

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

| | December 31 | |
|-------------------------------------|--------------------|-------------------|
| | 2022 | 2021 |
| Discount rate(s) | | |
| 0.25% increase | <u>\$ (793)</u> | <u>\$ (1,040)</u> |
| 0.25% decrease | <u>\$ 818</u> | <u>\$ 1,077</u> |
| Expected rate(s) of salary increase | | |
| 0.25% increase | <u>\$ 794</u> | <u>\$ 1,034</u> |
| 0.25% decrease | <u>\$ (773)</u> | <u>\$ (1,004)</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.

| | December 31 | |
|----------------------------------------------------------|--------------------|-----------------|
| | 2022 | 2021 |
| The expected contributions to the plan for the next year | <u>\$ 1,767</u> | <u>\$ 1,775</u> |
| The average duration of the defined benefit obligation | 8.1 years | 9.4 years |

24. EQUITY

a.Share capital

Common stock

| | December 31 | |
|-------------------------------------------------------|---------------------|---------------------|
| | 2022 | 2021 |
| 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>212,657</u> | <u>178,657</u> |
| Shares issued | <u>\$ 2,126,572</u> | <u>\$ 1,786,572</u> |

Common stock issued had a par value of NT\$10, and holders have the right to vote and receive dividends.

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

On July 14, 2022, the Company's board meeting resolved to issue the first time employee restricted stock awards (RSAs) for the year 2022 in a total of 4,000 thousand shares. The aforementioned issuance of new shares was approved and the registration has been completed, and the subscription base date was on July 22, 2022.

In order to enrich operating capital, intensify financial structure and provide capital demands for the company's long term operating development, the Company raised fund and introduced strategic investors. On June 15, 2022, the Company held shareholder's meeting and a resolution was passed to increase cash capital by issuing 30,000 thousand common stock through private placement. On October 6, 2022, the Company's board of directors resolved to offer for subscription with the subscriber - Wt Microelectronics Co., Ltd. at a price of \$44.02 at premium, and a total cash of \$1,320,600 thousand was received. The subscription base date was on October 7, 2022, and the registration has been completed on October 25, 2022.

The aforementioned rights and obligations of private placement of new shares were same as which the common stock the Company had issued. However, in accordance with Article 43-8 under the Securities and Exchange Act, the common stock of this private placement shall not be freely transferred within three years from the date of subscription, except as otherwise specified in laws and regulations for

special circumstances. The board of directors was authorized to finish the public offering procedure ex post facto with the competent authority and apply for trading on the exchange or OTC market.

b. Capital surplus

| | <u>December 31</u> | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|
| | 2022 | 2021 |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note) | | |
| Issuance of common stock | \$ 1,301,615 | \$ 281,015 |
| Conversion of bonds | 111,200 | 111,200 |
| Treasury share transactions | 19,455 | 19,455 |
| The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | 15,334 | 15,887 |
| From business combinations | 289 | 289 |
| Other | <u>3,814</u> | <u>3,814</u> |
| | <u>1,451,707</u> | <u>431,660</u> |
| <u>May only be used to offset a deficit</u> | | |
| Changes in percentage of ownership interests in subsidiaries | 42,656 | 42,656 |
| Other | <u>1,226</u> | <u>1,037</u> |
| | <u>43,882</u> | <u>43,693</u> |
| <u>May not be used for any purpose</u> | | |
| Employee restricted shares | <u>125,911</u> | <u>-</u> |
| | <u>\$ 1,621,500</u> | <u>\$ 475,353</u> |

Note: 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 once a year).

c.Retained earnings and dividend policy

Under the dividends policy as set forth in the 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 (until the accumulated legal capital reserve equals the Company's paid-in capital), then set aside a special capital reserve for the Company's demand and in accordance with the laws and regulations. Dividends distributed by the Company are limited to 50% of the profit of the year. The Company's board of directors will propose a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors after the amendment, refer to compensation of employees and remuneration of directors in Note 26(g).

Considering the Company's environment and growth stage, dividends shall be distributed under the Articles 21, and the portion of cash dividends shall not be less than 30% of the dividends distributed to shareholders in response the future demand for funds and long-term financial plan.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset 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 appropriations of earnings for 2021 and 2020, which were approved in the shareholders' meetings on June 15, 2022 and July 22, 2021, respectively, were as follows:

| | Appropriation of Earnings | |
|---------------------------------|------------------------------------|-------------------|
| | For the Year Ended December | |
| | 31 | |
| | 2021 | 2020 |
| Legal reserve | <u>\$ 94,567</u> | <u>\$ 61,032</u> |
| Cash dividends | <u>\$ 714,629</u> | <u>\$ 553,837</u> |
| Cash dividends per share (NT\$) | <u>\$ 4.0</u> | <u>\$ 3.1</u> |

The appropriation of earnings for 2022, which were proposed by the Company's board of directors on March 13, 2023, were as follows:

| | For the Year Ended December 31, 2022 |
|---------------------------------|---------------------------------------------------------|
| Legal reserve | <u>\$ 149,647</u> |
| Special reserve | <u>\$ 40,925</u> |
| Cash dividends | <u>\$ 1,169,614</u> |
| Cash dividends per share (NT\$) | <u>\$ 5.5</u> |

The above appropriation of earnings for 2022 will be resolved by the shareholders in their meeting to be held on June 15, 2023.

d. Special reserve

| | For the Year Ended December 31 | |
|--------------------------------------|-------------------------------------------|------------------|
| | <u>2022</u> | <u>2021</u> |
| Balance at January 1 and December 31 | <u>\$ 10,950</u> | <u>\$ 10,950</u> |

A proportionate share of special reserve relating to exchange differences from the translation of the financial statements of foreign operations (including the subsidiaries of the Company) will be reversed on the Company's disposal of foreign operations; on the Company's loss of significant influence, however, the entire special reserve will be reversed. Additional special reserve should be appropriated for the amount equal to the difference between net debit balance reserves and the special reserve appropriated on the first-time adoption of IFRSs. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

e. Others equity items

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

| | For the Year Ended December | |
|-------------------------------------------------------------------------------------------|------------------------------------|-------------------|
| | 31 | |
| | 2022 | 2021 |
| Balance at January 1 | <u>\$(54,771)</u> | <u>\$(45,955)</u> |
| Recognized for the year | | |
| Exchange differences on the translation of the financial statements of foreign operations | 12,889 | (5,586) |
| Share of subsidiaries accounted for using the equity method | 7,556 | (3,220) |
| Reclassification adjustments | | |
| Share from the disposal of subsidiaries accounted for using the equity method | <u>(18)</u> | <u>-</u> |
| Other comprehensive income recognized for the year | <u>20,427</u> | <u>(8,806)</u> |
| Changes in percentage of ownership interest in subsidiaries | <u>-</u> | <u>(10)</u> |
| Balance at December 31 | <u>\$(34,344)</u> | <u>\$(54,771)</u> |

2) Unrealized valuation gain (loss) on financial assets at FVTOCI

| | For the Year Ended December | |
|---------------------------------------------------------------------------------------------------|------------------------------------|-------------------|
| | 31 | |
| | 2022 | 2021 |
| Balance at January 1 | <u>\$ 86,237</u> | <u>\$ 153,554</u> |
| Recognized for the year | | |
| Unrealized (loss) gain on equity instruments | (64,502) | 20,291 |
| Share from subsidiaries accounted for using equity method | <u>(28,316)</u> | <u>38,072</u> |
| Other comprehensive income recognized for the year | <u>(92,818)</u> | <u>58,363</u> |
| Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal | <u>-</u> | <u>(125,680)</u> |

Balance at December 31

\$ (6,581)

\$ 86,237

25. REVENUE

**For the Year Ended December
31**

2022

2021

Revenue from contracts with customers

Revenue from the sale of goods

\$ 1,915,945

\$ 2,315,539

a.Contract information

Revenue from sale of goods

The Company sells electronic components to the manufacturers of the information products, video products, and electronic communication products. The amount of discount and related revenue are estimated using the most likely amount, taking into consideration the customer's historical purchase records. All other goods are sold at their respective amounts as agreed in the contracts.

b. Contract balances

| | December 31, 2022 | December 31, 2021 | January 1, 2021 |
|----------------------------------|------------------------------|------------------------------|----------------------------|
| Trade receivables, net (Note 11) | <u>\$ 543,830</u> | <u>\$ 687,372</u> | <u>\$ 553,206</u> |
| Contract liabilities - current | | | |
| Advance on contract | <u>\$ 357</u> | <u>\$ 1,237</u> | <u>\$ 1,668</u> |

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's satisfaction of performance obligations and the respective customer's payment. The revenue recognized from the contract liability balance at the beginning for the year, which amounted to \$1,237 thousand and \$1,668 thousand for the years ended December 31, 2022 and 2021, respectively.

26. NET PROFIT FOR THE YEAR

a.Interest income

| | For the Year Ended December 31 | |
|-------------------------------------------------|-------------------------------------------|-----------------|
| | 2022 | 2021 |
| Bank deposits | \$ 4,582 | \$ 2,299 |
| Financing provided to related parties (Note 36) | 1,571 | 1,017 |
| Others | <u>187</u> | <u>84</u> |
| | <u>\$ 6,340</u> | <u>\$ 3,400</u> |

b. Other income

| | For the Year Ended December | |
|---------------------------------------|------------------------------------|------------------|
| | 31 | |
| | <u>2022</u> | <u>2021</u> |
| Dividends income | \$ 20,994 | \$ 9,685 |
| Rental income | | |
| Investment properties | 13,086 | 12,597 |
| Depreciation of investment properties | <u>(301)</u> | <u>(301)</u> |
| | <u>12,785</u> | <u>12,296</u> |
| Payroll allocation | <u>65,345</u> | <u>47,752</u> |
| Remuneration of director acquired | <u>9,963</u> | <u>6,894</u> |
| Others | <u>9,496</u> | <u>7,368</u> |
| | <u>\$ 118,583</u> | <u>\$ 83,995</u> |

c. Other gains and losses

| | For the Year Ended December 31 | |
|------------------------------------------------------------------|-------------------------------------------|--------------------|
| | 2022 | 2021 |
| Fair value changes of financial assets and financial liabilities | | |
| Financial assets mandatorily classified as at FVTPL | \$ 150 | \$ 68 |
| Gain on disposal of investment | 660,235 | - |
| Impairment loss | - | (13,122) |
| Net foreign exchange gain (loss) | <u>1,923</u> | <u>(1,445)</u> |
| | 662,308 | (14,499) |
| Other gains and losses from discontinued operation | <u>(660,235)</u> | <u>-</u> |
| | <u>\$ 2,073</u> | <u>\$ (14,499)</u> |

d. Finance costs

| | For the Year Ended December 31 | |
|-----------------------------|-------------------------------------------|-----------------|
| | 2022 | 2021 |
| Interest on bank loans | \$ 7,763 | \$ 1,964 |
| Interest on rental deposits | <u>8</u> | <u>9</u> |
| | <u>\$ 7,771</u> | <u>\$ 1,973</u> |

e. Depreciation and amortization

| | For the Year Ended December 31 | |
|-----------------------------------------|-------------------------------------------|-----------------|
| | 2022 | 2021 |
| Property, plant and equipment | \$ 3,188 | \$ 3,240 |
| Investment properties | 301 | 301 |
| Intangible assets | <u>474</u> | <u>428</u> |
| | <u>\$ 3,963</u> | <u>\$ 3,969</u> |
| An analysis of depreciation by function | | |
| Operating expenses | \$ 3,188 | \$ 3,240 |
| Non-operating income and expenses | <u>301</u> | <u>301</u> |
| | <u>\$ 3,489</u> | <u>\$ 3,541</u> |
| An analysis of amortization by function | | |
| Operating expenses | <u>\$ 474</u> | <u>\$ 428</u> |

f. Employee benefits expense

| | For the Year Ended December 31 | |
|------------------------------------------------------|-------------------------------------------|-------------------|
| | 2022 | 2021 |
| Post-employment benefits | | |
| Defined contribution plan | 4,849 | 4,796 |
| Defined benefit plans (Note 23) | <u>1,447</u> | <u>1,439</u> |
| | 6,296 | 6,235 |
| Share-based payments (Note 29) | | |
| Equity-settled | 11,974 | - |
| Other employee benefits | <u>225,229</u> | <u>155,394</u> |
| Total employee benefits expense | <u>\$ 243,499</u> | <u>\$ 161,629</u> |
| An analysis of employee benefits expense by function | | |
| Operating expenses | <u>\$ 243,499</u> | <u>\$ 161,629</u> |

The average numbers of employees are 153 and 151 for the years ended December 31, 2022 and 2021.

g. Compensation of employees and remuneration of directors

If the Company made a profit in a fiscal year, the Company accrues compensation of employees and remuneration of directors at rates of no less than 5% and no higher than 3%, respectively. However, the Company should offset a deficit first when the Company has accumulated a deficit. The aforementioned payment objects include employees of affiliated companies who meet certain conditions. The compensation of employees and the remuneration of directors for the years ended December 31, 2022 and 2021, which were calculated on the basis of historical experience and operating conditions, were approved by the Company's board of directors on March 13, 2023 and March 23, 2022, respectively, are as follows (after the shareholders' meeting on July 22, 2021, the Company has set up audit committee to replace the supervisors):

| | For the Year Ended December 31 | |
|-------------------------------------------|-------------------------------------------|------------------|
| | 2022 | 2021 |
| | Cash | Cash |
| Compensation of employees | <u>\$ 121,401</u> | <u>\$ 71,747</u> |
| Remuneration of directors and supervisors | <u>\$ 26,014</u> | <u>\$ 15,374</u> |

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

There is 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 in 2022 and 2021 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAXES

a. Major components of tax expense recognized in profit or loss

| | For the Year Ended December 31 | |
|----------------------------------------------------------------|-------------------------------------------|------------------|
| | 2022 | 2021 |
| Current tax | | |
| In respect of the current year | \$ 68,038 | \$ 89,381 |
| Income tax on unappropriated earnings | 6,824 | - |
| Additional income tax under the Alternative Minimum Tax Act | 9,898 | - |
| Adjustments for prior year | <u>-</u> | <u>27</u> |
| | 84,760 | 89,408 |
| Deferred tax | | |
| In respect of the current year | <u>(14,901)</u> | <u>10,262</u> |
| Income tax expense recognized in profit or loss | <u>\$ 69,859</u> | <u>\$ 99,670</u> |

A reconciliation of accounting profit and income tax expense is as follows:

| | For the Year Ended December 31 | |
|----------------------------------------------------------------|-------------------------------------------|-------------------|
| | 2022 | 2021 |
| Profit before tax from continuing operations | <u>\$ 1,557,904</u> | <u>\$ 919,089</u> |
| Income tax expense calculated at the statutory rate | \$ 311,580 | \$ 183,818 |
| Nondeductible expenses in determining taxable income | 129 | 129 |
| Tax exempt income | (258,572) | (86,928) |
| Income tax on unappropriated earnings | 6,824 | - |
| Additional income tax under the Alternative Minimum Tax Act | 9,898 | - |
| Unrecognized deductible temporary differences | - | 2,624 |
| Adjustments for prior years' tax | <u>-</u> | <u>27</u> |
| Income tax expense recognized in profit or loss | <u>\$ 69,859</u> | <u>\$ 99,670</u> |

b. Current tax liabilities

| | December 31 | |
|--------------------------------|--------------------|------------------|
| | 2022 | 2021 |
| <u>Current tax liabilities</u> | | |
| Income tax payable | <u>\$ 30,940</u> | <u>\$ 51,452</u> |

c. 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 or Loss | Recognized in Other Comprehen- sive Income | Closing Balance |
|--------------------------------------------|----------------------------|---------------------------------------------|---------------------------------------------------------------|----------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Defined benefit obligation | \$ 6,402 | \$ (470) | \$ (1,107) | \$ 4,825 |
| Provision for loss on inventories | 1,468 | 1,484 | - | 2,952 |
| Payable for annual leave | 1,238 | (3) | - | 1,235 |
| Unrealized gross profit on sales | 338 | 3,612 | - | 3,950 |
| Unrealized exchange loss | 141 | 186 | - | 327 |
| Unrealized sales allowance | <u>100</u> | <u>36</u> | <u>-</u> | <u>136</u> |
| | <u>\$ 9,687</u> | <u>\$ 4,845</u> | <u>\$ (1,107)</u> | <u>\$ 13,425</u> |
| <u>Deferred tax liabilities</u> | | | | |
| Temporary differences | | | | |
| Share of profit or loss of subsidiaries | <u>\$ 76,577</u> | <u>\$(10,056)</u> | <u>\$ -</u> | <u>\$ 66,521</u> |

For the year ended December 31, 2021

| | Opening Balance | Recognized in Profit or Loss | Recognized in Other Comprehen- sive Income | Closing Balance |
|--------------------------------------|----------------------------|---------------------------------------------|---------------------------------------------------------------|----------------------------|
| <u>Deferred tax assets</u> | | | | |
| Temporary differences | | | | |
| Defined benefit obligation | \$ 6,623 | \$ (266) | \$ 45 | \$ 6,402 |
| Provision for loss on inventories | 1,530 | (62) | - | 1,468 |
| Unrealized gross profit on sales | 1,165 | (827) | - | 338 |
| Payable for annual leave | 1,093 | 145 | - | 1,238 |
| Unrealized exchange loss | 641 | (500) | - | 141 |
| Unrealized sales allowance | <u>6</u> | <u>94</u> | <u>-</u> | <u>100</u> |
| | <u>\$ 11,058</u> | <u>\$ (1,416)</u> | <u>\$ 45</u> | <u>\$ 9,687</u> |

Deferred tax liabilities

Temporary differences

Share of profit or loss of
subsidiaries

\$ 67,731

\$ 8,846

\$ -

\$ 76,577

d. Deductible temporary differences for which no deferred tax assets have
been recognized in the balance sheets

December 31

2022

2021

Deductible temporary differences

Impairment loss on goodwill

\$ 50,011

\$ 50,011

f. Income tax assessments

The income tax returns through 2020 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

**For the Year Ended December
31**

2022

2021

Basic earnings per share

From continuing operations

\$ 4.21

\$ 4.31

From discontinued operations

3.81

0.28

Total basic earnings per share

\$ 8.02

\$ 4.59

Diluted earnings per share

From continuing operations

\$ 4.14

\$ 4.27

From discontinued operations

3.75

0.28

Total diluted earnings per share

\$ 7.89

\$ 4.55

The earnings and weighted average number of common stock outstanding used in computation of earnings per share were as follows:

Net Profit for the Year

For the Year Ended December

| | 31 | |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| | <u>2022</u> | <u>2021</u> |
| Earnings used in the computation of basic earnings per share | \$ 1,488,045 | \$ 819,419 |
| Less: Profit for the year from discontinued operations used in the computation of basic earnings per share from discontinued operations | <u>707,013</u> | <u>50,445</u> |
| Earnings used in the computation of diluted earnings per share from continuing operations | <u>\$ 781,032</u> | <u>\$ 768,974</u> |

Weighted average number of common stock outstanding (in thousand shares):

| | For the Year Ended December | |
|---------------------------------------------------------------------------------------------------|------------------------------------|--------------------|
| | 31 | |
| | 2022 | 2021 |
| Weighted average number of common stock used in the computation of basic earnings per share | 185,726 | 178,657 |
| Effect of potentially dilutive common stock | | |
| Compensation of employees | 2,605 | 1,578 |
| Share-based payment arrangements | <u>379</u> | <u>-</u> |
| Weighted average number of common stock used in the computation of diluted earnings per share | <u>188,710</u> | <u>180,235</u> |

The Company may settle compensation or bonuses paid to employees in cash or shares, therefore, the Company assumes that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. SHARE-BASED PAYMENT ARRANGEMENTS

On March 23, 2022, the Company's board meeting resolved to issue employ restricted stock awards (RSAs), consisting of 4,000 thousand shares with a par value of NT\$10, in a total amount of \$40,000 thousand at a price of 50% of the closing price on the issuing date. This proposal was approved and became effective by the Financial Supervisory Commission (FSC) dated July 12, 2022. The Company's board meeting resolved to issue the RSAs on July 14, 2022, and the subscription base date was on July 22, 2022. The issue price and the fair value at grant date were \$21.93 per share and \$21.92 per share, respectively. If an employee remains employed by the Company for two years after that grant date, 40% of the restricted shares will be vested; if an employee remains employed by the Company for three years after that grant date, 30% of the restricted shares will be vested; if an employee remains employed by the Company for four years after that grant date, 30% of the restricted shares will be vested. There were 4,000 thousand of shares that had not met the vesting conditions as of the reporting date.

Movements in RSAs are as follows:

| | Common stock | Capital Surplus - Restricted Stock Units | Capital Surplus - Issue of Shares at Premium | Other Equity - Unearned Stock-based Employee Compensatio n |
|--------------------------------------------------|-------------------------|-------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Amounts at July 14, 2022, the grant date of RSAs | \$ 40,000 | \$ 125,911 | \$ - | \$ (82,937) |
| Share-based payments recognized | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,551</u> |
| Balance at December 31, 2022 | <u>\$ 40,000</u> | <u>\$ 125,911</u> | <u>\$ -</u> | <u>\$ (67,386)</u> |

The restrictions on the rights of the employees who acquire the restricted shares but have not met the vesting

conditions are as follows:

- a) The RSAs should be held in stock trust. During each vesting period, no employee granted RSAs, except for inheritance, may sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, any shares under the unvested RSAs.
- b) The voting rights of the shareholders meeting shall be exercised by trust custodians in accordance with relevant laws and regulations.
- c) Before the vesting conditions are fulfilled, the employees holding these shares are entitled to receive cash and share dividends, which are the same as those of holders of common stock of the Company. However, the employees holding these shares are not entitled with the subscription right of the new shares issued for any capital increase.

30. ACQUISITION OF SUBSIDIARIES - WITH OBTAINED CONTROL

For details about the acquisition of Koho (Taiwan) Co., Ltd., refer to Note 30 to the Company's consolidated financial statements for the year ended December 31, 2022.

31. DISPOSAL OF SUBSIDIARIES - WITH LOSS OF CONTROL

For details about the disposal of Sentelic Corporation, refer to Note 31 to the Company's consolidated financial statements for the year ended December 31, 2022.

32. PARTIAL ACQUISITION OF SUBSIDIARIES - WITHOUT LOSS OF CONTROL

For details about the partial acquisition of Koho (Taiwan) Co., Ltd., refer to Note 32 to the Company's consolidated financial statements for the year ended December 31, 2022.

33. CASH FLOWS INFORMATION

Changes in Liabilities from Financing Activities

For the year ended December 31, 2022

| | Opening Balance | Cash Flows | Closing Balance |
|-----------------------------|----------------------------|-------------------|----------------------------|
| Short-term borrowings | \$ 345,467 | \$ (85,684) | \$ 259,783 |
| Guarantee deposits received | <u>1,058</u> | <u>36</u> | <u>1,094</u> |

| | | | |
|---------------------------------------------|----------------------------|--------------------|----------------------------|
| | <u>\$ 346,525</u> | <u>\$ (85,648)</u> | <u>\$ 260,877</u> |
| <u>For the year ended December 31, 2021</u> | | | |
| | Opening Balance | Cash Flows | Closing Balance |
| Short-term borrowings | \$ 229,425 | \$ 116,042 | \$ 345,467 |
| Guarantee deposits received | <u>1,058</u> | <u>-</u> | <u>1,058</u> |
| | <u>\$ 230,483</u> | <u>\$ 116,042</u> | <u>\$ 346,525</u> |

34. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern to fund its working capital needs, repayment of bank loan, and dividend expense over the next 12 months while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of net debt and equity of the Company.

The Company is not subject to any externally imposed capital requirements.

35. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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 |
|---------------------------------------------------------------------|-------------------|----------------|------------------|-------------------|
| Financial assets mandatorily classified as <u>at FVTPL</u> | | | | |
| Domestic mutual funds | <u>\$ 100,006</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 100,006</u> |
| <u>Financial assets at FVTOCI</u> | | | | |
| Investments in equity instruments | | | | |
| Listed shares | \$ 187,273 | \$ - | \$ - | \$ 187,273 |
| Unlisted shares | <u>-</u> | <u>-</u> | <u>93,384</u> | <u>93,384</u> |
| | <u>\$ 187,273</u> | <u>\$ -</u> | <u>\$ 93,384</u> | <u>\$ 280,657</u> |

December 31, 2021

| | Level 1 | Level 2 | Level 3 | Total |
|---------------------------------------------------------------------|----------------|----------------|----------------|--------------|
| Financial assets mandatorily classified as <u>at FVTPL</u> | | | | |

| | | | | |
|-----------------------------------|------------------|-------------|------------------|-------------------|
| Domestic mutual funds | <u>\$ 60,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 60,000</u> |
| <u>Financial assets at FVTOCI</u> | | | | |
| Investments in equity instruments | | | | |
| Listed shares | \$ 58,654 | \$ - | \$ - | \$ 58,654 |
| Unlisted shares | <u>-</u> | <u>-</u> | <u>88,711</u> | <u>88,711</u> |
| | <u>\$ 58,654</u> | <u>\$ -</u> | <u>\$ 88,711</u> | <u>\$ 147,365</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

For the year ended December 31, 2022

| Financial Assets | Financial Assets at FVTOCI Equity Instruments |
|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Balance at January 1, 2022 | \$ 88,711 |
| Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI) | <u>4,673</u> |
| Balance at December 31, 2022 | <u>\$ 93,384</u> |

For the year ended December 31, 2021

| Financial Assets | Financial Assets at FVTOCI Equity Instruments |
|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Balance at January 1, 2021 | \$ 72,509 |
| Recognized in other comprehensive income (included in unrealized valuation gain/(loss) on financial assets at FVTOCI) | <u>16,202</u> |
| Balance at December 31, 2021 | <u>\$ 88,711</u> |

3) Valuation techniques and inputs applied for Level 3 fair value measurement

| <u>Financial Instruments</u> | <u>Valuation Techniques and Inputs</u> |
|------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Unlisted shares - domestic | The asset-based approach is used for evaluation based on the total value of individual assets and individual liabilities to show the overall value of the investment target. Significant unobservable inputs are discounted by considering market |

liquidity.

c.Categories of financial instruments

| | <u>December 31</u> | |
|----------------------------------------|--------------------|-------------|
| | <u>2022</u> | <u>2021</u> |
| <u>Financial assets</u> | | |
| FVTPL | | |
| Mandatorily classified as at FVTPL | \$ 100,006 | \$ 60,000 |
| Financial assets at amortized cost | | |
| Cash and cash equivalents | 612,381 | 173,385 |
| Notes receivables, net | 2,599 | 5,035 |
| Trade receivable, net | 543,830 | 687,372 |
| Trade receivables from related parties | 49,810 | 33,117 |

(Continued)

| | December 31 | |
|--------------------------------------------------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Other receivables | \$ 3,063 | \$ 611 |
| Other receivables from related parties | 544,778 | 6,929 |
| Refundable deposits | 815 | 800 |
| Overdue receivables (included in other non-current assets) | - | - |
| Financial assets at amortized cost (included in current and non-current) | 810,150 | 150 |
| Financial assets at FVTOCI (included in current and non-current) | | |
| Equity instruments | 280,657 | 147,365 |
| <u>Financial liabilities</u> | | |
| Amortized cost | | |
| Short-term borrowings | 259,783 | 345,467 |
| Trade payables | 151,810 | 249,102 |
| Trade payables to related parties | 56,964 | 31,824 |
| Other payables | 27,464 | 15,245 |
| Other payables to related parties | 180 | 156 |
| Guarantee deposits received | 1,094 | 1,058 |
| | | (Concluded) |

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, trade receivables, trade payables, long term and short term borrowings. The Company's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Company through internal risk reports that analyze exposures by degree and magnitude of risks. 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 expose it primarily to the financial risk of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

The Company have foreign currency denominated sales and purchases, which expose the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the year

are set out in Note 39.

Sensitivity analysis

The Company is mainly exposed to the USD.

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the year for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit, for a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

| | USD Impact | |
|----------------|------------------------------------|-----------------|
| | For the Year Ended December | |
| | 31 | |
| | 2022 | 2021 |
| Profit or loss | <u>\$ 5,540</u> | <u>\$ 2,203</u> |

b) Interest rate risk

Interest rate risk refers to the risk that the change in market value will influence the fair value of financial instruments. The Company's interest rate risk arises primarily from investment at fixed interest rates and borrowings at floating interest rates.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

| | December 31 | |
|-------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Fair value interest rate risk | | |
| Financial assets | \$ 1,396,000 | \$ 121,155 |
| Financial liabilities | 221,395 | 345,467 |
| Cash flow interest rate risk | | |
| Financial assets | 26,288 | 52,133 |
| Financial liabilities | 38,388 | - |

Sensitivity analysis

The sensitivity analysis below was determined based on the Company's exposure to interest rates for non-derivative instruments at the end of year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year.

If interest rates had been 50 basis points higher and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2022 and 2021 would have (decreased) increased by \$(61) thousand and \$261 thousand, respectively.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities.

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 been 1% higher, the post-tax other comprehensive income for the year ended December 31, 2022 and 2021 would have increased by \$1,873 thousand and \$587 thousand, respectively, as a result of the changes in fair value of financial assets at FVTOCI.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. At the end of the year, the Company's maximum exposure to credit risk due to failure of counterparties to discharge an obligation could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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 year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company transacts with all kinds of customers, which separated in different industries and geographical location, the Company's exposure and the operating performance of its counterparties are continuously monitored. The Company transacted with a large number of customers from various industries and geographical locations. The Company continuously assesses the financial positions of customers.

The receivables from Company A amounted to \$91,172 thousand and \$66,051 thousand, and from Company B amounted to \$35,243 thousand and \$80,419 thousand as of December 31, 2022 and 2021, respectively. The Company transacts with a large number of unrelated customers and thus, credit risk is not highly concentrated.

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.

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 have 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 the agreed repayment dates.

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the year.

The non-interest-bearing financial liabilities of the Company's current liabilities are due within one year and not required to be paid off. Guarantee deposits received in non-current financial liabilities are mainly deposited by lessee as credit guarantees and have no specific maturity date.

December 31, 2022

| | On Demand or Less than 1 Month | 1-6 Months | 7 Months to 1 Year | 1-5 Years | 5+ Years |
|------------------------------------|-----------------------------------------------|-------------------|-------------------------------|------------------|-----------------|
| Variable interest rate liabilities | \$ 170 | \$ 38,695 | \$ - | \$ - | \$ - |
| Fixed interest rate liabilities | <u>96,057</u> | <u>127,060</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 96,227</u> | <u>\$ 165,755</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

December 31, 2021

| | On Demand or Less than 1 Month | 1-6 Months | 7 Months to 1 Year | 1-5 Years | 5+ Years |
|---------------------------------|-----------------------------------------------|-------------------|-------------------------------|------------------|-----------------|
| Fixed interest rate liabilities | <u>\$ 124,306</u> | <u>\$ 221,518</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the year.

36. TRANSACTIONS WITH RELATED PARTIES

Besides as disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

| <u>Related Party Name</u> | <u>Related Party Category</u> |
|-----------------------------------------|-------------------------------|
| Lipers Enterprise Co., Ltd. | Subsidiary |
| Scope Technology Co., Ltd. | Subsidiary |
| Advance Electronic Supply Inc. | Subsidiary |
| Vic-Dawn Enterprise Co., Ltd. | Subsidiary |
| Tonsam Corporation | Subsidiary |
| Sentelic Corporation | Subsidiary (Note 1) |
| Koho (Taiwan) Co., Ltd. | Subsidiary (Note 2) |
| Nichidenbo (Shenzhen) Trading Co., Ltd. | Subsidiary |
| Nichidenbo Suzhou Trading Co., Ltd. | Subsidiary |
| Lipers (Hong Kong) Enterprise Co., Ltd. | Subsidiary |
| Lipers Electronic (SZ) Co., Ltd. | Subsidiary |

Note 1: The Company participated in Weltrend semiconductor incorporated's takeover bid for 10,710,000 common shares of Sentelic corporation on August 24, 2022. The Company's shareholding in Sentelic Corporation decreased from 46.00% to 9.68%. The control of Sentelic Corporation was passed to the acquirer. And, the unsold interest was

recorded in financial asset at FVTOCI. Therefore, the profit/loss only disclosed until July 31, 2022.

Note 2: The Company acquired Koho (Taiwan) Co., Ltd., at a consideration of \$81,600 thousand on January 26 and March 3, 2022. The Company holds a 85% interest in Koho (Taiwan) Co., Ltd. and, therefore, has control over Koho (Taiwan) Co., Ltd.

b. Revenue from sale of goods

| Related-party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Subsidiaries | <u>\$ 136,686</u> | <u>\$ 116,707</u> |

Sales of goods from related parties were made at arm's length.

c. Purchases of goods

| Related-party Category | For the Year Ended December 31 | |
|-------------------------------|---------------------------------------|-------------------|
| | 2022 | 2021 |
| Subsidiaries | <u>\$ 135,085</u> | <u>\$ 126,508</u> |

Purchases of goods from related parties were made at arm's length.

d. Receivables from related parties (excluding borrowings to related parties)

| Line Item | Related-party Category/Name | December 31 | |
|-------------------|------------------------------------|--------------------|------------------|
| | | 2022 | 2021 |
| Trade receivables | Subsidiaries | <u>\$ 49,810</u> | <u>\$ 33,117</u> |
| Other receivables | Scope Technology Co., Ltd. | \$ 3,846 | \$ 3,344 |
| | Lipers Enterprise Co., Ltd. | 1,365 | 1,419 |
| | Advance Electronic Supply Inc. | 942 | 1,323 |
| | Other subsidiaries | <u>1,625</u> | <u>843</u> |
| | | <u>\$ 7,778</u> | <u>\$ 6,929</u> |

| | | | |
|----------------------------------------------------------------------|--------------|--------------|--------------|
| Payment on behalf of others (included in other current assets) | Subsidiaries | <u>\$ 17</u> | <u>\$ 16</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 related parties.

e. Refundable deposits

| Related-party Name | <u>December 31</u> | |
|-------------------------------|--------------------|---------------|
| | <u>2022</u> | <u>2021</u> |
| Lipers Enterprise Co., Ltd. | \$ 493 | \$ 479 |
| Vic-Dawn Enterprise Co., Ltd. | <u>320</u> | <u>320</u> |
| | <u>\$ 813</u> | <u>\$ 799</u> |

f. Payables to related parties

| Line Item | Related-party Category/Name | December 31 | |
|----------------|--------------------------------|------------------|------------------|
| | | 2022 | 2021 |
| Trade payables | Advance Electronic Supply Inc. | \$ 43,042 | \$ 24,326 |
| | Subsidiaries | <u>13,922</u> | <u>7,498</u> |
| | | <u>\$ 56,964</u> | <u>\$ 31,824</u> |
| Other payables | Other subsidiaries | <u>\$ 180</u> | <u>\$ 156</u> |

The outstanding trade payables to related parties are unsecured.

g. Guarantee deposits received

| Related-party Name | December 31 | |
|--------------------------------|---------------|---------------|
| | 2022 | 2021 |
| Vic-Dawn Enterprise Co., Ltd. | \$ 231 | \$ 231 |
| Scope Technology Co., Ltd. | 197 | 197 |
| Advance Electronic Supply Inc. | 197 | 197 |
| Tonsam Corporation | 123 | 123 |
| Lipers Enterprise Co., Ltd. | 98 | 98 |
| Koho (Taiwan) Co., Ltd. | <u>36</u> | <u>-</u> |
| | <u>\$ 882</u> | <u>\$ 846</u> |

h. Lease arrangements - the Company is lessee

| Related-party Name | December 31 | |
|-------------------------------|-----------------|-----------------|
| | 2022 | 2021 |
| <u>Lease expense</u> | | |
| Lipers Enterprise Co., Ltd. | \$ 4,280 | \$ 4,219 |
| Vic-Dawn Enterprise Co., Ltd. | <u>2,245</u> | <u>2,245</u> |
| | <u>\$ 6,525</u> | <u>\$ 6,464</u> |

The Company leased place of operation from subsidiaries. The rental is based on local rates and are paid monthly.

i. Lease arrangements - the Company is lessor

Lease arrangements - the Company is lessor under operating leases

The total amount of lease payments to be collected in the future are summarized as follow:

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|-----------------|
| | 2022 | 2021 |
| Advance Electronic Supply Inc. | \$ 1,547 | \$ 1,547 |
| Scope Technology Co., Ltd. | 1,507 | 1,507 |
| Tonsam Corporation | 926 | 926 |
| Lipers Enterprise Co., Ltd. | 816 | 816 |
| Other subsidiaries | <u>700</u> | <u>607</u> |
| | <u>\$ 5,496</u> | <u>\$ 5,403</u> |

Lease income was as follows:

| Related Party Category/Name | For the Year Ended December 31 | |
|------------------------------------|---------------------------------------|------------------|
| | 2022 | 2021 |
| Advance Electronic Supply Inc. | \$ 3,208 | \$ 3,198 |
| Scope Technology Co., Ltd. | 3,152 | 3,158 |
| Lipers Enterprise Co., Ltd. | 1,639 | 1,647 |
| Tonsam Corporation | 1,419 | 1,419 |
| Other subsidiaries | <u>1,614</u> | <u>1,133</u> |
| | <u>\$ 11,032</u> | <u>\$ 10,555</u> |

The rental of place of operation between the Company and its related parties are based on local rates and are paid monthly.

j. Loans to related parties

| Related Party Category | December 31 | |
|--------------------------------|--------------------|-------------|
| | 2022 | 2021 |
| Lipers Enterprise Co., Ltd. | \$ 210,000 | \$ - |
| Scope Technology Co., Ltd. | 200,000 | - |
| Advance Electronic Supply Inc. | 70,000 | - |
| Koho (Taiwan) Co., Ltd. | <u>57,000</u> | <u>-</u> |

\$ 537,000 \$ -

Interest revenue

| Related Party Category/Name | December 31 | |
|------------------------------------|--------------------|-----------------|
| | 2022 | 2021 |
| Lipers Enterprise Co., Ltd. | \$ 607 | \$ 722 |
| Other subsidiaries | <u>964</u> | <u>295</u> |
| | <u>\$ 1,571</u> | <u>\$ 1,017</u> |

As of December 31, 2022 and 2021, the ending balance of loans to related parties were \$537,000 thousand and \$0 thousand, respectively. The highest balance of loans to Lipers Enterprise Co., Ltd., Scope Technology Co., Ltd., Advance Electronic Supply Inc., and Koho (Taiwan) Co., Ltd. for the year 2022 were \$340,000 thousand, \$600,000 thousand, \$190,000 thousand, and \$80,000 thousand, respectively. The highest balance of loans to Lipers Enterprise Co., Ltd., and Scope Technology Co., Ltd., for the year 2022 were both \$100,000 thousand.

The Company provided short-term loans to subsidiaries with unsecured short-term loans at rates comparable to market interest rates during the year 2022 and 2021.

k. Other transactions with related parties

| Related Party Category/Name | For the Year Ended December | |
|----------------------------------------------------------------------|------------------------------------|------------------|
| | 2022 | 2021 |
| <u>Payroll allocation (included in deduction of payroll expense)</u> | | |
| Scope Technology Co., Ltd. | \$ 36,682 | \$ 34,662 |
| Other subsidiaries | <u>35,938</u> | <u>34,548</u> |
| | <u>\$ 72,620</u> | <u>\$ 69,210</u> |
| <u>Operation expense</u> | | |
| Subsidiaries | <u>\$ 1,791</u> | <u>\$ 1,692</u> |
| <u>Interest income</u> | | |
| Other subsidiaries | <u>\$ 6</u> | <u>\$ 6</u> |
| <u>Other income</u> | | |
| Scope Technology Co., Ltd. | \$ 38,578 | \$ 28,899 |
| Lipers Enterprise Co., Ltd. | 12,135 | 9,974 |
| Advance Electronic Supply Inc. | 11,302 | 9,182 |
| Other subsidiaries | <u>10,934</u> | <u>5,881</u> |
| | <u>\$ 72,949</u> | <u>\$ 53,936</u> |
| <u>Finance costs</u> | | |
| Subsidiaries | <u>\$ 7</u> | <u>\$ 7</u> |

The management service income between the Company and its subsidiaries are based on the service provided and received monthly.

1. Remuneration of key management personnel

| | For the Year Ended December 31 | |
|------------------------------|-------------------------------------------|------------------|
| | 2022 | 2021 |
| Short-term employee benefits | \$ 110,862 | \$ 76,602 |
| Post-employment benefits | 1,798 | 1,648 |
| Share-based payments | <u>10,419</u> | <u>-</u> |
| | <u>\$ 123,079</u> | <u>\$ 78,250</u> |

The remuneration of directors and key executives, as determined by the remuneration committee, is based on the performance of individuals and market trends. The short-term employee benefits above includes issuance on behalf of the subsidiaries.

37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for lawsuits and payment of purchase. The carrying amounts were as follows:

| | December 31 | |
|--------------------------------------------------|--------------------|------------------|
| | 2022 | 2021 |
| Property, plant and equipment | \$ 55,494 | \$ 55,651 |
| Investment properties | 33,714 | 33,822 |
| Financial assets at amortized cost - non-current | <u>150</u> | <u>150</u> |
| | <u>\$ 89,358</u> | <u>\$ 89,623</u> |

38. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. As of December 31, 2022 and 2021, outstanding endorsement/guarantee are as follows:

| | For the Year Ended December 31 | |
|----------------------------|-------------------------------------------|--------------|
| | 2022 | 2021 |
| Scope Technology Co., Ltd. | \$ 2,494,910 | \$ 2,342,880 |

| | | |
|----------------------------------------------------------------------------------------|---------------------|---------------------|
| Lipers Enterprise Co., Ltd. | 827,485 | 530,000 |
| Advance Electronic Supply Inc. | 740,000 | 370,000 |
| Koho (Taiwan) Co., Ltd. | 330,000 | - |
| Tonsam Corporation | 230,000 | 230,000 |
| Vic-Dawn Enterprise Co., Ltd. | 180,000 | 240,000 |
| Nichidenbo (Shenzhen) Trading Co., Ltd. and Nichidenbo Suzhou Trading Co., Ltd. (Note) | <u>88,160</u> | <u>86,880</u> |
| | <u>\$ 4,890,555</u> | <u>\$ 3,799,760</u> |

Note: Nichidenbo (Shenzhen) Trading Co., Ltd. and Nichidenbo Suzhou Trading Co., Ltd. have both become endorsees/guarantees since they share the limit of endorsement/guarantee of RMB20,000 thousand.

b. As of December 31, 2022, the amount of Mega bank's bank guaranteed letter provided as collateral for payment of purchase was \$50,000 thousand.

39. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Company and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount (In Thousands) |
|------------------------------------------------------|------------------------------------------------------|----------------------|---------------------------------------------------|
| <u>December 31, 2022</u> | | | |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | \$ 17,528 | 30.710 (USD:NTD) | \$ 538,283 |
| Non-monetary items | | | |
| Investments accounted for using the equity method | | | |
| HKD | 56,837 | 3.938 (HKD:NTD) | 223,823 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 13,920 | 30.710 (USD:NTD) | 427,490 |
| <u>December 31, 2021</u> | | | |
| <u>Financial assets</u> | | | |
| Monetary items | | | |
| USD | 23,338 | 27.680 (USD:NTD) | 646,000 |
| Non-monetary items | | | |
| Investments accounted for using the equity method | | | |
| HKD | 60,918 | 3.549 (HKD:NTD) | 216,198 |
| <u>Financial liabilities</u> | | | |
| Monetary items | | | |
| USD | 21,746 | 27.680 (USD:NTD) | 601,933 |

The significant unrealized foreign exchange gains (losses) were as follows:

| For the Year Ended December 31 | |
|---------------------------------------|-------------|
| 2022 | 2021 |
| | |

| Foreign Currency | Exchange Rate | Net Foreign Exchange Losses | Exchange Rate | Net Foreign Exchange Losses |
|-----------------------------|----------------------|--------------------------------------------|----------------------|--------------------------------------------|
| USD | 30.71 (USD:NTD) | \$ (1,662) | 27.68 (USD:NTD) | \$ (364) |

40. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions:

- 1) Financing provided to others: Table 1 (attached)
- 2) Endorsements/guarantees provided: Table 2 (attached)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Table 3 (attached)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: Table 4 (attached)
- 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 5 (attached)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 6 (attached)
- 9) Trading in derivative instruments: None.

b. Information on investees: Table 7 (attached)

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 period, repatriations of investment income, and limit on the amount of investment in the mainland China area: Table 8 (attached)
- 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:
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year: None.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year.: Table 9 (attached)

- c) The amount of property transactions and the amount of the resultant gains or losses: None.
- d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes: Table 2 (attached)
- e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds: None

f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None.

d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Table 10 (attached)

NICHIDENBO CORPORATION

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender | Borrower | Financial Statement Account | Related Party | Highest Balance for the Year | Ending Balance | Actual Amount Borrowed | Interest Rate (%) | Nature of Financing (Note 2) | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral | | Financing Limit for Each Borrower | Aggregate Financing Limits |
|-----|------------------------|--------------------------------|----------------------------------------|---------------|------------------------------|----------------|------------------------|-------------------|------------------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|-----------------------------------|----------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 0 | Nichidenbo Corporation | Advance Electronic Supply Inc. | Other receivables from related parties | Yes | \$ 190,000 | \$ 190,000 | \$ 70,000 | 1.670 | b | \$ - | Operational needs | \$ - | - | \$ - | \$ 1,981,018 (Note 1) | \$ 2,641,358 (Note 1) |
| | | Scope Technology Co., Ltd. | Other receivables from related parties | Yes | 600,000 | 600,000 | 200,000 | 1.510 | b | - | Operational needs | - | - | - | 1,981,018 (Note 1) | 2,641,358 (Note 1) |
| | | Lipers Enterprise Co., Ltd. | Other receivables from related parties | Yes | 340,000 | 340,000 | 210,000 | 1.510 | b | - | Operational needs | - | - | - | 1,981,018 (Note 1) | 2,641,358 (Note 1) |
| | | Koho (Taiwan) Co., Ltd. | Other receivables from related parties | Yes | 80,000 | 80,000 | 57,000 | 1.520-1.595 | b | - | Operational needs | - | - | - | 1,981,018 (Note 1) | 2,641,358 (Note 1) |

Note 1: Aggregate financing limits should not exceed 40% of Nichidenbo Corporation's net worth. The limit of short-term financing for each counterparty should not exceed 30% of Nichidenbo Corporation's net worth as shown in the audited financial statements for the year ended 2022.

Note 2: Reasons for the nature of financing are as follows:

- a. Business relationship.
- b. Necessity of short-term financing

NICHIDENBO CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor | Endorsee/Guarantee | | Limit on Endorsement/ Guarantee Given on Behalf of Each Party (Note 2) | Maximum Amount Endorsed/ Guaranteed During the Year | Outstanding Endorsement/ Guarantee at the End of the Year | Actual Amount Borrowed | Amount Endorsed/ Guaranteed by Collateral | Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%) (Note 3) | Aggregate Endorsement/ Guarantee Limit (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 | Nichidenbo Corporation | Scope Technology Co., Ltd. | b | \$ 9,905,094 | \$ 2,828,740 | \$ 2,494,910 | \$ 868,630 | \$ - | 37.78 | \$ 19,810,188 | Y | N | N |
| | | Advance Electronic Supply Inc. | b | 9,905,094 | 840,000 | 740,000 | - | - | 11.21 | 19,810,188 | Y | N | N |
| | | Tonsam Corporation | b | 9,905,094 | 230,000 | 230,000 | 45,056 | - | 3.48 | 19,810,188 | Y | N | N |
| | | Nichidenbo Suzhou Trading Co., Ltd. and Nichidenbo (Shenzhen) Trading Co., Ltd. (Note 4) | b | 9,905,094 | 90,120 | 88,160 | - | - | 1.34 | 19,810,188 | Y | N | Y |
| | | Lipers Enterprise Co., Ltd. | b | 9,905,094 | 1,012,753 | 827,485 | 57,084 | - | 12.53 | 19,810,188 | Y | N | N |
| | | Vic-Dawn Enterprise Co., Ltd. | b | 9,905,094 | 240,000 | 180,000 | 16,269 | - | 2.73 | 19,810,188 | Y | N | N |
| | | Koho (Taiwan) Co., Ltd. | b | 9,905,094 | 330,000 | 330,000 | 130,000 | - | 5.00 | 19,810,188 | Y | N | N |

Note 1: Relationship between the endorser/guarantor and the endorsee/guarantee is classified as follows:

- Having a business relationship.
- The endorser/guarantor directly or indirectly owns more than 50% of the ordinary shares of the endorsee/guarantee.
- The endorsee/guarantee directly or indirectly owns more than 50% of the ordinary shares of the endorser/guarantor.
- Company in which the public company directly or indirectly holds 90% or more of the voting shares may make endorsements/guarantees for each other.
- Due to joint venture, all shareholders provide endorsements/guarantees to the endorsee/guarantee in proportion to its ownership.
- Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or joint builders for the purposes of undertaking a construction project.
- Where companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The aggregate limits on endorsements/guarantees given by Nichidenbo Corporation should not exceed 300% of the Company's the net equity as shown in the audited financial statements for the year ended 2022; the individual limit on endorsement/guarantee given by Nichidenbo Corporation should not exceed 150% of the Company's the net equity as shown in the audited financial statements for the year ended 2022.

Note 3: The ratio of the outstanding endorsement/Guarantee to the net value of the Company providing guarantees or endorsements.

Note 4: Nichidenbo Suzhou Trading Co., Ltd. and Nichidenbo (Shenzhen) Trading Co., Ltd. have both become endorsees/guarantees since they share the limit of endorsement/guarantee of RMB20,000 thousand.

NICHIDENBO CORPORATION

MARKETABLE SECURITIES HELD

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Holding Company | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statement Account | December 31, 2022 | | | | Note |
|------------------------|----------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------|-------------------|-----------------|-------------------------|------------|------|
| | | | | Shares/Units | Carrying Amount | Percentage of Ownership | Fair Value | |
| Nichidenbo Corporation | <u>Shares</u> Sentelic Corporation | - | Financial assets at fair value through other comprehensive income - current | 2,908,732 | \$ 130,748 | 9.68 | \$ 130,748 | |
| | Honey Hope Honesty Enterprise Co., Ltd. | - | Financial assets at fair value through other comprehensive income - current | 2,129,000 | 56,525 | 2.66 | 56,525 | |
| | Concord Advanced Technology Co., Ltd. | - | Financial assets at fair value through other comprehensive income - non-current | 8,270,816 | 93,384 | 8.53 | 93,384 | |
| | <u>Mutual funds</u> Hua Nan Phoenix Money Market Fund | - | Financial assets mandatorily classified as at fair value through profit or loss - current | 6,053,818.50 | 100,006 | - | 100,006 | |

Note: Refer to Tables 7 and 8 for information relating to investments in subsidiaries.

NICHIDENBO CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Others | Ending Balance | |
|------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------|-------------------------------------|--------------|-------------------|------------|------------------|---------|------------------|------------|-----------------|-------------------------|----------------------|------------------|---------------------|
| | | | | | Number of Shares | Amount | Number of Shares | Amount | Number of Shares | Amount | Carrying Amount | Gain (Loss) on Disposal | | Number of Shares | Amount |
| Nichidenbo Corporation | <u>Shares</u> Sentelic Corporation | Investments accounted for using equity method | Weltrend Semiconductor Incorporated | N/A | 13,618,732 | \$ 314,515 | - | \$ - | 10,710,000 | \$ 778,417 | \$ 315,994 | \$ 660,235 (Note 1) | \$ (65,567) (Note 2) | 2,908,732 | \$ 130,748 (Note 3) |
| | <u>Beneficiary certificate</u> Jih Sun Money Market Fund | Financial assets mandatorily classified as at fair value through profit or loss - current | - | - | 4,003,442.96 | 60,000 | 24,766,584.35 | 372,000 | 28,770,027.31 | 432,096 | 432,000 | 96 | - | - | - |

Note 1: Including the actual gain on disposal in the amount of \$529,932 thousand and the gain of unsold interest recognized at fair value in the amount of \$130,303 thousand.

Note 2: Including share of profit of subsidiaries accounted for using the equity method in the amount of \$45,058 thousand, realized gross margin from downstream transactions in the amount of 1 thousand, cash dividends paid in the amount of \$43,580 thousand, and unrealized loss of the financial assets at fair value through other comprehensive income in the amount of \$(67,046) thousand.

Note 3: The Company's hold on Sentelic Corporation's interest has declined to 9.68% on August 24, 2022, the date the control of Sentelic Corporation passed to the acquirer. At the same time, the carrying amount of the unsold interest, which was recorded in financial assets at fair value through other comprehensive income - current of \$197,794 thousand, calculated based on the closing price at the date of disposal.

NICHIDENBO CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$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 Term | Unit Price | Payment Term | Ending Balance | % of Total | |
| Nichidenbo Corporation | Advance Electronic Supply Inc. | Subsidiary | Purchase | \$ 100,024 | 5.91 | Net 90 days from the end of the month | \$ - | - | \$ (43,042) | (20.62) | |

NICHIDENBO CORPORATION

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Related Party | Relationship | Ending Balance | Turnover Rate | Overdue | | Amount Received in Subsequent Period | Allowance for Impairment Loss |
|------------------------|-----------------------------|--------------|------------------------|---------------|---------|---------------|--------------------------------------|-------------------------------|
| | | | | | Amount | Actions Taken | | |
| Nichidenbo Corporation | Lipers Enterprise Co., Ltd. | Subsidiary | \$ 229,834 (Note 1) | 3.75 | \$ - | - | \$ 10,567 | \$ - |
| | Scope Technology Co., Ltd. | Subsidiary | 218,349 (Note 2) | 2.97 | - | - | 15,333 | - |

Note 1: Including trade receivables in the amount of \$18,469 thousand and other receivables in the amount of \$211,365 thousand(mainly \$210,000 thousand of financing provided to others);Other receivables were not applicable for calculating turnover rate.

Note 2: Including trade receivables in the amount of \$14,503 thousand and other receivables in the amount of \$203,846 thousand(mainly \$200,000 thousand of financing provided to others);Other receivables were not applicable for calculating turnover rate.

NICHIDENBO CORPORATION

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investor Company | Investee Company | Location | Main Business and Product | Original Investment Amount | | As of December 31, 2022 | | | Net Income (Loss) of the Investee | Share of Profits (Loss) | Note |
|------------------------|----------------------------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------------------------------------------------------|----------------------------|-------------------|-------------------------|-----------------|--------------------|-----------------------------------|---------------------------|--------------------------|
| | | | | December 31, 2022 | December 31, 2021 | Number of Shares | % | Carrying Value | | | |
| Nichidenbo Corporation | Vic-Dawn Enterprise Co., Ltd. | Xindian District, New Taipei City | Sales and marketing of electronic components | \$ 187,646 | \$ 187,646 | 14,296,603 | 95.31 | \$ 277,011 | \$ 75,015 | \$ 71,465 (Note 1) | Subsidiary |
| | Nichidenbo (Mauritius) Ltd. | Mauritius | Investment activities | 154,382 | 154,382 | 5,050,000 | 100.00 | 446,063 | 20,822 | 20,822 | Subsidiary |
| | Lipers Enterprise Co., Ltd. | Xindian District, New Taipei City | Sales and marketing of electronic components | 729,615 | 729,615 | 31,788,710 | 99.34 | 702,976 | 139,186 | 137,006 (Note 2) | Subsidiary |
| | Scope Technology Co., Ltd. | Xindian District, New Taipei City | Sales and marketing of electronic components | 814,502 | 814,502 | 53,016,276 | 100.00 | 1,103,005 | 207,013 | 207,013 (Note 1) | Subsidiary |
| | Advance Electronic Supply Inc (Note 3) | Xindian District, New Taipei City | Sales and marketing of electronic components | 383,887 | 383,887 | 37,224,808 | 100.00 | 546,168 | 104,992 | 105,404 (Note 1) | Subsidiary |
| | Tonsam Corporation | Xindian District, New Taipei City | Sales and marketing of electronic components | 358,430 | 358,430 | 15,000,000 | 100.00 | 282,700 | 16,634 | 16,601 (Note 2) | Subsidiary |
| | Sentelic Corporation (Note 4) | Neihu District, Taipei City | Sales and marketing of electronic components | - | 202,376 | - | - | - | 97,942 | 45,058 (Note 1) | - |
| | Lipers (Hong Kong) Enterprise Co., Ltd. Koho (Taiwan) Co., Ltd (Note 5) | Hong Kong Xindian District, New Taipei City | Manufacturing, sales and marketing of electronic components Sales and marketing of electronic components | 216,454 81,600 | 216,454 - | 29,642,793 2,550,000 | 100.00 85.00 | 223,823 110,403 | 30,015 36,782 | 30,015 28,939 (Note 2) | Subsidiary Subsidiary |

Note 1: The difference between an investee's net income in the Corporation's share and share of profits was a unrealized gross margin from upstream transactions.

Note 2: The difference between an investee's net income in the Corporation's share and share of profits were amortization between fair value and carrying amount of investee's assets and unrealized gross margin from upstream transactions.

Note 3: Advance Electronic Supply Inc.'s board of directors resolved to increase the capital from retained earnings by \$97,448 thousand on May 24, 2022, and the subscription base date was on May 31, 2022.

Note 4: The Company participated in Weltrend semiconductor incorporated's takeover bid for 10,710,000 common shares of Sentelic corporation on August 24, 2022. The Company's shareholding in Sentelic Corporation decreased from 46.00% to 9.68%. The control of Sentelic Corporation was passed to the acquirer. And, the unsold interest was recorded in financial asset at FVTOCI.

Note 5: The Company acquired Koho (Taiwan) Co., Ltd., at a consideration of \$81,600 thousand on January 26 and March 3, 2022. The Company holds a 85% interest in Koho (Taiwan) Co., Ltd. and, therefore, has control over Koho (Taiwan) Co., Ltd.

Note 6: Refer to Tables 8 for information relating to investments in mainland China.

NICHIDENBO CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| Investee Company | Main Businesses and Products | Paid-in Capital (Note 4) | 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 (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) (Note 1) | Carrying Amount as of December 31, 2022 (Note 1) | Accumulated Repatriation of Investment Income as of December 31, 2022 |
|----------------------------------------------|----------------------------------------------|------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------------------------------|---------------------|--------|-----------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------|---------------------------------|--------------------------------------------------|-----------------------------------------------------------------------|
| | | | | | Outward | Inward | | | | | | |
| Nichidenbo (Shenzhen) Trading Co., Ltd. | Sales and marketing of electronic components | \$ 90,499 (US\$ 2,744 thousand and HK\$ 2,000 thousand) | Invested by Nichidenbo (Mauritius) Ltd. | \$ 90,499 | \$ - | \$ - | \$ 90,499 | \$ 22,380 | 100 | \$ 22,380 | \$ 290,329 | \$ 109,625 |
| Nichidenbo Suzhou Trading Co., Ltd. (Note 3) | Sales and marketing of electronic components | 101,712 (US\$ 3,396 thousand) | Invested by Nichidenbo (Mauritius) Ltd. | 59,900 | - | - | 59,900 | (958) | 100 | (958) | 153,712 | 4,475 |
| Lipers Electronic (SZ) Co., Ltd. | Sales and marketing of electronic components | 29,385 (US\$ 1,000 thousand) | Invested by Lipers (Hong Kong) Co., Ltd. | 61,911 | - | - | 61,911 | 16,018 | 100 | 16,018 | 123,265 | 22,930 |

| Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2022 | Investment Amount Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| \$212,310 (HK\$2,000 thousand, US\$4,744 thousand and NT\$61,911 thousand) | \$254,122 (HK\$2,000 thousand, US\$6,140 thousand and NT\$61,911 thousand) | \$3,983,413 (Note 2) |

Note 1: The investment gain (loss) and carrying amount as of December 31, 2022 are recognized based on the audited financial statements.

Note 2: The upper limit on investment in mainland China is determined by sixty percent (60%) of the Company's consolidated net worth.

Note 3: The \$59,900 thousand (US\$2,000 thousand) among paid-in capital of Nichidenbo Suzhou Trading Co., Ltd. was shift in invested through third area to mainland China from Taiwan output, remaining of paid-in capital was indirectly invested by retained earnings of Nichidenbo (Mauritius) Ltd., which was received from Nichidenbo Shanghai Trading Co., Ltd.

Note 4: Total amount of paid-in capital was translated into NTD at historical rate.

NICHIDENBO CORPORATION

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

| Investee Company | Transaction Type | Purchase/Sale | | Price | Transaction Details | | Trade Receivable | | Unrealized (Gain) Loss | Note |
|-----------------------------------------|------------------|---------------|------|---------------------------|----------------------------------------|-------------------------------------|------------------|------|------------------------|------|
| | | Amount | % | | Payment Term | Comparison with Normal Transactions | Ending Balance | % | | |
| Nichidenbo (Shenzhen) Trading Co., Ltd. | Sale | \$ 7,424 | 0.39 | Internal transfer pricing | Net 90 days from the end of the month | At arm's length | \$ 3,100 | 0.52 | \$ (428) | |
| Nichidenbo Suzhou Trading Co., Ltd. | Sale | 11,384 | 0.59 | Internal transfer pricing | Net 180 days from the end of the month | At arm's length | 4,761 | 0.80 | (54) | |
| Lipers Electronic (SZ) Co., Ltd. | Sale | 2,480 | 0.13 | Internal transfer pricing | Net 90 days from the end of the month | At arm's length | 1,709 | 0.29 | - | |

NICHIDENBO CORPORATION**INFORMATION OF MAJOR SHAREHOLDERS****DECEMBER 31, 2022**

| Name of Major Shareholder | Shares | |
|-------------------------------|------------------|-----------------------------|
| | Number of Shares | Percentage of Ownership (%) |
| WT MICROELECTRONICS CO., LTD. | 31,000,000 | 14.57 |

Note 1: The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preference shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

Note 2: If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustee who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

VI. If the Corporation or its affiliates have experienced financial difficulties during the latest year or during the current year up to the date of publication of the annual report, how said difficulties will affect the Corporation's financial situation : N/A

Seven. Review Analysis of Financial Position, Performance and Risk Related Issues

I. Financial Status

Comparison and analysis of financial position

Unit: NT\$ thousand

| Item | Year | 2022 | 2021 | Increase (decrease) amount | Change ratio (%) |
|--------------------------------------------------|------|-----------|-----------|-------------------------------|------------------|
| Current assets | | 8,150,016 | 7,533,514 | 616,502 | 8.18 |
| Financial assets at FVTOCI - Non-current | | 93,384 | 98,711 | (5,327) | (5.40) |
| Financial assets at amortized cost - non-current | | 178,879 | 259,565 | (80,686) | (31.09) |
| Property, plant, and equipment | | 614,455 | 632,565 | (18,110) | (2.86) |
| Right-of-use assets | | 9,046 | 34,700 | (25,654) | (73.93) |
| Investment property | | 191,465 | 196,356 | (4,891) | (2.49) |
| Intangible assets | | 56,727 | 42,386 | 14,341 | 33.83 |
| Deferred tax assets | | 64,362 | 54,358 | 10,004 | 18.40 |
| Other assets | | 7,485 | 14,528 | (7,043) | (48.48) |
| Total assets | | 9,365,819 | 8,866,683 | 499,136 | 5.63 |
| Current liabilities | | 2,616,807 | 3,846,029 | (1,229,222) | (31.96) |
| Non-current liabilities | | 109,990 | 142,684 | (32,694) | (22.91) |
| Total liabilities | | 2,726,797 | 3,988,713 | (1,261,916) | (31.64) |
| Share capital | | 2,126,572 | 1,786,572 | 340,000 | 19.03 |
| Capital surplus | | 1,621,500 | 475,353 | 1,146,147 | 241.11 |
| Retained earnings | | 2,963,635 | 2,181,792 | 781,843 | 35.83 |
| Other equity | | (108,311) | 31,466 | (139,777) | (444.22) |
| Non-controlling equity | | 35,626 | 402,787 | (367,161) | (91.16) |
| Total equity | | 6,639,022 | 4,877,970 | 1,761,052 | 36.10 |

The reason for material changes in assets, liabilities and equity (changes of 20% or more in both periods reaching NT\$10 million) in the most recent 2 fiscal years, the impact and action plans to be adopted in the future:

- 1、The decrease in financial assets at amortized cost - noncurrent was mainly due to the decrease in the amount of pledged certificates of deposit.
- 2、The decrease in right-of-use assets was mainly due to the decrease in right-of-use assets of the subsidiaries.
3. The increase in intangible assets was mainly due to the increase in supply contracts acquired through consolidation.
4. Decrease in current liabilities and total liabilities, Mainly due to the decrease in short-term borrowings and short-term notes payable.
5. The decrease in non-current liabilities was mainly due to the decrease in lease liabilities - non-current and net defined benefit liabilities.
6. The increase in capital surplus and total equity was mainly due to the increase in capital by cash from private placement and issuance of restricted stock awards.
7. The increase in retained earnings was mainly due to the increase in net profit after tax.
8. The decrease in other equity was mainly due to the decrease in unrealized valuation gains on financial assets at FVTOCI and the recognition of unearned remuneration for employees due to the issuance of restricted stock awards.
9. Non-controlling equity decreased mainly due to loss of control from disposal of equity of subsidiary.

II. Financial Performance

Comparison and analysis of financial performance

Unit: NT\$ thousand

| Item \ Year | 2022 | 2021 | Increase (decrease) amount | Change ratio (%) |
|--------------------------------------------------------|------------|------------|----------------------------|------------------|
| Operating revenue | 10,440,729 | 10,359,963 | 80,766 | 0.78 |
| Operating cost | 8,660,488 | 8,611,629 | 48,859 | 0.57 |
| Gross profit | 1,780,241 | 1,748,334 | 31,907 | 1.82 |
| Operating expenses | 887,820 | 727,119 | 160,701 | 22.10 |
| Operating income | 892,421 | 1,021,215 | (128,794) | (12.61) |
| Non-operating income and expense | 127,922 | 1,429 | 126,493 | 8,851.85 |
| Net profit before tax from continuing operations | 1,020,343 | 1,022,644 | (2,301) | (0.23) |
| Income tax expenses | 229,742 | 250,149 | (20,407) | (8.16) |
| Net income from the continuing operations for the year | 790,601 | 772,495 | 18,106 | 2.34 |
| Income from discontinued operations | 759,899 | 105,872 | 654,027 | 617.75 |
| Net profit for the year | 1,550,500 | 878,367 | 672,133 | 76.52 |

1. Main reasons for material changes in operating income, operating profit, and net profit before tax in the past 2 years:
In January and March 2022, the Company acquired a subsidiary, KOHO (Taiwan) Co., Ltd.; in August 2022, subsidiary Sentelic Corporation was disposed of. Operating income increased by 0.78% from NT\$10,359,963 thousand in 2021 to NT\$10,440,729 thousand in 2022; gross profit increased 1.82% from NT\$1,748,334 thousand in 2021 to NT\$1,780,241 thousand in 2022; operating income decreased 12.61% from NT\$1,021,215 thousand in 2021 to NT\$892,421 thousand in 2022 and; net income before taxes decreased 0.23% from NT\$1,022,644 thousand in 2021 to NT\$1,020,343 thousand in 2022.

2. Sales forecast and basis thereof: Not applicable as sales forecast is not disclosed to the public.

3. Possible impact on the future financial business of the Company and countermeasures:

(1) Financial business information

Unit: NT\$ thousand

| Item | 2022 | 2021 | Increase (decrease) ratio % |
|--------------------------------------------------|------------|------------|-----------------------------|
| Operating revenue | 10,440,729 | 10,359,963 | 0.78 |
| Net profit before tax from continuing operations | 1,020,343 | 1,022,644 | (0.23) |
| Long-term capital as a percentage of PP&E (%) | 1,098.37 | 793.69 | 38.39 |
| Current ratio (%) | 311.44 | 195.87 | 59.00 |
| Quick ratio (%) | 222.70 | 132.08 | 68.61 |

(2) Possible impact and countermeasures

Each financial structure is sound and is maintained at an appropriate ratio. In order to meet the needs of future business growth, the Company will be committed to strengthening its financial structure to protect the interests of the shareholders.

III. Cash flow

(I) Analysis of 2022 cash flow changes:

Unit: NT\$ thousand

| Cash balance at beginning of period | Annual net cash flow from operating activities | Net cash flow from operating activities for the year | Cash (shortfall) amount | Remedies for cash shortfall | |
|-------------------------------------|------------------------------------------------|------------------------------------------------------|-------------------------|-----------------------------|----------------|
| | | | | Investment plan | Financial plan |
| 950,184 | 952,348 | (477,585) | 1,424,947 | - | - |

Analysis of 2022 cash flow changes:

1. Operating activities: Net cash inflow from operating activities was mainly due to the increase in net profit before tax and the decrease in inventory preparation.

- 2、Investing activities: Net cash outflow from investing activities was mainly due to the acquisition of financial assets measured at amortized cost and the disposal of subsidiaries.
- 3、Financing activities: Net cash outflow from financing activities was mainly due to cash capital increase through private placement and distribution of cash dividends to shareholders.

(II) Improvement plan for liquidity deficiency: There is no cash liquidity deficiency.

(III) Liquidity analysis for the coming year

Unit: NT\$ thousand

| Cash balance at beginning of period | Annual net cash flow from operating activities | Net cash flow from operating activities for the year | Cash (shortfall) amount | Remedies for anticipated cash shortfall | |
|-------------------------------------|------------------------------------------------|------------------------------------------------------|-------------------------|-----------------------------------------|----------------|
| | | | | Investment plan | Financial plan |
| 1,424,947 | 1,952,296 | (1,169,614) | 2,207,629 | - | - |

Analysis of the coming year (2023) cash flow changes:

1. Operating activities: Net cash inflow from operating activities mainly due to the decrease in inventory stock.
2. Investing and financing activities: This was mainly due to cash dividends expected to be distributed to the shareholders.

IV. Effect upon financial operations of any major capital expenditures during the latest year

(I) Use of significant capital expenditures and sources of capital in the latest year: none.

(II) Expected benefit: N/A.

V. Equity investment policy for the latest year, the main reasons for the profits/losses generated thereby, the plan for improving investment profitability, and investment plans for the coming year

December 31, 2022

Unit: NT\$ thousand

| Investing company | Investee company | Investment gain/loss recognized in 2022 | Main reasons for gain or loss | Improvement plan |
|-----------------------------------------|-----------------------------------------|-----------------------------------------|-------------------------------|------------------|
| Nichidenbo Corporation | VIC-DAWN Enterprise Co., Ltd. | 71,465 | Focusing on the core business | None |
| | Nichidenbo (Mauritius) Ltd. | 20,822 | Focusing on the core business | None |
| | Lipers Enterprise Co., Ltd. | 137,006 | Focusing on the core business | None |
| | Scope Technology Co., Ltd. | 207,013 | Focusing on the core business | None |
| | Advance Electronic Supply Inc. | 105,404 | Focusing on the core business | None |
| | TONSAM Corporation | 16,601 | Focusing on the core business | None |
| | Sentelic Corporation(Note : 1) | 45,058 | Focusing on the core business | None |
| | Lipers (Hong Kong) Enterprise Co., Ltd. | 30,015 | Focusing on the core business | None |
| | KOHO (Taiwan) Co., Ltd. | 28,939 | Focusing on the core business | None |
| Nichidenbo (Mauritius) Ltd. | Nichidenbo (Shenzhen) Trading Co., Ltd. | 22,380 | Focusing on the core business | None |
| | Nichidenbo Suzhou Trading CO., LTD. | (958) | Focusing on the core business | None |
| Lipers (Hong Kong) Enterprise Co., Ltd. | Lipers Electronic (SZ) Co., Ltd. | 16,018 | Focusing on the core business | None |
| Sentelic Corporation(Note : 1) | Sentelic Holding Co., Ltd. | (1) | Focusing on the core business | None |

| Investing company | Investee company | Investment gain/loss recognized in 2022 | Main reasons for gain or loss | Improvement plan |
|----------------------------|----------------------------------|-----------------------------------------|-------------------------------|------------------|
| Sentelic Holding Co., Ltd. | Ocean Prestige Limited(Note : 2) | - | Focusing on the core business | None |

Note 1: On August 24, 2022, the Company sold 10,710,000 shares of Sentelic Corporation, reducing its shareholding from 46.00% to 9.68%, losing its control over Sentelic Corporation. This was reclassified as financial assets measured at fair value through other comprehensive income - current.

Note 2: The cancellation of the registration of Ocean Prestige Limited was approved on March 11, 2022.

In response to market competition and in order to strengthen the core competencies, the Corporation mainly invests in companies that are related to its core business so as to strengthen the marketing network and strategic alliances, thereby enhancing the overall operational performance of the Corporation. In addition, the Corporation keeps track of the operating conditions of its investee companies and analyzes the performance of its investments in order to facilitate the decision-making authority in post-investment management tracking and evaluation.

Regarding the Corporation's 2022 equity investment accounted for using equity method, the investee companies all had stable and profitable operations. Besides, the future investment plan will still focus on long-term strategic investments. The Corporation will make investment decisions based on market conditions, the need to expand the business scale, and financial position in the future and will continue to make prudent evaluations in or to improve the operational performance.

VI. Risk analysis and evaluation for the latest year or during the latest year or during the current year up to the date of publication of the annual report

(I) The effect upon the Corporation's profits (losses) of interest and exchange rate fluctuations and changes in the inflation rate, and response measures to be taken in the future

1. Impact on profit and loss of the Corporation due to interest rate fluctuation and response measures thereof

The interest rate fluctuation is closely related to the Corporation's cost of capital, and the Corporation has been proactively seeking more favorable interest rates from banks. The ratio of finance costs to operating revenues for 2022 is 0.38%; therefore, the interest rate fluctuations have no significant impact on the profit/loss for 2022.

2. Impact on profit and loss of the Corporation due to exchange rate fluctuation and response measures thereof

| Unit: NT\$ thousand | |
|-------------------------------------------------------------------|------------|
| Item | 2022 |
| Net foreign currency exchange gain/loss | 139,424 |
| Operating revenue | 10,440,729 |
| As a percentage of operating revenue | 1.33% |
| Net profit before tax from continuing operations | 1,020,343 |
| As a percentage of net profit before tax of continuing operations | 13.66% |

The Corporation's purchase and sale transactions are mainly in USD. In order to hedge the risk of exchange rate fluctuations, the Corporation use natural hedges, i.e. the amounts of payables in foreign currencies arising from purchases from major suppliers are paid in the foreign currency of such purchases directly. Additionally, the following measures have also been taken to minimize the impact of exchange rate fluctuations on the Corporation.

The Company's concrete measures in response to exchange rate fluctuations:

- (1) The Corporation shall collect information on exchange rate fluctuations from time to time to fully grasp the trend of the exchange rate.
- (2) When making quotations to customers, the Corporation shall take the potential impact of exchange rate fluctuations into consideration and adopt a more conservative and stable exchange rate as the basis of the quotations in order to reduce the impact of exchange rate fluctuations on the Corporation's profitability.
- (3) The Corporation shall take hedging measures, sell foreign exchange forward in advance and adjust foreign currency positions promptly to hedge the risks arising from exchange rate fluctuations.

3. Impact on profit and loss of the Corporation due to inflation and response measures thereof

The Corporation shall pay prompt attention to the trend of market price changes, adopt flexible

- strategies, and proactively negotiate with business partners to reduce the impact of inflation on the Corporation.
- (II) The Corporation's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivatives transactions; the main reasons for the profits/losses generated thereby; and response measures to be taken in the future
The Corporation conduct those matters in accordance with the "Procedures for Loaning of Funds and Making of Endorsements/Guarantees" and "Regulations governing the acquisition and disposal of assets":
1. The Corporation did not engage in high-risk, highly leveraged investments in 2022, and all of its investments were carefully evaluated and executed.
 2. Regarding loans of funds to others in 2022, the parties involved are the parent company and subsidiaries (parent company to subsidiaries or subsidiaries to subsidiaries), and the loans have been handled in accordance with the "Procedures for Loaning of Funds and Making of Endorsements/Guarantees."
 3. Regarding endorsements/guarantees in 2022, the parties involved are the parent company and subsidiaries (parent company to subsidiaries), and the endorsements/guarantees have been handled in accordance with the "Procedures for Loaning of Funds and Making of Endorsements/Guarantees."
 4. The derivative transactions in 2022 are forward foreign exchange contracts, and the purpose of these transactions is not for profit seeking, but for hedging of the risk arising from exchange rate fluctuations on the net assets or liabilities denominated in foreign currencies.
- (III) Research and development work to be carried out in the future, and further expenditures expected for research and development work:
The Corporation is a specialized electronic component distributor and is mainly engaged in agency business and sales business, not engaged in research and development.
- (IV) Effect on the Corporation's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response
The Corporation always manages its business in accordance with the applicable domestic and foreign laws and pays prompt attention on changes in important domestic and foreign policies and laws. During the latest year or during the current year up to the date of publication of the annual report, there have been no significant impact on the financial operations as a result of significant changes in domestic or foreign policies and laws. In the future, the Corporation will continue to collect and evaluate the significant impact of changes in important domestic and international policies and laws on the Corporation's financial operations in order to fully grasp the changes in the market environment and take timely measures in response.
- (V) Effect on the Corporation's financial operations of developments in science and technology (including cyber security risks) as well as industrial change, and measures to be taken in response
The Corporation promotes various cyber security policies, implements various cyber security operations in accordance with the "information security management regulations"; moreover, it supervises employees to follow cyber security regulations, conducts cyber security risk assessments, reviews operational deficiencies and makes continuous process improvements so as to ensure the Corporation's cyber security. In addition, the Corporation regularly conducts annual assessment on the effectiveness of the internal control system and information operation audit to ensure its effectiveness. Up to the publication date of the annual report, there has no significant information security risk. Furthermore, the Corporation also pays prompt attention to the development and changes in the relevant industrial fields and continuously evaluates the impact of the relevant technological changes on the Corporation's financial operations so as to take appropriate measures in a timely manner.
- (VI) Effect on the Corporation's crisis management of changes in the Corporation's corporate image, and measures to be taken in response
The Corporation proactively strengthens internal management, improves management quality and efficiency to pursue corporate sustainable management. The Corporation's corporate image has not changed significantly in the recent years.
- (VII) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: none.
- (VIII) Expected benefits and possible risks associated with any plant expansion, and mitigation measures being or to be taken: none.
- (IX) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:
1. Purchase aspect
The concentration of purchasing is due to the characteristics of the industry and the supply/demand in the market. The Corporation has signed long-term agency contracts with its suppliers to ensure a

stable source of supply. In addition to continuing to strengthen the relationship with existing suppliers, the Corporation also proactively develops other products for distribution in order to avoid the risk of concentration of purchasing.

2. Sales aspect

In addition to maintaining good relationships with customers, the Corporation also develops the product distribution to meet customers' needs. Further, the Corporation integrates electronic components and introduces relevant products in line with customers' design requirements.

With the increase of new product distribution business, the Corporation also proactively develops new customer sources to avoid the risk of concentration of sales.

(X) Effect upon and risk to the Corporation in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Corporation has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: none.

(XI) Effect upon and risk to the Corporation associated with any change in governance personnel or top management, and mitigation measures being or to be taken: none.

(XII) Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that: (1) involve the Corporation and any director, any supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and any company or companies controlled by the Corporation; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the Corporation's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.

1. Litigious and non-litigious matters of the Corporation's affiliate, VIC-DAWN Enterprise Co., Ltd.(VIC-DAWN Company)

VIC-DAWN Company has filed a civil lawsuit against its former employees for damages, which is currently under judicial proceedings.

(XIII) Other important matters: none.

VII. Other important matters

The Corporation evaluates the valuation accounts of its assets and liabilities on a monthly basis and recognizes relevant allowance for losses. The basis of the evaluation is as follows.

(I) Allowance for loss

The Corporation's allowance for losses of receivables is estimated and recognized based on the expected credit losses of debts, such as notes receivable, accounts receivable and non-accrual receivables over their respective duration.

1. Notes receivable: An allowance is recognized at 0.5% of the closing balance of notes receivable.
2. Accounts receivable: Allowance for losses on accounts receivable at the end of the period is calculated by provision matrix, and other factor such as whether the customer has breached contracts are also taken into consideration.

(1) When accounts receivable are overdue for more than 90 days: The recoverable amount is not able to be reasonably expected, and the expected credit loss ratio is 100%.

(2) When accounts receivable are not more than 90 days past due.

①By analyzing the collection status of accounts receivable for the past two years, the percentage of accounts receivable at each age range that will roll over to the next age range in the following month can be derived based on the age transition status of receivables listed in the "aging analysis table of overdue accounts receivable" at the end of the period, and then the probability of accounts receivable being past due for more than 90 days at each age range should be derived by the percentage in order to derive the historical loss rate and standard deviation.

②The historical loss rate and the standard deviation are taken into account comprehensively to determine the expected credit loss rate.

③In each age range, if the expected credit loss rate of accounts receivable is less than 0.5%, the allowance is recognized at 0.5% of the closing balance.

(3) Allowance for loss (expected credit loss) = total carrying amount of accounts receivable * expected credit loss rate.

3. Non-accrual receivables: If a customer's repayment is unusual, the receivable is reclassified as non-accrual receivables. In principle, an allowance is recognized at 100% of the closing balance of

non-accrual receivables. However, if a recovery is probable after assessment, the allowance is recognized based on the collateral provided and the estimated recoverable amount.

(II) Allowance for price decline in inventories

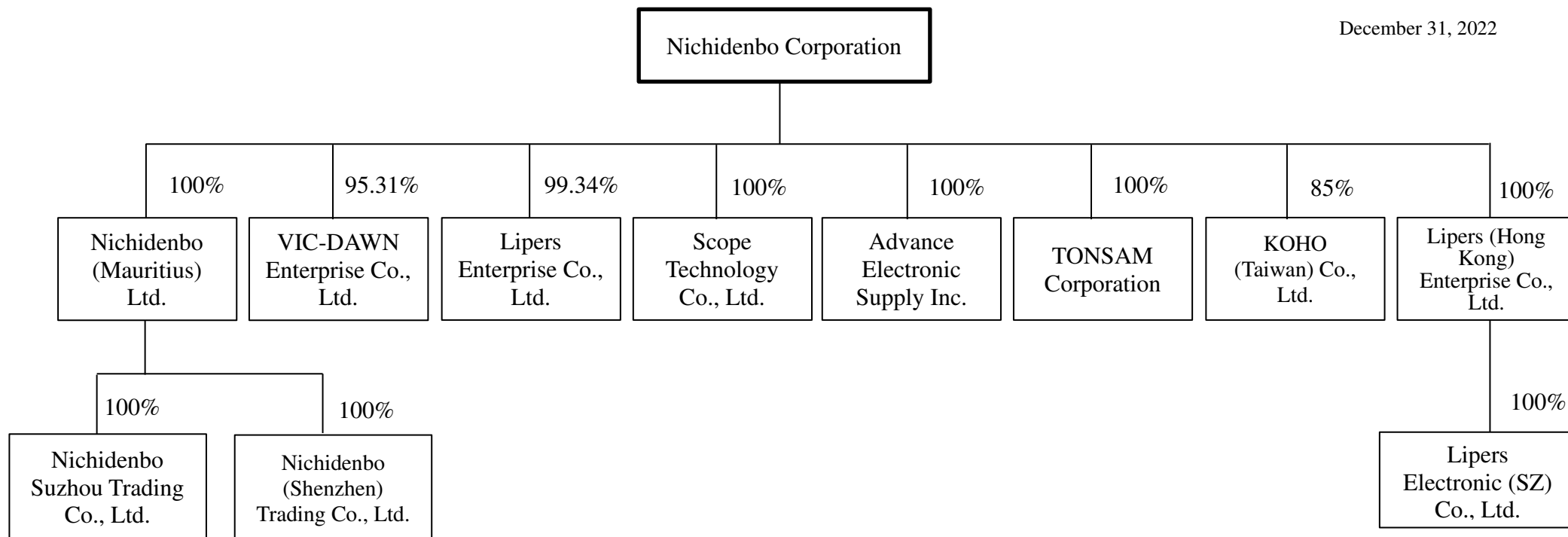
Inventories are measured at the lower of cost or net realizable value. When comparing cost and net realizable value, except for same type of inventories, inventories are evaluated by individual items. Net realizable value means the amount received if the inventory sells after deducting the selling cost in normal circumstance.

VIII. Other items deserving special mention

I. Information related to affiliates

(I) Consolidated business reports of affiliates

1. Organizational chart of the affiliates



2. Basic information on each affiliate

December 31, 2022

| Name of company | Date of establishment | Address | Paid-in capital | Main business or products |
|-----------------------------------------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------------|
| Nichidenbo (Mauritius) Ltd. | 2002.03.07 | Suite 308 St James Court, St Denis Street, Port Louis, Republic of Mauritius | USD 5,050,000 | Investment |
| Nichidenbo (Shenzhen) Trading Co., Ltd. | 2002.12.09 | Rm 105, Floor 1, Podium Building, Huangdu Square, NO.3008, Yitian Road, Futian District, Shenzhen, China | HKD 2,000,000 USD 2,743,500 | Electronic components Import and export |
| Nichidenbo Suzhou Trading CO., LTD. | 2012.07.24 | Rm 525, Ming Cheng Square, Business1#, Sanjiao Lake Road No.4, Wuhan Economic and Technological Development Zone, Hubei, China | USD 3,396,000 | Electronic components Import and export |
| VIC-DAWN Enterprise Co., Ltd. | 1987.02.04 | 4F., No. 2, Aly. 1, Siwei Ln., Zhongzheng Rd., Xindian Dist., New Taipei City | NTD 150,000,000 | Electronic components Import and export |
| Lipers Enterprise Co., Ltd. | 1994.10.28 | 2F., No. 2, Aly. 1, Siwei Ln., Zhongzheng Rd., Xindian Dist., New Taipei City | NTD 320,000,000 | Electronic components Import and export |
| Scope Technology Co., Ltd. | 2002.07.01 | 2F., No. 4, Aly. 1, Siwei Ln., Zhongzheng Rd., Xindian Dist., New Taipei City | NTD 530,162,760 | Electronic components Import and export |
| Advance Electronic Supply Inc. | 2000.05.26 | 2F., No. 2, Aly. 1, Siwei Ln., Zhongzheng Rd., Xindian Dist., New Taipei City | NTD 372,248,080 | Electronic components Import and export |
| TONSAM Corporation | 1988.01.25 | 4F., No. 2, Aly. 1, Siwei Ln., Zhongzheng Rd., Xindian Dist., New Taipei City | NTD 150,000,000 | Electronic components Import and export |
| KOHO (Taiwan) Co., Ltd. | 1974.06.21 | 3F., No. 2, Aly. 1, Siwei Ln., Zhongzheng Rd., Xindian Dist., New Taipei City | NTD 30,000,000 | Electronic components Import and export |
| Lipers (Hong Kong) Enterprise Co., Ltd. | 2000.02.18 | Units 1001-1002, 10 Floor, Tins' Centre, Block 3, 3 Hung Cheung Rd., Tuen Mun, New Territories, Hong Kong | HKD 29,642,793 | Electronic components Import and export |
| Lipers Electronic (SZ) Co., Ltd. | 2011.12.15 | Rm 103-104, Floor 1, Podium Building, Huangdu Square, NO.3008, Yitian Road, Futian District, Shenzhen, China | USD 1,000,000 | Electronic components Import and export |

3. Information on the same shareholders for presumption of a relationship of control or subordination: none.

4. Industries covered by business operated by affiliates overall:

The Corporation and its affiliates are principally engaged in the import/export trading of electronic parts and components.

5. Information on directors, supervisors and general managers of each affiliate

December 31, 2022

| Name of company | Title | Name or representative | Shares held | |
|-----------------------------------------|--------------------|------------------------|-------------|--------------------|
| | | | Shares | Shareholding ratio |
| Nichidenbo (Mauritius) Ltd. | Director | CHOU WEI LIN(Note1) | 5,050,000 | 100.00% |
| Nichidenbo (Shenzhen) Trading Co., Ltd. | Executive Director | CHEN HSIN LIN(Note2) | - | 100.00% |

| Name of company | Title | Name or representative | Shares held | |
|-----------------------------------------|--------------------|------------------------|-------------|--------------------|
| | | | Shares | Shareholding ratio |
| | General Manager | YU YAO KUO | - | - |
| Nichidenbo Suzhou Trading CO., LTD. | Executive Director | HSU SHU HUI(Note2) | - | 100.00% |
| | Supervisor | CHEN HSIN LIN(Note2) | | |
| | General Manager | YU YAO KUO | - | - |
| VIC-DAWN Enterprise Co., Ltd. | Chairperson | LEE KUN CHAN(Note1) | 14,296,603 | 95.31% |
| | Supervisor | LIAO LI SHU | - | - |
| | General Manager | YU YAO KUO | - | - |
| Lipers Enterprise Co., Ltd. | Chairperson | CHOU WEI LIN(Note1) | 31,788,710 | 99.34% |
| | Supervisor | HOU CHIN HWA | - | - |
| | General Manager | YU YAO KUO | - | - |
| Scope Technology Co., Ltd. | Chairperson | CHOU WEI LIN(Note1) | 53,016,276 | 100.00% |
| | General Manager | YU TING CHIANG | - | - |
| Advance Electronic Supply Inc. | Chairperson | CHOU WEI LIN(Note1) | 37,224,808 | 100.00% |
| | General Manager | YU YAO KUO | - | - |
| TONSAM Corporation | Chairperson | LEE KUN CHAN(Note1) | 15,000,000 | 100.00% |
| | General Manager | YU YAO KUO | - | - |
| Lipers (Hong Kong) Enterprise Co., Ltd. | Director | CHOU WEI LIN(Note1) | 29,642,793 | 100.00% |
| | General Manager | YU YAO KUO | - | - |
| Lipers Electronic (SZ) Co., Ltd. | Executive Director | CHEN HSIN LIN (Note3) | - | 100.00% |
| | Supervisor | HSU SHU HUI(Note3) | | |
| | General Manager | YU YAO KUO | - | - |
| KOHO (Taiwan) Co., Ltd. | Chairperson | LEE KUN CHAN(Note1) | 2,550,000 | 85% |
| | Supervisor | LIAO LI SHU | - | - |

Note1: Representative of Nichidenbo Corporation.

Note2: Representative of Nichidenbo (Mauritius) Ltd.

Note3: Representative of Lipers (Hong Kong) Enterprise Co., Ltd.

6 · Operation overview of each affiliate

December 31, 2022

Units: TWD thousand, unless otherwise specified

| Name of company | Capital | Total assets | Total liabilities | Net worth | Operating revenue | Operating income (loss) | Net income/loss (after tax) | Earnings per share (\$) (after tax) |
|-----------------------------|---------|--------------|-------------------|-----------|-------------------|-------------------------|-----------------------------|-------------------------------------|
| Nichidenbo (Mauritius) Ltd. | 155,239 | 446,545 | 0 | 446,545 | 0 | (61) | 20,822 | 4.12 |

| Name of company | Capital | Total assets | Total liabilities | Net worth | Operating revenue | Operating income (loss) | Net income/loss (after tax) | Earnings per share (\$) (after tax) |
|-----------------------------------------|---------|--------------|-------------------|-----------|-------------------|-------------------------|-----------------------------|-------------------------------------|
| Nichidenbo (Shenzhen) Trading Co., Ltd. | 90,499 | 326,432 | 36,103 | 290,329 | 257,412 | 29,860 | 22,380 | - |
| Nichidenbo Suzhou Trading CO., LTD. | 101,029 | 289,120 | 135,408 | 153,712 | 289,640 | 7,412 | (958) | - |
| VIC-DAWN Enterprise Co., Ltd. | 150,000 | 400,936 | 110,059 | 290,877 | 517,722 | 80,089 | 75,015 | 5.00 |
| Lipers Enterprise Co., Ltd. | 320,000 | 1,093,154 | 494,201 | 598,953 | 1,595,356 | 115,197 | 139,186 | 4.35 |
| Scope Technology Co., Ltd. | 530,163 | 2,591,802 | 1,488,593 | 1,103,209 | 4,557,639 | 246,483 | 207,013 | 3.90 |
| Advance Electronic Supply Inc. | 372,248 | 914,616 | 368,256 | 546,360 | 1,483,594 | 113,442 | 104,992 | 2.82 |
| TONSAM Corporation | 150,000 | 285,010 | 98,620 | 186,390 | 490,386 | 11,532 | 16,634 | 1.11 |
| KOHO (Taiwan) Co., Ltd. | 30,000 | 241,731 | 162,591 | 79,140 | 583,714 | 42,535 | 39,518 | 13.17 |
| Lipers (Hong Kong) Enterprise Co., Ltd. | 121,435 | 232,473 | 8,651 | 223,822 | 58,872 | 13,786 | 30,015 | 1.01 |
| Lipers Electronic (SZ) Co., Ltd. | 29,385 | 159,885 | 36,620 | 123,265 | 205,532 | 26,896 | 16,018 | - |

Note: The exchange rates for foreign companies are as follows:

| <u>Currency</u> | <u>Exchange rate at the end of 2022</u> | <u>Average exchange rate in 2022</u> |
|-----------------|-----------------------------------------|--------------------------------------|
| USD | 30.7100 | 29.8489 |
| CNY | 4.4080 | 4.4218 |
| HKD | 3.9380 | 3.8110 |

(II) Consolidated financial statements of affiliated enterprises:

The entities that are required to be included in the combined financial statements of the Corporation and its subsidiaries as of and for the year ended December 31, 2022, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10. Further, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements.

Hence, the Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

(III) Report of affiliates: n/a.

II. Status of private placement of securities during the latest year or during the current year up to the date of publication of the annual report:

Cash capital increase by private placement

| Item | 1st private placement in 2022 Issue date: November 11, 2022 |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Type of private placement of marketable securities | Common shares |
| Date and amount approved at the shareholders' meeting | The annual general meeting held on June 15, 2022 resolved to conduct a cash capital increase by private placement of common shares within the limit of 30,000,000 shares, to be carried out once or twice within one year following the date of the resolution adopted at the annual general meeting. |

| Item | 1st private placement in 2022 Issue date: November 11, 2022 | | | | | |
|--------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------|----------------------------------------------|--|
| Basis and reasonableness of price setting | <p>(1) The pricing date for the private placement was set on October 6, 2022. According to the principle adopted by the shareholders' meeting, after deducting the ex-rights and dividends of the gratis allotment and adding back the anti-defeasance of the capital reduction, the share prices were NT\$49.80, NT\$49.45 and NT\$48.78, respectively, based on (a) the simple arithmetic average of the closing prices of the common shares for the one, three and five business days prior to the pricing date; (b) the pricing date of private placement of October 6, 2022. After deducting the ex-rights and ex-dividend of the gratis allotment and after adding back the capital reduction and ex-rights, the closing average price of the common shares for the 30 business days prior to the pricing date was NT\$50.02. The higher of (a) the closing average price of the common shares for one business day of NT\$49.80, 2022 (b) the closing average price of the common shares of NT\$50.02 for the 30 business days prior to the pricing date, shall be the reference price.</p> <p>(2) After consideration, the actual private placement price was set at NT\$44.02 per share. The price set was not less than 80% of the reference price and was within the range resolved at the shareholders' meeting. This shall be deemed reasonable and does not have material impact on the shareholders' equity.</p> | | | | | |
| The manner in which the specified persons were selected | The target of private placement of common shares was WT MICROELECTRONICS CO., LTD., which is not an internal party or a related party of the Company. This met the criteria in Article 43-6 of the Securities and Exchange Act and letters issued by the competent authority regarding specified persons. WT MICROELECTRONICS CO., LTD. is a strategic investor that can assist the Company in developing new markets and generating direct or indirect benefits to the Company's future operations and posing positive effects to the long-term development, and strengthening competitiveness of the Company as well as the interests of existing shareholders. | | | | | |
| Necessary reasons of private placement | Cash capital increase by means of private placement of common shares was conducted in order to ensure the timeliness and convenience of raising business capital and introducing a strategic investor. As a private placement of common shares has a three-year restriction on the transfer, a long-term partnership between the Company and the strategic investors is ensured. | | | | | |
| Payment completion date | October 7, 2022 | | | | | |
| Information on subscribed | Target subscriber | Eligibility | Number of shares subscribed (thousand shares) | Relationship with the Company | Participation in the business of the Company | |
| | WT MICROELECTRONICS CO., LTD. | Subparagraph 2, Paragraph 1, Article 43-6 of the Securities and Exchange Act | 30,000 | None | None | |
| The actual subscription (or conversion) price | NT\$44.02 | | | | | |
| The difference between the actual subscription (or conversion) | The reference price was not 80% lower, as the reference price was NT\$50.02 and the actual price was NT\$44.02, representing a difference of NT\$6. | | | | | |
| The effect of the private placement on shareholders' equity (e.g., resulting in an increase in accumulated losses) | NT\$1,320,600 thousand was raised through the private placement, which will be used for the Company's future operational growth, posing a positive effect on shareholders' equity. | | | | | |
| The use of capital raised in the private placement and the implementation of plans | The funds privately placed were used to enrich the working capital. As of April 17, 2023, NT\$915,718 thousand from the funds privately placed was used. On April 10, 2023, the quarterly report on the use of the marketable securities privately placed funds was completed. | | | | | |
| Benefit of private placement | Through this private placement, both parties will begin to cooperate with each other strategically in order to build synergies in new market development, customer promotion, and exchange of warehousing and logistics resources. It is anticipated that the partnership will enhance the value-added capabilities of both parties in the supply chain, boosting the Company's competitiveness and improving operational efficiency. | | | | | |

III. Holding or disposal of shares in the corporation by the corporation's subsidiaries during the latest year or during the latest year or during the current year up to the date of publication of the annual report: none

IV. Other matters that require additional description: none.

V. Whether any of the situations listed in Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the securities, has occurred during the latest year or during the current year up to the date of publication of the annual report: none